3Q 2026 Business Results

Earnings call transcript

October 27, 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 3Q26 business results. Please refer to the disclaimer on page 2 of the report of our business results posted on the JB Financial Group website. Today, I am joined by Group CEO Ki-hong Kim; our CFO and Vice President Jong-geun Song; COO & 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 3Q26, and then we will have a Q&A session with all participants. CEO Kim, would you begin with your opening comments?

○ **Ki-hong Kim,** ***CEO – JB Financial Group :*** Hello. This is Group CEO, Ki-hong Kim. Currently, the domestic financial market faces heightened volatility across interest rates, foreign exchange rates, and stock indices, presenting a highly challenging environment. Against this backdrop, JB Financial Group has focused its efforts over the past quarter on strengthening risk management while simultaneously solidifying the foundation for quality growth driven by robust profitability.

I am pleased to announce that our third-quarter net income attributable to controlling interests reached KRW 210 billion. This represents record-high performance in the third quarter and on a cumulative basis. Furthermore, we are firmly on track to achieve our full-year guidance for net income attributable to controlling interests of KRW 750 billion. Our Common Equity Tier 1 ratio also remains robustly managed in the mid-12% range as of the end of the third quarter.

At today's meeting, the Board of Directors approved a third-quarter dividend of KRW 317 per share. I would like to reaffirm our commitment to seamlessly executing share buybacks and dividend payments in strict adherence to our previously announced value-up plan.

Lastly, I would like to take this opportunity to share several key corporate updates regarding our Group's recent developments. First, the Group has signed a Share Purchase Agreement (SPA) to acquire a 100% stake in Korky Credit and Korky Leasing, Kyrgyzstan-based financial institutions. This transaction marks a significant strategic milestone, representing our initial step in expanding our overseas footprint beyond our established Southeast Asian core into the Central Asian market. Furthermore, during the third quarter, we made an equity investment of KRW 40 billion in Upstage, a leading AI technology firm, and established an exclusive strategic partnership aimed at internalizing the Group's AI Transformation (AX) capabilities. Our key subsidiaries jointly launched

an AI fund worth KRW 30 billion, executing its inaugural investment in the AI security enterprise, Cipher Data. Looking ahead, the Group plans to continuously scale up investments in promising AI tech companies.

Lastly, the management and Board of Directors of JB Financial Group had the privilege of hosting both Capital Markets Day and Analyst Day this quarter, engaging in direct and meaningful communication with our valued domestic and international investors and analysts. The invaluable feedback and recommendations shared by our investors and analysts during these events will be actively incorporated into our 2027 business plan and overall group growth strategy, serving as a vital cornerstone for the sustainable growth of JB Financial Group.

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. I will now present JB Financial Group's financial results for the third quarter of 2026. Please refer to the key takeaways on page 4 of the presentation materials.

For the third quarter of 2026, JB Financial Group's net income attributable to controlling interests stood at KRW 210 billion, with cumulative net income reaching KRW 596 billion, representing a year-over-year increase of 0.8% and 2.9%, respectively. This robust performance was driven primarily by RORWA-focused loan growth and improvements in the credit cost ratio, allowing us to deliver record-high results in the third quarter and on a cumulative basis. Cumulative earnings per share (EPS) for the third quarter came in at KRW 3,167, up 5.9% year-over-year, outperforming the net income growth rate. In terms of profitability, Return on Equity (ROE) and Return on Assets (ROA) recorded 13.3% and 1.08%, respectively. Thus, we expect to maintain industry-leading profitability, firmly positioning us to achieve double-digit ROE for the eighth consecutive year and an ROA exceeding 1% for the third consecutive year. The Group is actively pursuing asset rebalancing with a disciplined focus on RORWA. As of the end of the third quarter, the Group's preliminary Common Equity Tier 1 (CET1) ratio stood at 12.39%, remaining robustly managed around the mid-12% range. Backed by this robust capital adequacy, the Board of Directors today approved a cash dividend of KRW 317 per share.

Moving on to Profitability on page 5 of the presentation. The Group's cumulative net income attributable to controlling interests for the first three quarters reached KRW 596 billion, representing a year-over-year increase of 2.9%. This strong performance outpaced our internal financial plan by 2.4%, putting us well ahead of schedule to achieve our full-year guidance of KRW 750 billion. Looking at the cumulative net income by subsidiary, although our two banking subsidiaries still posted slightly lower results compared to the same period last year, signs of some recovery were evident as Jeonbuk Bank delivered record-high earnings for the third quarter alone. Furthermore, profitability improved year-over-year across all subsidiaries other than the two banks, contributing significantly to the Group's overall earnings growth.

