

KB Financial Group (105560 KS)

FUNDAMENTAL VIEW ¹

As of 29 Jul 2025

- KB Financial Group has grown steadily through the acquisitions of non-bank companies in Korea and small banks in Indonesia and Cambodia. Its banking subsidiary, Kookmin Bank, operates the largest branch network in Korea, with a particularly strong presence in the retail market. This makes it a systemically important bank, with strong potential government support if needed.
- The group has a good track record, and its large mass-market franchise gives it a strong customer base. It has a well-diversified business and the highest CET1 ratio among the four major financial groups.

RISKS & CATALYSTS

As of 29 Jul 2025

- As one of Korea's "Big Four" financial groups, we believe that KBFG would likely receive governmental support if needed.
- Credit costs normalised to 45 bp in FY24 (from a spike to 73 bp in FY23) - a level more consistent with peers, but 1H25 credit costs at 55 bp were higher than peers again; however, it also has the highest NPL coverage ratio among the Big 4.
- KBFG has the highest NIM among the four FGs, largely thanks to the highest NIM at Kookmin bank among the Big 4 banks.
- KBFG is expanding by business line and overseas with a focus on Indonesia and Cambodia—markets with more favourable demographics, growth potential, and profit margins than Korea but also more risk. The profit plan for the Indonesian subsidiary has been slower than expected, with it finally turning profitable in 1H25.

CREDIT QUALITY SCORE (CQS) ²

As of 28 Oct 2025

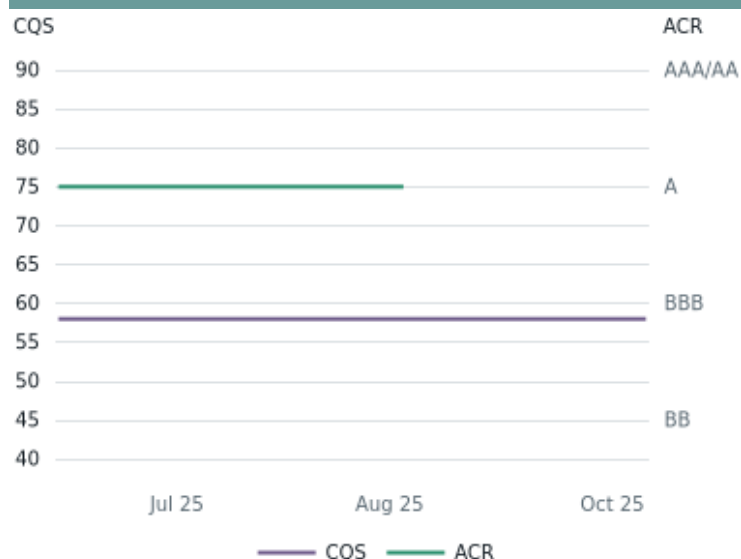
CURRENT CQS

58

CQS OUTLOOK ³

NO OUTLOOK

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 29 Jul 2025

KRW BN	FY21	FY22	FY23	FY24	1H25
Pre-Provision Profit ROA	1.14%	1.05%	1.36%	1.37%	1.49%
ROA	0.69%	0.57%	0.65%	0.68%	0.90%
ROE	10.2%	8.8%	9.1%	9.7%	13.0%
Provisions/Loans	0.31%	0.45%	0.73%	0.45%	0.55%
NPL ratio	0.33%	0.34%	0.57%	0.65%	0.72%
CET1 Ratio	13.5%	13.2%	13.6%	13.5%	13.7%
Equity/Assets	7.3%	7.9%	8.2%	7.9%	7.8%
Net Interest Margin	1.83%	1.96%	2.08%	2.03%	1.98%

BUSINESS DESCRIPTION

As of 29 Jul 2025

- KB Financial Group (KBFG) is a well-diversified and well-run group. Its main subsidiaries, in addition to Kookmin Bank (KB), are Kookmin Card, KB Insurance, KB Securities, KB Capital (leasing), and KB Asset Management.
- KB was the result of several mergers after the Asian economic crisis of the late 1990s. Its main predecessors were Citizen's National Bank and Housing & Commercial Bank, both retail-focused banks that have given it the leading position in Korean retail banking.
- For the near term, the group doesn't expect further M&A. It has looked for growth overseas, focusing on Indonesia (where it has taken a 67% stake in Bank Bukopin) and Cambodia (it took a 100% shareholding in Prasac, a micro-finance lender, over 2020-21). It also bought Prudential Financial's Korean insurance business in 2020, which was subsequently merged with KB Insurance.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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