SECTOR UPDATE

2025. 8. 27

Finance/Consumer Goods Team

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▶ AT A GLANCE

KB Financial Group (105560 KS, 108,400)		
Target price	KRW140,000	29.2%
BUY		
Shinhan Financial Group (055550 KS, 66,700)		
Target price	KRW83,000	24.4%
BUY		
Hana Financial Group (086790 KS, 82,300)		
Target price	KRW115,000	39.7%
BUY		
Woori Financial Group (316140 KS, 24,900)		
Target price	KRW31,000	24.5%
HOLD		
IBK (024110 KS, 19,160)		
Target price	KRW22,000	14.8%
HOLD		
BNK Financial Group (138930 KS, 14,330)		
Target price	KRW19,000	32.6%
BUY		
iM Financial Group (139130 KS, 13,930)		
Target price	KRW18,000	29.2%
BUY		
JB Financial Group (175330 KS, 22,750)		
Target price	KRW27,000	18.7%
HOLD		

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Banking (OVERWEIGHT)

"Dark roads ahead" but "we're gonna be golden"

- Since the end of 2Q earnings season, banking stocks have underperformed due to heightened macro uncertainty and mounting concerns over operating results.
- Multiple issues could weigh on banks' capital ratios and earnings. The key question is whether regulators can deliver balanced solutions that minimize unintended consequences.
- While investor sentiment may remain subdued in the near term, we believe the long-term trajectory of the banking sector is intact. Thus, attention should turn to the rising likelihood of banks' valuations turning more attractive.

WHAT'S THE STORY?

Shares lagging amid rising macro uncertainty: Following 2Q earnings, bank stocks have weakened due to an absence of near-term momentum, and growing uncertainty over the global economy. Concerns about delayed US Fed rate cuts and stagflation risks are weighing heavily on US banks and dampening sentiment toward Korean banks.

Earnings concerns intensify: Investor sentiment has also been hit by worries over earnings erosion from tax reform and regulatory penalties. In this report, we assess five key issues and their potential spillover effects: 1) a bad bank program; 2) the education tax; 3) penalties for LTV collusion; 4) penalties tied to Hong Kong H index-linked ELS; and 5) a possible increase in risk weights on mortgages.

Regulatory outcomes may yet be reasonable: These issues could materially affect banks' earnings, but there is still time for regulators to deliver rational outcomes that balance competing goals—protecting consumers and deterring misconduct, while ensuring banks can continue to provide liquidity to the economy.

Short-term sentiment pressured, long-term value compelling: Assuming extreme downside risks to earnings do not materialize, we expect sentiment to improve toward year-end as: 1) ROE should continue to rise in 2H25 and into 2026; 2) banks should continue to reinforce shareholder-return policies; and 3) solid growth in BVPS should drive the sector's multiple down to 0.58x 2026 P/B.

(Continued on the next page)

WHY SHOULD
YOU READ THIS REPORT

After 2Q earnings season, banking stocks have continued to lag, weighed down by: 1) increasing macro uncertainty around the global economy; and 2) mounting concerns over banks' earnings.

The primary driver of uncertainty remains the US economy and interest rate outlook. While the CPI came in better than expected, a stronger PPI print has fueled concerns that the Fed could delay rate cuts and, in a worst-case scenario, that stagflation risks may emerge. These worries are pressuring not only US banks but also Korean banks, given the US economy's outsized influence on Korea and the high level of foreign ownership in major Korean financial groups.

Domestic factors are compounding weak sentiment, with several issues raising concerns over pressure on earnings and capital ratios. This report assesses the impact of five key issues on banks' operating results and capital buffers:

1. Bad bank—earnings impact likely minimal, as disposal gains offset impairment losses

2. Education tax—limited earnings effects, but negative for investment sentiment

3. Penalties for LTV collusion—downside risk to capital ratios

4. Penalties for Hong Kong H index-linked ELS—all eyes on size of penalties

5. Potential increase in risk weights on mortgages—adjustments to SME and other loan risk weights are key

Individually, these issues may have limited impact. Collectively, however, they risk gradually eroding banks' profitability and capital strength. As these burdens mount, banks' capacity to supply liquidity to the domestic economy could be constrained, given lending capacity's close link to capital ratios.