Next, please refer to page 6 for Interest Income and Non-Interest Income. While the Group's

interest income sustained its upward trajectory this quarter, total operating income for the third quarter declined quarter-over-quarter. This contraction was primarily due to a drop in non-interest income, reflecting the high base effect from JBWC's non-marketable securities valuation gains in the previous quarter. The quarter-over-quarter expansion in the Group's interest income this quarter was driven by a 5% growth in won-denominated loans. However, the Group's and banks' NIM compressed by 5 bps and 7 bps quarter-over-quarter, respectively, due to rising funding costs from instruments such as time deposits. This quarter-over-quarter NIM contraction occurred because the increase in overall funding costs—fueled by a lower proportion of core deposits and higher interest rates on time deposits—outpaced the increase in asset yields. Nevertheless, CD and COFIX rates, which typically reflect interest rate movements with a time lag, began to rise noticeably in September. Consequently, we expect this upward trajectory in market rates to soon materialize in loan pricing. Moving forward, JB Financial Group will do its best to maximize our NIM recovery. We will pursue a balanced growth strategy that actively protects margins while maintaining a disciplined focus on RORWA-centric growth, all backed by rigorous Asset-Liability Management (ALM).

Next, please refer to page 7 for Costs. The Group's cumulative Cost-to-Income (CI) ratio for the third quarter stood at 35.8%, demonstrating that our operating expenses remain strictly controlled. During the third quarter, the credit cost ratio improved by 15 bps quarter-over-quarter to 0.64%. Even adjusting for one-off items, the underlying credit cost ratio still showed a quarter-over-quarter improvement of 2 bps. On a cumulative basis, the year-to-date credit cost ratio recorded 0.77%, tracking well below our initial full-year guidance of 0.86%. Through proactive and preemptive asset quality management, we remain committed to keeping our credit costs thoroughly under control within our target range.

Now let me move on to Asset Quality on page 8. Although the Group's delinquency rate and Non-Performing Loan (NPL) ratio rose quarter-over-quarter to 1.76% and 1.57%, respectively, the net new delinquency rate—the underlying asset quality metric that factors in write-offs and loan sales—remained flat quarter-over-quarter for the Group and improved by 4 bps for the banks. Furthermore, both the pre-adjustment NPL ratio and the underlying delinquency rate across corporate and household loans at our two banking subsidiaries, as well as at JBWC, remained more or less flat compared to the previous quarter.

Pages 9 and 10 provide a detailed breakdown of asset quality since 2022—the onset of the rate hike cycle—categorized by our two banking subsidiaries and JBWC. First, please refer to page 9 for the banks. For corporate exposure, asset quality metrics have been on an upward trend since early 2025. However, as collateralized and guaranteed loans account for a high percentage of the portfolio, the credit cost ratio (CCR) remains well-managed at around 0.2%. Consequently, the actual impact of the rising delinquency rate on our bottom-line earnings is limited. For household exposure, the deterioration in asset quality of online unsecured loans from 2023 to 2024 had previously driven the CCR up to the mid-to-high 1% range. Since then, however, we have successfully optimized our credit scoring models and expanded the proportion of guaranteed

loans, bringing the CCR back down to a well-controlled level of around 1%.

Next, turn to page 10 for JBWC, whose asset quality metrics have recorded somewhat elevated levels since 2025. These shifts reflect an increase in the proportion of high-RORWA used car loans and auto-title loan products within its portfolio. However, as the increase in asset quality metrics has been fully priced into our products, our risk-adjusted profitability remains robustly managed. Although the Group's underlying asset quality metrics remained more or less flat compared to the previous quarter, they still stand at an elevated level. Consequently, we will tighten underwriting standards for credit-sensitive sectors and maintain continuous monitoring to manage our asset quality in a more preemptive and stringent manner.

Next, please refer to page 11 for Capital Ratios. As of the end of the third quarter, the Group's preliminary Common Equity Tier 1 (CET1) ratio stood at 12.39%, remaining safely managed in the mid-12% range. Furthermore, the Group's cumulative Return on Risk-Weighted Assets (RORWA) recorded 2.07%, holding steady at a level consistent with the same period last year. Backed by this stable capital adequacy, we will simultaneously pursue the reinforcement of our loss-absorbing capacity and the enhancement of our shareholder return policies, ensuring the seamless execution of our corporate value-up plan.

