COMPANY UPDATE

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Financial/Consumer Goods Team

Jaewoo Kim
Team Leader
jaewoo79.kim@samsung.com

Heejae Yoon
Research Associate
heejae23.yoon@samsung.com

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KB Financial Group (105560)

2Q review: Non-banking unit to drive up shares

- KBFG reported a 2Q net profit of KRW1.99t (up 14.6% y-y), exceeding FnGuide consensus by 4.1% and marking its highest quarterly profit on record, alongside a quarterly ROE of 14.3%. The CET-1 ratio improved to 13.74%, up 10bps q-q.
- Based on its formal shareholder return framework, KBFG announced a KRW700b share buyback for 2H, with the remaining KRW180b of shareholder return capacity intended for either additional buybacks or year-end dividends.
- We keep the stock as our sector top pick, as it is set for valuation re-rating backed by differentiated earnings growth, a robust ROE, and strong CET-1 ratio, all underpinning industry-leading shareholder returns.

AT A GLANCE

BUY

Target price	**KRW230,000**	**30.5%**
Current price	**KRW176,300**	
Market cap	KRW62.5t/USD42.6b	
Shares (float)	351,106,111 (87.0%)	
52-week high/low	KRW186,200/KRW106,000	
Avg daily trading value (60-day)	KRW249.2b/ USD169.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
KB Financial Group (%)	14.7	30.0	52.9
Vs Kospi (%pts)	32.6	-8.6	-31.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	230,000	230,000	0.0%
2026E EPS	18,839	18,839	0.0%
2027E EPS	21,811	21,811	0.0%

SAMSUNG vs THE STREET

No of estimates	19
Target price	220,842
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

2Q net profit hits KRW1.99t, beating consensus and achieving ROE of 14.3%: KBFG reported a 2Q net profit of KRW1.99t (up 14.6% y-y), exceeding FnGuide consensus by 4.1% and marking its highest quarterly profit on record, alongside a quarterly ROE of 14.3%. The improvement was driven by a sharp rise in non-interest income, fueled by capital inflows into equity markets--up 19.8% q-q (KRW362.9b q-q)--led by trust income and securities-related commission revenue.

To allocate KRW880b toward shareholder returns in 2H (KRW700b for buybacks + KRW180b for dividends or additional buybacks): With the CET-1 ratio improving to 13.74%, the company has deployed KRW880b in shareholder returns for 2H under its formal return formula. Indeed, on Jul 23, it announced an additional KRW700b in share buybacks for 2H and said that the remaining KRW180b may be used for further buybacks in 2H or applied to year-end dividends.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Operating profit	2,712.5	27.2	(0.6)	0.0	-
Pre-prov op profit	3,295.6	15.7	0.6	2.0	-
Provisioning	519.8	(20.7)	5.4	14.0	-
Net profit	1,992.2	14.6	5.3	2.9	4.1
Major indicators (%, %pts)					
Loan growth	1.59	0.18	1.19		
NIM	1.74	0.01	(0.03)		
NPLs below subs	0.67	(0.04)	(0.06)		

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	7.7	9.0	8.0
P/B	0.8	1.1	1.0
Div yield (%)	3.5	2.6	2.9
EPS growth (% y-y)	19.7	19.9	12.3
ROE (%)	10.9	12.1	12.4
Total payout ratio (%)	52.4	55.4	59.6
Per-share data (KRW)			
EPS	16,267	19,509	21,918
BVPS	151,973	165,581	180,949
DPS	4,367	4,626	5,170

Samsung Securities

If utilized for dividends, it would: 1) enhance dividend yield; 2) potentially qualify for tax-exempt dividend treatment, as payments would occur in 2027; and 3) increase visibility on total full-year dividend growth. For the 2026 full year, total shareholder returns are projected at KRW3.7t, equivalent to a total payout ratio of approximately 55% (based on projected 2026 net profit).

