
1Q26 Financial Results

Earnings Call Transcript

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1Q26 Earnings Results

[Operator]

Good afternoon and thank you for attending today's call. We will now begin Meritz Financial Group's 1Q26 Earnings Call.

[MFG IR]

Good afternoon. This is Sang-hoon Kim from the IR team of Meritz Financial Group.

We sincerely appreciate your participation in our 1Q26 Business Results presentation despite your busy schedules.

Today's conference call will proceed in the following order: 1) CEO greetings, 2) Presentation of 1Q26 business results, 3) Q&A session. The Q&A session will consist of two parts: questions from analysts and institutional investors, followed by pre-submitted questions from retail shareholders.

First, we have a greeting from Vice Chairperson and CEO of our group, Yong Beom Kim.

[MFG CEO]

Good afternoon. This is Yong Beom Kim, CEO of Meritz Financial Group.

I would like to sincerely thank all of you for joining our 1Q26 Business Results conference call.

We hope today's IR conference call provides a meaningful opportunity to review the Group's management performance over the past quarter.

Vice Chairman Hee-Moon Choi, the CEOs of Fire & Marine Insurance and Securities, as well as the Group CRO, are also present today.

Following the presentation, we will provide candid and detailed responses during the Q&A session.

Thank you.

[MFG IR]

Thank you, Vice Chairman Kim, for your opening remarks.

We will now begin the presentation of the Group's 1Q26 business results.

First, the holding company results.

Slide 3 presents the 1Q 2026 Business Results Highlights. The holding company's consolidated total assets stood at KRW 144.4 trillion, a 6.6% increase compared to the end of the previous year. Consolidated net income was KRW 680.2 billion, up 9.6% year-over-year, with an ROE of 25.4%. EPS for 1Q 2026 was KRW 3,926, and BPS was KRW 64,348, representing year-over-year increases of 17.1% and 18.0%, respectively.

Next is Slide 4, which details the holding company's business performance. Consolidated net income for 1Q 2026 was KRW 680.2 billion. Despite a decline in insurance profit and the continuation of domestic and external uncertainties such as Middle East-related risks, net income increased 9.6% year-over-year, driven by improved investment returns across subsidiaries.

Slide 5 shows standalone net income by major subsidiary: Meritz Fire & Marine at KRW 466.1 billion, Meritz Securities at KRW 300.4 billion, and Meritz Capital at KRW 47.0 billion.

Meritz Fire & Marine recorded a slight year-over-year increase of 0.8% in net income, as continued improvement in investment profit offset the decrease in expected-versus-actual (E/A) variance profit driven by rising medical claims from respiratory illnesses.

Meritz Securities posted net income of KRW 300.4 billion, a 30.2% increase year-over-year, with strong performance across all divisions led by outstanding trading results.

Meritz Capital achieved net income of KRW 47.0 billion, up 66.0% year-over-year, driven by increased investment gains and the reversal of loan loss provisions.

Next is Slide 6 on changes in assets and equity. The holding company's consolidated assets in 1Q 2026 grew approximately 6.6% from year-end 2025 to KRW 144.4 trillion, driven by the continued growth of managed assets. Equity increased 4.8% from year-end to KRW 11.8 trillion, despite continued share buybacks.

Slide 7 shows the holding company's 1Q ROE of 25.4%, with a double leverage ratio of 112.1%, reflecting industry-leading ROE and a stable double leverage ratio. EPS for 1Q 2026 was KRW 3,926 and BPS was KRW 64,348, with per-share value continuing to rise steadily.

Slide 8 covers the Group's real estate exposure and credit costs.

As of end of 1Q, the Group's total real estate exposure stands at KRW 29.6 trillion — KRW 25.7 trillion domestic and KRW 3.9 trillion overseas. Of this, senior-tranche loans account for 91% with an average LTV of approximately 47%, continuing to be managed with high-quality assets at the core.

Net provisioning in 1Q recorded KRW -11.6 billion from partial provision reversals. Impairment on beneficiary certificates was also KRW 5.8 billion, a decrease of approximately KRW 9.6 billion year-over-year.