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 Tae-joon Jeong from Korea Investment & Securities. Please ask your questions.

○ **Tae-joon Jeong,** ***Analyst – Korea Investment & Securities :*** Hello. This is Tae-joon Jeong. Thank you for the opportunity to ask questions. I have two questions. First, could you provide some guidance on the net interest margin (NIM) outlook for the fourth quarter and into next year? Second, as our shareholder return ratio approaches the 50% milestone, what level of return can we realistically anticipate beyond that? Any guidance on this long-term trajectory would be greatly appreciated. Thank you.

○ **Ki-hong Kim,** ***CEO – JB Financial Group :*** This is CEO Ki-hong Kim. While it is difficult to provide an exact figure for the fourth quarter at this stage, we generally anticipate that our NIM will bottom out in the third quarter and stage a rebound in the fourth quarter. Regarding our shareholder return policy, our current execution is strictly aligned with the shareholder return enhancement roadmap outlined in our previously disclosed corporate value-up plan. We are currently maintaining a total shareholder return ratio of approximately 50%. As for the strategy beyond this threshold, as we have previously stated, once our Price-to-Book Ratio (PBR) surpasses 1.0x, we intend to re-evaluate our shareholder return framework and address the market with an updated announcement. At this juncture, no definitive decisions have been made regarding the future direction of pushing the ratio past the 50% mark. For the foreseeable future, we expect shareholder returns to remain stable at around the current 50% level. Should there be any strategic adjustments down the road, they will be thoroughly deliberated by the Board of Directors, and we will make sure to communicate them to the market as promptly as possible. Thank you.

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

○ **Jae-woong Won, *Analyst – HSBC :*** Thank you for taking my question. I would like to ask about asset quality. Thanks to your rigorous risk management, the CCR is tracking well below the 0.8% level we had initially anticipated. However, against the backdrop of the continuous rate hike cycle and the ongoing expansion of our high-yield loan portfolio, it would be greatly helpful to us if you could share, even if it might be somewhat premature, any forward guidance on the trajectory of the CCR, delinquency rate, and NPL ratio for next year and beyond.

○ **Seung-guk Lee, *CRO - JB Financial Group :*** This is CRO Seung-guk Lee. Forecasting is always inherently challenging. To begin with, the current increases in household delinquency and NPLs are aligned with our internal projections to some extent and remain well within our manageable range. On the other hand, while our corporate exposure is heavily collateralized, recent corporate delinquencies are admittedly putting some downward pressure on our overall asset quality metrics. For the fourth quarter, we firmly expect to keep the CCR through the end of the year well within our fiscal business plan targets. We anticipate the NPL ratio to remain flat or slightly above our target level, while the delinquency rate is expected to be slightly higher than the NPL ratio. Looking ahead, we are fully factoring in an uptick in delinquencies among low-credit borrowers driven by the rate hikes and broader economic slowdown. Consequently, rather than expanding pure unsecured credit, our strategy focuses on scaling up auto-title loans, which are inherently less sensitive to delinquency risks. Backed by this tactical shift, we are confident that our core asset quality metrics for next year will remain robustly managed below our current levels. Thank you.

○ **Ki-hong Kim, *CEO – JB Financial Group :*** This is CEO Ki-hong Kim. To provide further context and clarify our outlook for next year, we do not view the organic increase in delinquencies—meaning the baseline growth driven strictly by macroeconomic factors like rising interest rates—as a significant concern. In fact, we expect these organic metrics to remain largely comparable to this year's levels. Instead, any potential upward pressure on our delinquency and NPL ratios next year will stem primarily from our strategic portfolio rebalancing that we have emphasized several times previously. We are currently increasing the proportion of loan products that offer significantly higher NIMs but carry slightly higher delinquency and NPL ratios, sych as lons to foreigners, auto-title loans, and JBWC's used-car loans. As the proportion of these higher-NIM products increases within our overall loan portfolio, we expect a modest rise in the overall delinquency and NPL ratios next year, primarily reflecting this shift in our portfolio mix. We expect the impact to be limited to this portfolio mix effect. That is our current outlook. Thank you.