Still our top pick in light of sustained differentiated earnings growth, ROE upgrade, and strengthened shareholder returns: We keep KBFG as one of our top picks in the banking sector, as it trades at 1.06x 2026 P/B, nearing the 1.0x threshold, and is expected to continue leading the sector's valuation re-rating. Key drivers include: 1) sustained ROE improvement toward 12%, underpinned by resilient earnings; 2) enhanced non-bank capabilities supported by differentiated capital strength; and 3) industry-leading shareholder return momentum built on these foundations—all of which should remain the core catalysts for continued re-rating.

Non-interest income drives record quarterly profit—major financial groups demonstrate differentiation amid evolving consumer finance behavior: KBFG's 2Q net profit rose 14.6% y-y and 5.3% q-q to KRW1.99t, powered by non-interest income. Fee income climbed as retail investors increased their participation in the stock market. Amid shifting consumer finance behavior in 1H, Korea's largest bank-centric financial groups successfully turned challenges into opportunities, leveraging their established customer bases and non-bank subsidiaries. For reference, 2Q results included a one-off extra loan loss provisioning of KRW49b.

Quarterly and annual net profit

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
Net profit	1,738.4	1,686.0	711.4	1,892.4	1,992.2	5.3	14.6
		2022	2023	2024	2025		Chg (% y-y)
Annual net profit		4,153.0	4,594.8	5,078.2	5,833.2		14.9

Source: Company data, Samsung Securities

2Q26 one-off costs

2Q26	(KRWb)
Provisioning for credit costs (Bank, Insurance, Capital)	(49.0)
Total	(49.0)

Source: Company data, Samsung Securities

Group interest income up 1.2% y-y but down 5.7% q-q — Hit by NIM contraction: Group interest income increased 1.2% y-y but decreased 5.7% q-q. While won-denominated bank loan growth remained resilient at 1.6% q-q and 3.5% y-y, bank NIM and group NIM declined by 3bps and 5bps q-q, respectively, contributing to the q-q contraction in group interest income.

NIM to recover in 2H — Led by loan re-pricing impacts: The 2Q NIM decline was driven by: 1) a risk-averse asset allocation stance; and 2) rising funding costs. Amid heightened macro uncertainty in 2Q—including geopolitical risks—KBFG is believed to have prioritized growth among high-credit borrowers. This was reflected in the composition of 2Q net loan growth, where loans to large enterprises accounted for the largest share. On the funding side, KBFG is thought to have proactively secured funding ahead of expected rate hikes, while also facing upward pressure on funding costs. Notably, 42.4% of the increase in interest expenses originated not from deposits or borrowings, but from other interest-bearing liabilities, explaining why group NIM decline was more pronounced than that of bank NIM.

That said, KBFG stated the potential for NIM improvement in 2H. Specifically, it highlighted three factors: 1) the gradual realization of loan re-pricing benefits; 2) a strategic shift toward more profit-oriented loan growth in 2H, compared to 1H; and 3) a more flexible approach to funding management.

Won-denominated loan growth at 1.6% q-q — Household lending shows signs of recovery amid corporate-led expansion: Won-denominated bank loans grew 1.6% q-q and 3.5% y-y in 2Q. 1) Loans to large enterprises increased by KRW3.3t q-q, accounting for 54% of total net loan growth of KRW6.1t. 2) Household loans rose by KRW1.7t, signaling a rebound in demand.

However, the loan growth mix in 2H is expected to shift from large corporations toward SMEs. We note three factors. First, while large corporate-led growth supports asset quality, it weighs on NIM. Thus, there is room for increased portion of loans to high-credit SMEs. Second, as productive financing expands, spillover effects (ie, a hike in demand for loans, particularly from creditworthy SMEs) should materialize. Third, of late, household lending remains under tighter regulatory oversight, limiting near-term upside.