Finally, Slide 9 presents the 1Q 2026 progress on the Corporate Value-up Plan.

As of end of March, the Bloomberg-based forward PER stands at 6.9x, implying a share buyback and cancellation yield of 14.6% — still well above our required return rate of 10%. Accordingly, we continue to pursue a shareholder return policy centered on share buybacks and cancellations. The cumulative TSR since the announcement of our shareholder return policy in 2023 stands at 169.6%.

On March 26, we entered into a trust agreement for treasury share acquisition totaling KRW 700 billion, and as of end of April, we have acquired approximately 1.26 million shares worth approximately KRW 146.1 billion.

In accordance with our disclosed guidelines, we will continue to maintain an active and transparent shareholder return policy going forward.

We will now turn to the performance of our key subsidiaries.

Starting with Slide 12, Meritz Fire & Marine Insurance.

Standalone net income for Meritz Fire & Marine in 1Q 2026 was KRW 466.1 billion, up 0.8% year-over-year. Although insurance profit declined due to lower E/A variance profit and higher onerous contract costs, continued improvement in investment returns offset the decrease.

Insurance profit was KRW 334.6 billion, a 7.0% decline year-over-year. E/A variance profit decreased due to increased respiratory disease claims and rising targeted cancer treatment expenses compared to the prior year.

Investment profit was KRW 296.2 billion, up 13.0% year-over-year, driven by increased FVPL valuation and disposition gains from proactive positioning in a strong equity market, as well as partial reversals of provisions.

Turning to segment results for 1Q: While growth in the long-term health insurance market has slowed due to the impact of lapse rate guidelines, we focused on high-profitability new sales, achieving monthly average premium sales of KRW 11.4 billion in protection-type health insurance, up 21.0% year-over-year.

In auto insurance, revenue increased but the segment remained in deficit as accident frequency and average loss per claim rose. By contrast, commercial insurance recorded substantial profit growth, with both higher revenue and improved loss ratios.

Slide 13 presents the CSM movement and new business CSM conversion multiples. The CSM balance as of 1Q stood at KRW 11.2917 trillion, an increase of KRW 188.0 billion from the previous quarter. New business CSM increased by KRW 440.3 billion, interest accretion by KRW 88.8 billion, while CSM adjustments reduced it by KRW 36.9 billion. Quarterly CSM amortization was approximately KRW 304.1 billion. The 1Q CSM conversion multiple was 12.6x, continuing the trend of improvement from both the prior quarter and the same period last year.

Please refer to Slides 15 and 16 for investment yield and K-ICS ratios. The investment yield for 1Q was 5.4%, an improvement over the prior quarter, and the preliminary K-ICS ratio stands at 240.7%.

Next, turning to Meritz Securities on Slide 17.

Consolidated net income for 1Q 2026 was KRW 254.3 billion, up 35.7% year-over-year, while standalone net income was KRW 300.4 billion, up 30.2%. Excluding the dividend income received from Meritz Capital, standalone net income was KRW 233.1 billion, up 52.4% year-over-year.

Despite heightened domestic and external uncertainties including Middle East-related risks, the firm proactively capitalized on a favorable equity market environment and focused on quality deal sourcing, delivering strong performance across all business divisions.

Slide 18 covers segment revenue. Investment banking profit in 1Q 2026 improved year-over-year, supported by solid deal performance and provision reversals. Net interest income remained robust, with broad-based growth in other interest income offsetting the high base effect from strong loan interest income in the prior year. In trading division, the expansion of equity investment positions and increased dividends from existing investments drove higher returns. In brokerage and wealth management, commission income and asset management fees continued to rise steadily, supported by client inflows from offline channels and growing AUM.

Slide 22 presents risk management indicators. The consolidated NCR rose to 1,638% on lower total risk exposure, and the substandard-and-below loan ratio was recorded at 4.2%.

Please refer to the materials for Meritz Capital and other segment-specific indicators.

Institutional Investors Q&A

※ Comments from the host and operator have been omitted.

Q1.

