

BNK Financial Group
2025.4Q Business Results
Earnings Call
February 6, 2026

Good afternoon.

I am Jong-Hoon Kang, CFO of BNK Financial Group.

Thank you all for joining today's earnings presentation. I will now walk you through the highlights of BNK Financial Group's 2025 Business Results, focusing on key financial results.

On page 3, please refer to the Group's earnings performance.

In 2025, net income attributable to controlling interests posted KRW 815.0bn, representing an increase of KRW 86.5bn, or 11.9% YoY.

This improvement was driven mainly by higher non-interest income, including securities-related gains, as well as a decline in credit costs, particularly provisions related to real estate PF exposures.

Next, let me discuss the performance by segment.

Net interest income for the Group increased by KRW 23.6bn, or 0.8% YoY, after adjusting for 47.8 bn of interest expense related to the Gangnam Fund disposal in 2Q, which was attributable to non-controlling interests. The increase was mainly supported by growth in interest-earning assets despite a slight decrease in margin.

Net fee income declined by KRW 40.5bn YoY, reflecting lower real estate PF-related fees. In contrast, other non-interest income rose by KRW 100.7bn YoY, largely due to increased securities-related income.

Moving on to expenses.

SG&A expenses increased by KRW 122.8bn, or 7.8% YoY, mainly due to higher year-end labor costs, including one-off factors such as ERP expenses (voluntary retirement payments) and the expansion of the scope of ordinary wages, in addition to normal personnel cost increases.

Provisioning expenses declined by KRW 113.6bn, or 12.7% YoY, driven by lower provisions for real estate PF exposures.

As a result of our ongoing efforts to strengthen asset quality, credit costs are expected to continue stabilizing gradually going forward.

Next, on page 4, let me explain the Group's NIM and KRW loan growth.

In 4Q, Group NIM stood at 2.02%, declining by 1 bp QoQ. An improvement in banks' NIM was offset by a loss from the reversal of accrued interest on corporate finance at the capital subsidiary.

Banks' NIM improved by 1 bp QoQ to 1.81%, supported by growth in interest-earning assets and an improved loan-deposit spread. Busan Bank's NIM remained stable at 1.83%, while Kyongnam Bank's NIM rose by 2 bps QoQ to 1.79%.

Looking ahead, we will continue to lower funding costs by expanding branch-based deposits, while pursuing profitability-focused asset growth to further improve margins.

Group KRW loans grew by 4.2% YoY, with Busan Bank and Kyongnam Bank recording growth of 3.6% and 5.1%, respectively.

As in the prior year, our top priority remains asset quality management of existing loan assets, while new loan origination will focus on quality-driven, profitability-oriented growth rather than volume expansion.

Now turning to asset quality on page 5.

As of 4Q, the Group NPL ratio improved by 4 bps QoQ to 1.42%, while the delinquency ratio declined by 20 bps QoQ to 1.14%.

The credit cost ratio (CCR) fell by 13 bps YoY to 0.64%, reflecting lower provisioning for PF loans and reversals from recoveries of previously written-off loans.

Total PF loan exposure declined by KRW 142.2bn, or 2.0% YoY, to KRW 6.84tn. Meanwhile, PF loans backed by guarantees from HUG and HF increased by KRW 655.4bn, or 26.7% YoY.

As guaranteed PF loans continue to expand while unsecured PF loans decline, the overall quality of our PF loan portfolio is steadily improving, and credit costs related to PF exposures are expected to decrease gradually.

We will continue to focus on disciplined growth and rigorous post-lending management to further strengthen asset quality.

Next, on capital adequacy on page 6.

In 2025, the Group's CET1 ratio improved by 6 bps YoY to 12.34%, supported by steady earnings generation and efficient RWA management.

As the CET1 ratio forms a critical foundation for the Group's sustainable growth and enhanced shareholder returns, we will continue to manage capital prudently to maintain stability.

Now, let me outline our shareholder return policy.

The Board of Directors resolved today to pay cash dividends of KRW 735 per share for 2025, including KRW 360 per share already paid as quarterly dividends and a year-end dividend of KRW 375 per share to be paid.

This represents an increase of KRW 85 per share, or 13.1% YoY, with a dividend payout ratio of 28.1%.

Including KRW 100.0bn of share buybacks and cancellations executed in 1H and 2H 2025, our total shareholder return ratio(TSR) reached 40.4%.

For 2026, our TSR is expected to reach the mid-40% range. We plan to further expand share buybacks and cancellations, within a framework of increasing cash dividends by at least 10% annually to meet the requirements for preferential dividend taxation (separate dividend income taxation) for individual investors.

Please note that details on share buybacks and cancellations plan for the first half of 2026 will be disclosed following the 2026 AGM.

We will continue to steadily increase DPS, while actively executing share buybacks during periods of undervaluation to ensure consistent implementation of our shareholder return policy.

Next, on page 7, I will update you on the progress of our Value-Up Plan.

Since announcing the corporate value-up plan in October 2024, we have maintained RWA growth within 4% annually through efficient asset rebalancing, while keeping the CET1 ratio at a stable level through retained earnings growth and disciplined capital management.

The total shareholder return ratio(TSR), which stood at 28.2% at the time of the announcement, has risen to 40.4% in just two years. We expect this to reach the mid-40% range this year, and potentially 50% next year, in line with our stated targets.

That said, we acknowledge that ROE has fallen short of expectations due to higher credit costs stemming from asset quality deterioration among certain major clients. Going forward, we will focus on credit cost stabilization and earnings normalization to steadily improve ROE and meet market expectations.

Lastly, on page 8, I will touch on our advanced governance framework.

To enhance shareholder value, we have established a new governance system that strengthens board independence and accountability.

We introduced “a public shareholder nomination system for independent directors”, allowing shareholder input to be directly reflected in the director nomination process, thereby enhancing board transparency and independence.

In addition, we plan to further strengthen management accountability and corporate value, by linking objective performance evaluations of holding-company and subsidiaries management to compensation outcomes.

In closing, as credit costs have begun to stabilize since 2025, the Group’s overall performance is gradually improving. However, amid continued macroeconomic uncertainty, asset quality management remains a top priority.

In 2026, we will continue to focus on restoring soundness and improving earnings, while simultaneously enhancing our asset portfolio through high-quality, prime-asset-focused growth and improving the profitability of non-bank subsidiaries, with the goal of normalizing Group ROE.

Thank you for your attention.