Interest income and key indicators

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
Interest income	3,106.5	3,336.2	3,368.2	3,334.8	3,143.5	(5.7)	1.2
NIM (Bank) (%)	1.73	1.74	1.75	1.77	1.74	(0.03)	0.01
NIM (Group) (%)	1.96	1.96	1.95	1.99	1.94	(0.05)	(0.02)
Won-denominated loans (KRWt)	372.2	375.5	377.5	379.0	385.1	1.6	3.5
Household	180.8	182.0	183.4	182.7	184.4	1.0	2.0
Corporate	191.4	193.4	194.0	196.4	200.7	2.2	4.8
SME	148.5	149.2	149.7	151.4	152.4	0.7	2.6
Large corporate	42.9	44.2	44.3	44.9	48.2	7.4	12.4

Source: Company data, Samsung Securities

Credit cost hits 0.38%, down 17bps y-y and 1bps q-q — Full-year 2026 guidance of low-to-mid 40bps range maintained: Group credit cost stood at 0.38% in 2Q, down 17bps y-y and 1bps q-q. The downward stabilization, despite a challenging macro environment, is viewed positively. For reference, the group has reaffirmed its 2026 credit cost guidance in the low-to-mid 40bps range, set at the beginning of the year.

Credit costs and asset quality

(%)	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%, %pts q-q)	Growth (%, %pts y-y)
Total credit (KRWt)	473.0	478.6	484.2	490.5	499.5	1.8	5.6
Loan loss provisioning (KRWb)	645.4	365.8	633.8	478.3	468.4	(2.1)	(27.4)
Credit cost (quarterly)	0.55	0.31	0.52	0.39	0.38	(0.01)	(0.17)
Credit cost (cumulative)	0.54	0.46	0.48	0.40	0.39	(0.01)	(0.15)
NPL ratio	0.35	0.35	0.28	0.34	0.28	(0.06)	(0.06)
Delinquency ratio	0.31	0.34	0.28	0.35	0.27	(0.08)	(0.04)
		2022A	**2023A**	**2024A**	**2025A**		**Chg (% y-y)**
Credit costs		0.43	0.67	0.43	0.48		0.05

Source: Company data, Samsung Securities

Non-bank profit contribution reaches 44% — Demonstrates differentiated non-bank earnings capability: The combined profit of key non-bank subsidiaries rose 40.1% y-y to KRW882.4b, raising the non-bank contribution to total group profit to 44% (up by 8.8%pts y-y and the highest level in the industry).

The primary driver of non-bank performance in 2Q was securities, which posted a net profit of KRW448.5b—a 182.1% y-y and 29.0% q-q increase. Credit card and consumer financing businesses also delivered solid growth, recording net profits of KRW111.4b and KRW65.3b, respectively, up 15.1% and 19.4% y-y.

Contrary to 1H concerns over money move (capital inflows into stock markets), KBFG generated over 40% of its 1H profit from non-bank units, with a significant portion of the improvement attributable to non-interest income. This underscores the group's broader capability as a diversified financial conglomerate: by leveraging its existing customer base and the complementary strengths of its non-bank subsidiaries, the group is capable of turning market headwinds into opportunities.

Non-banking earnings

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)	2024	2025	Chg (% y-y)
Card	96.8	99.3	49.6	107.5	111.4	3.6	15.1	402.7	330.2	(18.0)
Securities	159.0	157.8	177.2	347.8	448.5	29.0	182.1	585.7	673.9	15.1
Life insurance	102.2	65.7	(10.8)	79.8	70.8	(11.3)	(30.7)	164.3	244.0	48.5
Insurance	244.6	208.8	11.3	200.7	278.1	38.6	13.7	839.5	778.2	(7.3)
Capital	54.7	70.4	40.7	72.8	65.3	(10.3)	19.4	222.0	235.2	5.9
Other	(27.5)	24.8	(12.8)	36.8	(91.7)	Turned neg	n/a	(51.8)	(2.5)	(95.2)
Total	629.8	626.8	255.2	845.4	882.4	4.4	40.1	2,162.4	2,259.0	4.5
Non-banking portion (%, %pts)	35.2	34.8	33.9	43.4	44.0	0.5	8.8	39.9	36.9	(3.0)

Source: Company data, Samsung Securities

CET-1 ratio up to 13.74% — Improvement driven by strong ROE and RWA management despite FX headwinds: As of end-2Q, the CET-1 ratio increased 10bps q-q to 13.74%. Despite pressure from a weaker won, KBFG achieved this improvement through robust ROE performance and disciplined RWA management—a positive development.