I have two questions. First, given the recent escalation of geopolitical risks in the Middle East, concerns have been raised about high inflation, high exchange rate, and elevated interest rates. Additionally, issues around construction material supply chains and potential construction site shutdowns have emerged, with discussion about insurance policies related to vessels stuck in the Strait of Hormuz. How does the company view this situation, and what measures are being taken?

Q2.

Second, it appears that another securities firm recently launched a foreign investor omnibus account service, which has drawn significant market attention. Could you share whether Meritz Securities is also preparing a similar service, and if so, any plans or timeline?

A1.

This is Jong-won Oh, CRO of the holding company. I will address the first question.

I will break the question into three parts: the impact of a weak won and high interest rates, the impact of construction site shutdowns due to high inflation, and the impact of marine insurance for vessels in the Strait of Hormuz.

First, on the impact of currency depreciation and interest rate rises: We began preparing for the risks of rising exchange rates and interest rates since the end of last year. We reviewed the FX hedging positions on our subsidiaries' overseas assets, eliminated over-hedged positions, and established hedge positions against short-term interest rate spikes through the purchase of government bond put options. We intend to maintain our current posture and respond swiftly to market developments.

Regarding the impact of construction site shutdowns due to high inflation: At present, there are no construction sites that have been halted or delayed due to rising construction costs. Furthermore, as all of our real estate project financing deals are subject to completion guarantees from high-quality contractors or trust companies, the risk of losses from construction stoppages is hedged.

Finally, regarding the status of marine insurance for vessels in the Strait of Hormuz: We have a total of 16 vessel and cargo insurance policies west of the Strait of Hormuz, and no losses

have occurred to date. All 16 policies are reinsured, and our maximum loss exposure per policy is capped at USD 2 million.

In summary, we have proactively managed the risks of currency and interest rate volatility since last year, while construction shutdown risks and marine insurance exposure are also actively hedged. Even in a worst-case scenario, the impact on our company is expected to be minimal.

A2

This is Won-jae Jang from Securities. Meritz Securities is also preparing a foreign investor omnibus account service in partnership with Webull, a global digital brokerage. This service will enable overseas investors to directly trade Korean equities, and we anticipate that it will significantly enhance foreign investors' accessibility to the Korean market.

Furthermore, rather than acting merely as a transaction intermediary, we plan to expand and improve our community platform through 'MOUM', which is being prepared for launch in the second half of the year, enabling overseas investors to share investment information and exchange views alongside domestic investors.

Following the official launch of MOUM, we plan to strengthen our role as a true investment platform by leveraging an active global investment community and differentiated content capabilities, including proprietary AI features.

Q3.

I have two questions about Meritz Securities. First, you touched on the new platform earlier — could you elaborate on the ultimate objectives you are aiming to achieve through the launch of the new platform, and any differentiation points relative to competitors?

Q4.

Second, since last year the company has been strongly driving retail growth, particularly achieving notable results in overseas equities. However, with the domestic equity market performing well recently, I'm curious whether domestic trading volume on your platform still remains smaller than overseas, or whether you have a strategy to close that gap.

A3.

This is Won-jae Jang from Securities. Let me first address the new platform.

'MOUM' goes beyond simply providing transaction convenience, and is built around two core competitive strengths: 'information sharing based on a global community' and 'AI capability enhancement within the platform.'

While existing brokerage apps have focused primarily on UX/UI improvements to enhance trading convenience, MOUM aims to 'share the most up-to-date global investment community information with all investors in real time, without filters.'

Korean investors' monthly trading volume in U.S. equities recently exceeded KRW 200 trillion, yet it is difficult for them to access real-time insights from local investment communities — such as what new rumors are circulating in the U.S. community when Tesla surges, or what the immediate reactions of investors are right after an Nvidia earnings release.

MOUM will deliver real-time discussions and insights from local investors through collaboration with multiple global partners, with 'MOUM AI' removing language barriers and adding context to provide domestic investors with the most multidimensional investment information available.

Our goal is for MOUM to become the 'must-use investment platform' that investors cannot afford to be without, and we expect a strong customer lock-in effect driven by 'information dependency.'

A4.