○ **Moderator *:*** We have no further questions in the queue at this moment. Just press the star (*) key and ‘one (1)’ to pose your questions. 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. During the previous investor event, you discussed your asset rebalancing strategy through a framework categorized into tiers 1, 2, 3, and 4. In light of that framework, could you provide a granular breakdown of the loan growth achieved during this quarter across each specific tier?

○ **Ki-hong Kim, *CEO – JB Financial Group :*** This is CEO Ki-hong Kim. Regarding the exact incremental amounts and percentage growth for each tier, our IR department will follow up with the detailed data. However, what I can definitively confirm at this stage is that Tier 1 recorded the most robust expansion, as we have been aggressively driving growth in that specific area. Conversely, Tier 4 showed the weakest performance, even contracting to some extent. This demonstrates that our strategic portfolio rebalancing—prioritizing Tier 1, followed by Tier 2 and 3—is progressing smoothly and in strict alignment with our intended strategic direction. As for the precise figures on quarter-over-quarter net increases and growth rates for each tier, we will ensure that our IR team follows up with you shortly to share those details.

○ **Jinsok Choi, *Managing Director of IR - JB Financial Group :*** Mr. Seol. This is Jin-seok Choi, Head of the IR Department. Among the Tier 1 assets, which we know are of significant interest to the market, I would like to highlight our performance in two key asset classes: loans to foreigners and auto-title loans. In the second quarter of 2026, the Group's loans to foreigners stood at KRW 1.08 trillion, which expanded to KRW 1.18 trillion in the third quarter, representing a solid 9.3% QoQ increase. Similarly, auto-title loans grew from KRW 2.63 trillion in 2Q26 to KRW 2.93 trillion in 3Q26, marking an 11.4% QoQ growth. The combined balance of these two portfolios rose from KRW 3.71 trillion in the second quarter to KRW 4.11 trillion in the third quarter, yielding a 10.8% QoQ increase. Looking ahead to the fourth quarter, we are targeting a growth rate of approximately 10.5%, with a firm plan to scale this combined balance up to KRW 4.54 trillion. A more comprehensive growth breakdown across Tiers 1 through 4 will be distributed in a separate email from our IR team. Thank you.

○ **Moderator *:*** We have no further questions in the queue at this moment. Just press the star (*) key and ‘one (1)’ to pose your questions. The next person to ask a question is analyst Joon-seok Yoo from Heungkuk Securities. Please go ahead.

○ **Joon-seok Yoo, *Analyst – Heungkuk Securities :*** Thank you for the opportunity to ask a question. You previously announced the acquisition of a Central Asian financial institution. Could you share your perspective on how you plan to execute the rollout in that market? Additionally, if the Group has established a target asset purchase size, a comprehensive overview would be highly appreciated. Thank you.

○ **Ki-hong Kim, *CEO – JB Financial Group :*** This is CEO Ki-hong Kim. To clarify, the institution we have acquired is currently a relatively small-scale Micro Credit Company (MCC) in Kyrgyzstan in Central Asia. It operates strictly as a non-depository lender, focusing primarily on leasing and unsecured consumer credit. However, the macroeconomic indicators of Kyrgyzstan present a highly compelling investment case. Demographic profiles show that individuals under the age of 30 account for 70% of the total population, while the country's GDP growth rate exceeds 10%. Furthermore, the average lending rate for microfinance institution stands at approximately 28%. Since the NPL ratio of the acquired company is managed at approximately 3%, the market theoretically offers attractive lending yields alongside rapid growth potential. Crucially, an MCC is eligible to apply for conversion into a Micro Finance Company (MFC)—which possesses partial deposit-taking capabilities—once five years have elapsed since its MCC approval. The company we acquired has been established for seven years, thus meeting the regulatory criteria for the conversion. Consequently, as soon as the change of majority shareholder process is finalized, we intend to officially file for the MFC license conversion and concurrently execute a capital increase to support this expansion. Given the relatively low competitive intensity and the sheer velocity of market growth, we are fully committed to delivering tangible, visible financial results in the shortest possible timeframe. Thank you.

○ **Moderator *:*** We have no further questions in the queue at this moment. If you would like to ask a question, please press the star(*) key followed by the number '1'.

○ **Jinsok Choi, *Managing Director of IR - JB Financial Group :*** As there are currently no questions in the queue, we will pause for a brief moment. Since we don't have any further questions, we'd like to wrap up our conference call today. Please contact the IR Department if you have further questions or need more data. We will do our best to accommodate your requests. Thank you for participating in our earnings call today. Thank you all.

(The End)

Disclaimer

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