To allocate KRW880b toward shareholder returns in 2H (KRW700b for buybacks + KRW180b for dividends or additional buybacks): With the CET-1 ratio improving to 13.74%, the company has deployed KRW880b in shareholder returns for 2H under its formal return formula. Indeed, on Jul 23, it announced an additional KRW700b in share buybacks for 2H and said that the remaining KRW180b may be used for further buybacks in 2H or applied to year-end dividends. If utilized for dividends, it would: 1) enhance dividend yield; 2) potentially qualify for tax-exempt dividend treatment, as payments would occur in 2027; and 3) increase visibility on total full-year dividend growth. For the 2026 full year, total shareholder returns are projected at KRW3.7t, equivalent to a total payout ratio of approximately 55% (based on projected 2026 net profit).

Still our top pick in light of sustained differentiated earnings, ROE upgrade, and strengthened shareholder returns: We keep KBFG as one of our top picks in the banking sector, as it trades at 1.06x 2026 P/B, nearing the 1.0x threshold, and is expected to continue leading the sector's valuation re-rating. Key drivers include: 1) sustained ROE improvement toward 12%, underpinned by resilient earnings; 2) enhanced non-bank capabilities supported by differentiated capital strength; and 3) industry-leading shareholder return momentum built on these foundations—all of which should remain the core catalysts for continued re-rating.

Shareholder returns and CET-1 ratio

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%, %pts q-q)	Growth (%, %pts y-y)	2024	2025	Growth (%, %pts y-y)
CET-1 ratio (%)	13.77	13.83	13.82	13.64	13.74	0.10	0.03	13.53	13.82	0.30
RWA (KRWt)	347.9	353.5	358.0	357.0	365.8	2.5	5.1	346.0	358.0	3.5
Total shareholder returns	634.9	784.9	785.3	1,005.0	1,005.0	0.0	58.3	2,020.0	3,060.0	51.5
Share buybacks	300.0	450.0	210.0	600.0	600.0	0.0	100.0	820.0	1,480.0	80.5
Dividends	334.9	334.9	575.3	405.0	405.0	0.0	20.9	1,200.0	1,580.0	31.7
Total payout ratio (%, %pts)	36.5	46.6	110.4	53.1	50.4			39.8	52.4	12.6

Source: Company data, Samsung Securities

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash & equivalents	29,930	34,842	33,785	35,437	37,182
Financial securities	218,720	229,307	247,377	260,479	274,364
Net loans & credits	474,706	495,204	518,648	543,884	570,500
Interest-earning assets	**723,356**	**759,354**	**799,518**	**839,485**	**881,705**
Fixed assets	10,516	10,553	5,299	5,562	5,839
Other assets	23,974	28,017	59,566	63,116	66,904
Total assets	**757,847**	**797,924**	**864,384**	**908,162**	**954,447**
Customer deposits	429,357	451,749	479,801	504,568	530,713
Borrowings	68,077	70,728	74,432	78,840	83,558
Debentures	76,171	80,049	82,249	86,098	90,204
Interest-bearing liabilities	**635,856**	**670,024**	**703,635**	**739,386**	**777,192**
Other liabilities	62,175	67,070	97,480	102,555	108,218
Total liabilities	**698,031**	**737,094**	**801,115**	**841,941**	**885,409**
Paid-in capital	2,091	2,091	2,091	2,091	2,091
Hybrid securities	5,083	4,359	3,940	3,940	3,940
Capital surplus	17,124	17,111	9,580	9,580	9,580
Retained earnings	34,808	38,334	48,523	51,476	54,292
Capital adjustment	(1,713)	(2,379)	(2,160)	(2,160)	(2,160)
Other accumulated earnings and comprehensive income	497	(467)	(497)	(497)	(497)
Minority interest	1,926	1,782	1,791	1,791	1,791
Shareholder equity	**59,815**	**60,830**	**63,268**	**66,221**	**69,037**