With the final decision of these issues still pending, we need to check how regulators strike a balance between two objectives: safeguarding consumers and preventing misconduct from recurring on the one hand, and preserving banks' role in providing liquidity to the economy on the other.

Investor sentiment is likely to remain under pressure in the near term. Assuming extreme downside risks to earnings do not materialize, we see banks becoming more attractive toward year-end, supported by: 1) a continued trend of ROE improvement, as seen in 1H results; 2) strengthened shareholder-return policies, as reiterated in recent earnings calls; and 3) inexpensive valuations, with shares trading at just 0.58x 2026 P/B.

Macro uncertainty and earnings-contraction fears weigh on banking stocks

Shares sluggish due to rising macro uncertainty

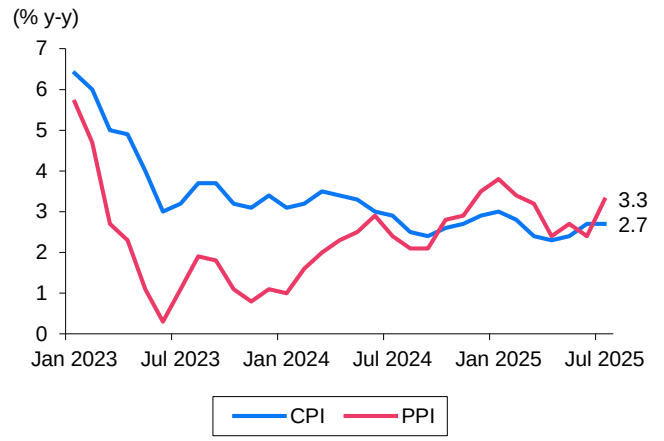
With the 2Q earnings season now behind us, banking stocks have been putting in sluggish performances due to: 1) a lack of near-term momentum; and 2) a rise in uncertainty surrounding the global economy.

US macro uncertainty may delay Fed's rate cuts

In particular, growing US uncertainty is negative to investor sentiment towards US banking stocks. Initially, the market was optimistic about the global business environment for banks—a stable CPI was expected to support steady consumption, despite US tariffs (on imports). Moreover, some in the market even expect the Fed to make a big cut at the next FOMC meeting (in September).

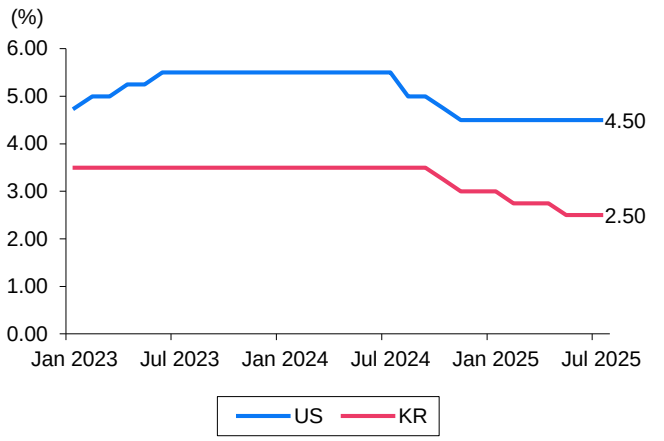
However, stronger-than-anticipated PPI data have triggered a shift in market expectations, raising concerns that: 1) costs associated with US tariffs may be gradually passed on to consumers (lifting inflation and dampening consumption); and 2) this could delay the Fed's rate cuts.