Continuing with domestic equity performance:

Less than two years after launching our commission-free campaign at end of 2024, our overseas equity brokerage segment has achieved a No. 1-2 market share position in the industry, showing remarkable growth. While domestic equity performance has been relatively more modest in comparison, it too has been maintaining a meaningful growth trajectory.

Our domestic equity contract volume grew 14x from 2024 to 2025, a record-breaking figure, and with the buoyant domestic market this year, we have already exceeded last year's full-year contract volume as of April 2026.

Although the commission-free promotion for new customers in U.S. equities was discontinued at the start of this year, the commission-free promotion for domestic equities has been maintained for both existing and new customers. With growing domestic market turnover and the steady upward trend in both active client numbers and trading volume metrics, tangible results are expected to materialize soon.

Q5.

I have two Securities-related questions. First, several major securities firms have recently been expanding equity exposure through proprietary trading beyond brokerage, capitalizing on the bullish equity market. Could you comment on whether there have been any changes in Meritz Securities' investment direction in this regard?

Q6.

Second, Securities delivered a very strong 1Q result in line with favorable market conditions. Were there any noteworthy one-off items, and do you view the earnings power of the Securities segment as having recovered to a sustainable level?

A5.

This is Won-jae Jang from Securities. We believe that, starting last year with the financial industry's push to strengthen venture capital investment, a full-fledged era of equity investing has arrived. We are focused on rapidly adapting to this major market shift by expanding equity exposure and internalizing our investment management capabilities.

To strengthen our equity investment capabilities, in April of last year we recruited top-tier external talent and established a new AI Division, while also expanding the headcount of our existing Equity Investment Division. Since then, we have steadily expanded equity exposure across the firm and are increasing equity investments in both domestic and overseas companies, leading to growth in returns from the equity management segment.

In addition, we are leveraging co-investment synergies among Group affiliates to create profit opportunities on multiple fronts. In 1Q, anticipating the government's policy support for KOSDAQ and an IPO market boom driven by a strong equity market, we jointly executed new commitments to KOSDAQ venture funds across the Group.

Furthermore, in active response to the government's push to expand venture capital investment, we are increasing investment in national strategic technologies and advanced industries. Through new specialized financial investment associations and similar vehicles, we have been making pre-emptive investments in high-quality mid-cap companies, including 'Mico Power,' which plays a key role in national hydrogen infrastructure, and AI semiconductor companies 'Furiosa AI' and 'Semifive.'

A6.

This is Jong-min Kim, CEO of Securities.

Let me add to the discussion on Securities' results. The 1Q performance reflects both broad-based improvements in our business segments and the inclusion of some one-off provision reversals. I will walk through each segment.

In Investment Banking, despite a high base from strong 1Q results last year, stable earnings power supported growth in fee income, driving solid results. Additional benefit from certain provision reversals also contributed to performance improvement.

In Asset Management, growth in domestic equity investment returns was the primary driver, reflecting the tangible results of the expanded equity market positions and enhanced investment capabilities described earlier. In addition, the team responded nimbly to heightened interest rate volatility, with fixed income gains also contributing to the improvement.

Finally, the fundamentals of Brokerage and Wealth Management continued to strengthen, with results steadily improving. Retail client assets have been growing consistently through both the expansion of online platforms via the Super365 account and ongoing client inflows through offline channels. As a result, related brokerage commissions and wrap account management fees are on a continued upward trend. This is a positive indicator that online and offline channels are growing in a complementary manner, generating stable revenues.

In summary, the 1Q Securities results reflect stable expansion across new business areas including corporate finance and retail, together with enhanced investment performance driven by shifts in our investment strategy.

Q7.

I have a question about Meritz Fire & Marine. It appears that GA new sales has been performing well since 3Q of last year, diverging from the broader industry trend in 1Q. I am curious whether this trend is sustainable, and I'd appreciate any comments on industry-level changes as well as any company-specific strategic changes.

And I would appreciate it if you could share the outlook for new sales other than the GA channel.

Q8.

Second, on the loss ratio: while it has edged up somewhat, it appears to remain at a favorable level versus the industry. Could you share your expectations for the loss ratio going forward?

A7.

This is Joong Hyun Kim from Fire & Marine. Let me first address the new sales outlook and our strategy.