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Interest income	30,491	29,156	29,358	31,110	32,646
Interest expenses	(17,665)	(16,083)	(15,553)	(16,396)	(17,418)
Net interest income before provisioning	**12,827**	**13,073**	**13,804**	**14,714**	**15,228**
Provisioning for loan losses	(2,044)	(2,363)	(2,098)	(2,077)	(2,010)
Net interest income after provisioning	**10,782**	**10,710**	**11,707**	**12,637**	**13,218**
Fee income	3,850	4,098	5,586	5,741	5,937
Other non-interest income	352	774	63	50	67
Gross profit	**14,984**	**15,582**	**17,356**	**18,428**	**19,222**
G&A expenses	(6,939)	(7,065)	(7,490)	(7,780)	(8,052)
Operating profit	**8,045**	**8,518**	**9,867**	**10,649**	**11,170**
Other non-operating income	(1,060)	(335)	(423)	(428)	(432)
Pre-tax profit	**6,985**	**8,183**	**9,443**	**10,221**	**10,738**
Taxes	1,957	2,342	2,588	2,811	2,953
Net profit	**5,029**	**5,841**	**6,855**	**7,410**	**7,784**
Minority interest	(50)	8	99	107	116
Consolidated net profit	**5,078**	**5,833**	**6,756**	**7,302**	**7,668**
Pre-provisioning operating profit	10,301	11,111	12,206	12,979	13,444

Asset quality

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
NPL ratio (below substandard)	0.6	0.6	0.7	0.7	0.7
NPL ratio (below precautionary)	1.6	1.5	1.6	1.6	1.6
Cumulative provisioning /NPL below substandard	174.3	155.8	167.4	177.7	184.8
Cumulative provisioning /NPL below precautionary	70.7	66.0	72.1	76.6	79.7
Cumulative provisioning/credit	1.1	1.0	1.1	1.2	1.3
Net write-offs /NPL below substandard	44.1	67.6	30.1	28.6	27.2
Net write-offs/credit	0.3	0.4	0.2	0.2	0.2
Loan loss provisioning charges /total credit	0.44	0.49	0.41	0.39	0.36

Per-share data

Year-end Dec 31 (KRW)	2024	2025	2026E	2027E	2028E
EPS	13,593	16,267	19,509	21,918	23,998
BVPS	140,598	151,973	165,581	180,949	197,459
DPS	3,174	4,367	4,626	5,170	5,758
Dividend payout ratio	23.6	27.1	24.0	24.0	24.4
Total Shareholder Payout Ratio	39.8	52.4	55.4	59.6	63.3

Key ratios

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
Return on avg assets	0.7	0.8	0.8	0.9	0.8
Return on avg equity	9.8	10.9	12.1	12.4	12.4
Loan growth* (% y-y)	6.4	3.8	5.1	5.1	5.1
Deposit growth* (% y-y)	7.1	4.5	5.8	5.1	5.1
Asset growth (% y-y)	6.2	3.9	7.8	4.7	4.7
Loan/deposit ratio*	97.8	98.5	97.6	97.6	97.6
Net interest margin**	1.78	1.74	1.78	1.78	1.74
Net interest spread**	1.72	1.69	1.72	1.72	1.68
Cost-to-income ratio	40.7	39.4	38.5	37.9	37.9
BIS CAR**	16.4	16.2	18.6	18.6	18.6
Tier-1 ratio**	15.2	15.2	17.7	17.8	17.8
Tier-2 ratio**	1.3	1.0	0.9	0.8	0.8
Common Equity Capital Ratio	13.5	13.8	13.8	13.8	13.8
Equity/assets	7.9	7.6	7.3	7.3	7.2