US CPI growth vs PPI growth



Source: Bloomberg, US Bureau of Labor, Samsung Securities

Fed's target rate vs BOK's policy rate

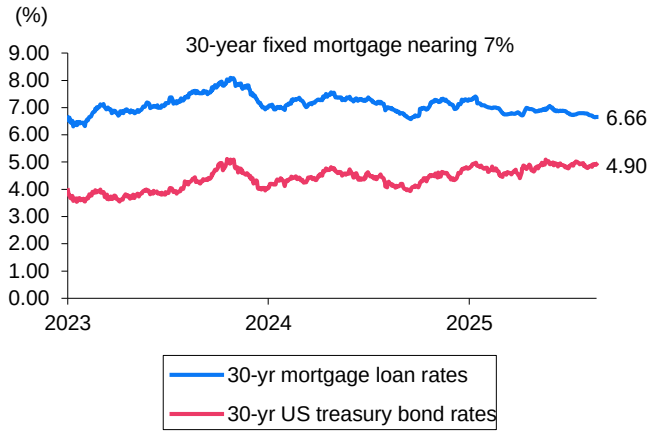


Source: Bloomberg, BOK, Samsung Securities

Concerns growing over possible delay in earnings recovery at US banks

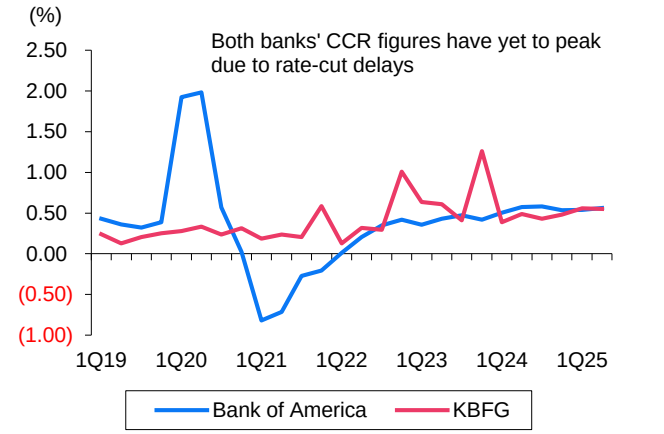
These macro shifts are unfavorable for US banks, as: 1) they could slow the recovery in US consumption; 2) high mortgage rates (6.65% for a 30-year fixed mortgage) could dampen loan demand; and; 3) the peak in banks' credit costs could be postponed. Reflecting these concerns, the US bank index has fallen 1.9% since the PPI data came out on Aug 15.

30-yr mortgage lending rate vs 30-yr UST yield



Source: Bloomberg, Samsung Securities

Bank of America vs KBFG: CCR trend



Source: Company data, Samsung Securities

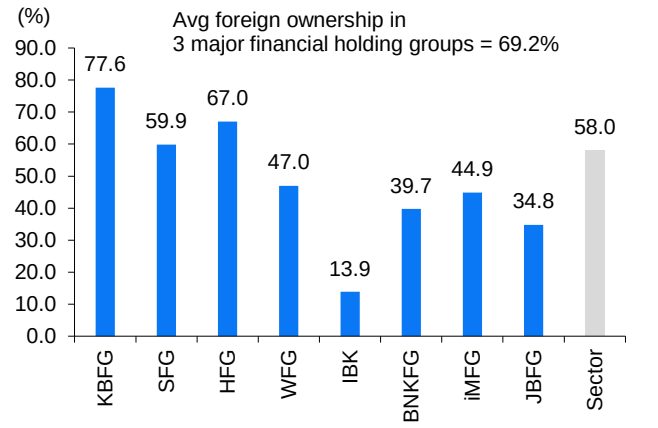
US banking stocks' weak performance impacting Korean banking stocks

The soft performance of US banking stocks is weighing on sentiment towards Korean banks, as: 1) Korea is highly dependent on US consumption (18.7% of Korean exports in 2024 went to the US); 2) foreigners have significant exposure to Korea's top-three financial groups (a weighted average of 69.2%, the highest foreign exposure among all domestic industries); and 3) over the last two years there has been a high correlation between US and Korean banking stocks.

Recovery in investor sentiment hinges on easing of US macro uncertainties

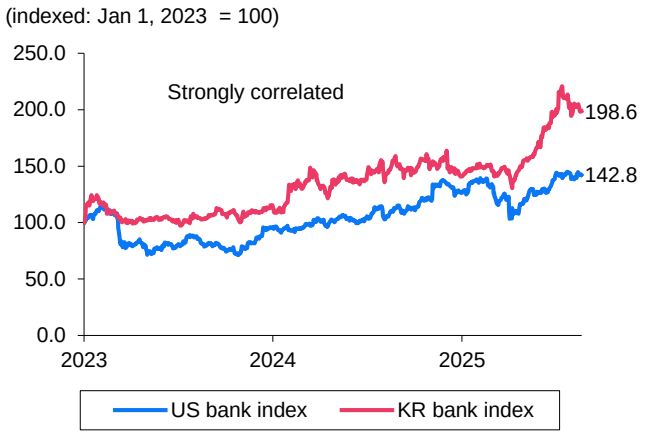
Ultimately, a turnaround in investor sentiment towards Korean banks should depend on whether US economic uncertainty eases. This, however, should take time to happen—economic data are only released periodically.