In the health insurance market, new business profitability across the industry is expected to deteriorate as a result of the lapse rate guidelines implemented last year and the normalization of loss ratio assumptions planned for this year. Simultaneously, the loss ratios that have risen from two to three years of ruinous competition are now easing, reducing the intensity of price-destructive competition. As a result, the long-term health insurance market is currently contracting year-over-year. A final rush of sales is expected ahead of the commission system changes at year-end, but excluding that variable, we expect this trend to continue throughout the year.

Our principles and strategy in response remain unchanged — to focus exclusively on new sales where profitability is secured. While competitors who had been selling loss-making products at destructive margins are now raising prices or restricting underwriting due to profit erosion, we have been steadily expanding our market leadership within the GA channel by adhering consistently to our principles, and this is being confirmed in our market share figures.

As a result, GA long-term health insurance new sales in 1Q grew 30% year-over-year, far outpacing the market average. This validates the result of our patience in refusing to participate in the prolonged destructive competition, as evidenced by the simultaneous growth in both revenue and profitability.

Beyond that, we will continue to increase investment in our proprietary channels — TA, TM, and Partners — and further diversify our channel portfolio. These channels are also maintaining year-over-year revenue growth.

In summary, our current expansion in the GA channel is not a temporary windfall, but rather the natural outcome of principled discipline being validated through market normalization. We are confident that this trend is sustainable.

A8.

Continuing with the loss ratio:

Our favorable long-term insurance loss ratio is not a temporary phenomenon but rather a structural differentiation. As noted in previous earnings calls, we expect this core competitive advantage to persist, and I will explain the basis for this from two perspectives.

First, the visible results of a high-quality policy vintage built through profitability-focused underwriting that we have maintained consistently, avoiding volume-driven competition. The rising loss ratios observed broadly across the industry are attributed to policies that were originated for the purpose of short-term profit expansion.

In contrast, we have consistently maintained strict product pricing and underwriting standards aligned with our profitability criteria, excluding unnecessary destructive competition.

As a result, the proportion of low-quality policies in our in-force portfolio is meaningfully lower than peers, and the high-quality policies accumulated over time are functioning to stabilize overall loss ratios.

Second, the expanded capability to create new sales value through a profitability-oriented new product portfolio restructuring. We are not merely limiting ourselves to proactive risk management — we are also expanding our portfolio of high-profitability new riders and products. This has strengthened our new business revenue base, and the continuous inflow of quality new premium is establishing a virtuous cycle that further enhances the health of the overall in-force portfolio.

In conclusion, our favorable loss ratio is the intrinsic result of combining principled risk management maintained over time with our value-creation capability through profitability-focused new business growth.

Due to these structural differences in in-force portfolio composition and underwriting framework between our company and competitors, we expect the current favorable loss ratio trend versus the industry to be sustained.

Q9.

I have two questions about Meritz Fire & Marine. First, I'd like to understand the magnitude of the impact from the loss ratio and expense guideline changes that will be reflected in 2Q. Additionally, I understand that the simplified insurance loss ratio assumption change has been deferred to year-end — could you also share the expected impact of that?

Q10.

Second, regarding the K-ICS ratio — what level do you consider to be a stable K-ICS ratio in order to sustain both new business growth and the current shareholder return policy?

A9.

This is Joong Hyun Kim from Fire & Marine. I will address the impact of the 2Q guideline amendments to loss ratio and expense assumptions, including the effect of the simplified insurance loss ratio change deferred to year-end.

We plan to reflect all regulatory amendments, including the simplified insurance loss ratio assumption guideline amendment deferred to year-end, comprehensively in 2Q. Please assume that all effects will be fully reflected in the 2Q financial statements.

As stated in our previous earnings calls, we have consistently applied best-estimate assumptions, setting loss ratios for new riders at 90% or above from the outset, and assuming loss ratios for non-indemnity renewable riders at 100% — already at levels exceeding the regulatory guidelines.

A number of new standards will be applied in June, and the specific impact measurement is still in progress, so we are not yet in a position to provide a precise figure. However, for the reasons explained above, we expect the financial impact to be minimal.

A10.