Source: Company data, Samsung Securities estimates

Year-end Dec 31	Pre-prov op prof (KRWb)	Net prof (KRWb)	EPS (KRW)	Chg (%)	BVPS (KRW)	P/E (x)	P/B (x)	ROAA (%)	ROAE (%)	CET-1 Ratio (%)	Div yield (%)
2024	10,301	5,078	13,593	12.0	140,598	6.1	0.6	0.7	9.8	13.5	3.8
2025	11,111	5,833	16,267	19.7	151,973	7.7	0.8	0.8	10.9	13.8	3.5
2026E	12,206	6,756	19,509	19.9	165,581	9.0	1.1	0.8	12.1	13.8	2.6
2027E	12,979	7,302	21,918	12.3	180,949	8.0	1.0	0.9	12.4	13.8	2.9
2028E	13,444	7,668	23,998	9.5	197,459	7.3	0.9	0.8	12.4	13.8	3.3

Source: Company data, Samsung Securities estimates

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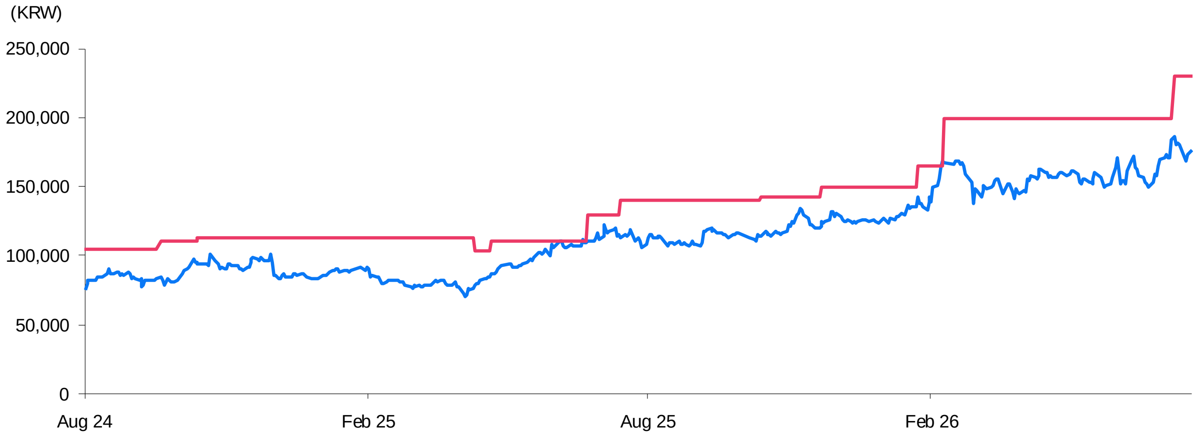
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/24	9/23	10/17	2025/4/15	4/25	6/27	7/18	10/17	11/25	2026/1/27	2/13	7/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	105000	110000	113000	104000	110000	130000	140000	143000	150000	165000	200000	230000
Gap* (average)	-19.39	-21.04	-23.75	-20.54	-8.40	-11.01	-19.36	-14.92	-14.99	-11.40	-21.62	
(max or min)**	-13.52	-11.64	-10.44	-18.27	2.09	-6.15	-14.57	-5.80	-8.80	2.12	-7.80	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY Expected to increase in value by 15% or more within 12 months and is highly attractive within sector

HOLD Expected to increase/decrease in value by less than 15% within 12 months

SELL Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT Expected to outperform market by 5% or more within 12 months

NEUTRAL Expected to outperform/underperform market by less than 5% within 12 months

UNDERWEIGHT Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

Global Disclosures & Disclaimers

General

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953