

Letter to the Board of Directors and the Management of JB Financial

Continuing Successful Transformation

December 19th, 2024

Dalton Investments (“Dalton” or “we”), a US-based, long-term value-oriented investment management firm, has been investing in JB Financial (“JB” or the “Company”) through funds and client accounts that it manages.

We highly commend the management of JB for its continuously successful transformation and its demonstrated willingness to work more closely with stakeholders. We also would like to please share our sincere congratulations on the recent news of JB being included in the Dow Jones Sustainability Korea Index.

When we started investing in JB around 10 years ago, its Return on Equity (“ROE”) was the lowest in the industry with 6%. However, its '23 ROE of 12% was now the highest in the industry which had average ROE of 8%. This is due to the company’s focus on core businesses and identification of niche markets. Businesses need to be proactive to survive, thrive and serve their social responsibilities. JB seems to have exemplified such virtue.

JB has been particularly proactive in identifying and addressing niche and newly emerging markets through innovative products and strategies. For example, it has been a leader in ‘financial inclusion’ by providing microfinancing to low-income borrowers, and by providing loans to immigrant workers. It has also partnered with several fintech companies for collaboration and recently launched one of the first co-lending products in the industry with a fintech player.

Through the proactive steps taken by the management JB has also managed risks well so far. Unlike many others, its Project Finance related loans have not had any major issues. Its overall delinquency rate and credit costs have been kept within the reasonable range. Internal controls have been robust and there haven’t been any major financial incidents.

JB has also quickly become one of the leaders in Korea Environmental, Social & Governance (“ESG”) practice. It recently was included in the Dow Jones Sustainability Korea Index as it has adhered to a range of market leading practices with deep long-term commitments to sustainability across its businesses. It is a signatory of the UN Global Compact, Carbon Disclosure Project and adopts the UN Sustainable Development Goals in its overall goal setting. Moreover, JB’s board has now embraced more globally accepted best practices and has included more independent directors.

Finally, JB has shown great improvement in capital allocation, as witnessed by improving ROE, and in shareholder communication and engagement. In 2016, JB's total shareholder return ratio was a mere 6% but that has increased to 33% in 2023. JB recently announced on its 'Value-up Plan' that it'll target more than 50% total shareholder return ratio in the long term and expand share buyback proportion to more than 40% of total shareholder returns. Share buybacks and the cancellation of treasury shares has been something we have been recommending to the management, and we were delighted to see management's commitment to long-term shareholder value.

JB is a nimble and strong hidden champion in Korea managed by capable management and employees. Please continue to look forward, move fast and successfully transform.

Very truly yours,



James Lim
Partner, Portfolio Manager, Senior Research Analyst
Dalton Investments