This is Jong Won Oh, CRO of Fire & Marine, addressing the second question. We are actively hedging interest rate risk through ALM, and we are selectively underwriting high-profitability new policies. Accordingly, there is no risk of K-ICS ratio decline from rising interest rates or new business growth, and there is no impact on our shareholder return policy.

Regarding our K-ICS ratio management target: we view 180% and above as the appropriate K-ICS level to simultaneously sustain our current shareholder return policy and new business growth. This level ensures that even in a stress scenario, we can maintain our internally determined minimum threshold of 150%.

Q11.

I have two questions about Meritz Fire & Marine. First, were there any one-off items in investment profit this quarter? If so, please elaborate.

Also, it appears that equity investment assets within OCI securities have been increasing — could you provide more details on this?

Q12.

Second, it appears that the E/A variance was somewhat weaker this quarter compared to last year. Could you walk through the specific factors behind this in detail?

A11&12.

This is Joong Hyun Kim from Fire & Marine. Let me address the 1Q investment results. First, there were no one-off items such as the bond swap disposition losses recorded in 4Q of last year. Investment income increased approximately KRW 38.0 billion year-over-year, driven by a roughly KRW 28.0 billion increase in FVPL valuation and disposition gains due to rising equity prices, along with partial provision reversals. This reflects our decision to expand equity exposure from end of last year in anticipation of a strong equity market.

During 1Q, equity-type asset holdings increased by approximately KRW 330.0 billion from year-end, and the equity asset weighting within managed assets also rose by approximately 0.8 percentage points. To reduce earnings volatility, we invest in both P&L and OCI assets. Total returns from equity-type assets in the quarter amounted to approximately KRW 91.0 billion, of which KRW 86.0 billion was classified as P&L and KRW 5.0 billion as OCI. This is a direct result of proactively positioning ahead of market movements.

Going forward, under our investment principle of focusing on high-return assets, we plan to continue to respond nimbly to changes in the market environment while pursuing qualitative diversification of managed assets, including increasing domestic and overseas equity investments for long-term purposes.

Next, on the E/A variance. The 1Q E/A variance was negative KRW 8.8 billion. As loss ratio assumptions were revised favorably based on actual loss experience at year-end 2025, E/A profit decreased while CSM amortization increased.

The increase in actual claims paid — driven by rising respiratory disease claims and increased utilization of targeted cancer treatments compared to prior periods — slightly exceeded expectations, resulting in a negative E/A variance in 1Q. However, this is a short-term, quarterly fluctuation, and we expect the full-year trend to be managed stably in positive territory.

Individual Investors Q&A

※ Comments from the host and operator have been omitted.

Q1.

Meritz Securities has invested considerable effort in building an organically integrated structure linking IB, retail, and trading. How far along is the system currently? I'd like to hear about the results of various initiatives such as PIB, and whether you are preparing investment products that can be created through organic collaboration within Securities.

A1.

This is Won Jae Jang from Securities. We are building an 'investment value chain' that integrates all of the firm's capabilities. High-quality deals sourced by our Investment Banking and Sales & Trading divisions are supplied, either as-is or structured, as customized products to our clients.

First, leveraging our core strength in quality deal sourcing, we supply a variety of products structured in the form of bonds or DLS to our retail channels. This creates synergies whereby the firm enhances capital efficiency while clients gain preferential access to institutional-grade investment opportunities.

Additionally, we design products in a tiered return structure where clients co-invest in the same products we invest in, or where the firm takes a subordinated position to provide downside protection. This reflects our philosophy of offering clients only deals in which the firm is confident enough to co-bear the risk.

In particular, starting this year, we are selecting and productizing deals from our existing investment portfolio where remaining maturities have shortened — providing improved liquidity and already-validated stability. These are expected to serve as a stable investment vehicle for investors with short-to-medium-term high-yield demand.

Additionally, we have established a dedicated organization to activate the supply of bonds and in-house products to retail clients.

We plan to consolidate this value chain of 'quality deal sourcing — sophisticated structuring — stable distribution' to expand our sales channels and product supply, with the aim of making cross-divisional synergies our uniquely differentiated revenue model.

The end.