Foreign ownership, by bank



Note: As of Aug 20
Source: Samsung Securities

Banking index: US vs Korea



Source: Bloomberg, Samsung Securities

Growing concerns towards banks' earnings

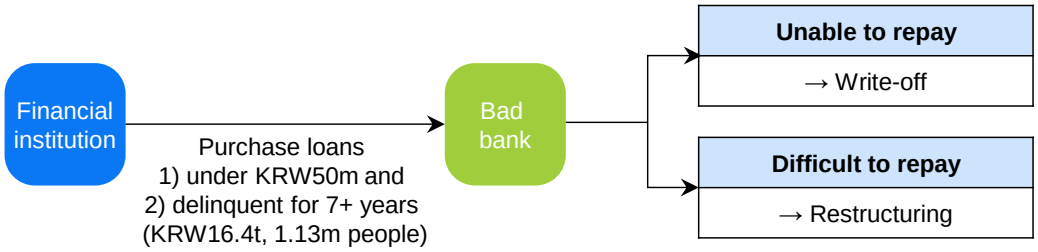
Investor sentiment is also being weighed down by concerns that banks' earnings may deteriorate due to recent tax reforms and penalties. In this report, we assess: 1) the likely impact of these two factors on banks' earnings; 2) potential spillover effects; and 3) the likelihood of market concerns fading.

Bad bank—earnings impact to be minimal as disposal gains to offset impairment losses

Debt restructuring program financed by KAMCO and banks—bad bank to purchase long-term delinquent debt from financial companies

It has been reported that the Korean government will forgive or restructure personal loans under KRW50m that have been delinquent for more than seven years—such loans total KRW16.4t, encompass 1.13m borrowers, and will involve the creation of a bad bank (to carry out the debt restructuring program). The program (which involves purchasing the bad debt at 5% of its value) will require KRW800b, which figure will be financed by Korea Asset Management Corporation (KAMCO; KRW400b) and the financial sector (KRW400b).

Debt restructuring program



Source: Samsung Securities

Case study—National Happiness Fund

The upcoming program will be similar to the National Happiness Fund, which was established in 2013. Back then, in a move to ease the low-income individuals' financial burden, the Korean government founded the National Happiness Fund: 1) to help relieve their debt (in the form of credit recovery or debt restructuring); and thus 2) purchased long-term delinquent bad debt from financial institutions. The Fund, financed by KAMCO and banks, is now known as Korea Inclusive Finance Agency.

Back then, the impacts of the National Happiness Fund on banks' earnings were less than worried, as both KAMCO and banks injected funds in the form of equity investments (and not as donations), and thus did not recognize immediate losses. Later, when the Fund saw capital decreases (as it purchased bad debt, forgave principal and interest, and collected delinquent debt), banks recognized impairment losses of their equity investments. For reference, banks had already written off most of their loans that had been delinquent for more than seven years, and thus did not incur losses from selling the debt (only seeing a lower rate of bad debt recovery).

Impacts of bad bank on banks' earnings to be minimal—disposal gains to cancel out impairment losses on bad bank investment

This time around, the bad bank should also have a minimal impact on banks' earnings. Although how the KRW400m investment burden will be divvied up (among financial companies) has yet to be determined, we estimate that large banks will be responsible for KRW60b-70b (each) given their share of the household debt market. However, since banks should recognize impairment losses later (and not instantly) on their bad bank investment, impacts on their 2025 earnings should be limited. Financial holding companies should recognize gains on the disposal of bad debt in the near term and book impairment losses later. We, however, believe that the bad bank-related losses that bank-centric financial holding companies recognize will be less than they invest (in the bad bank): 1) their combined gains on the disposal of the bad debt should be KRW800b, while their impairment losses should not exceed KRW400b; and 2) banks that chip in money (to the bad bank) will not see the same figure used to buy their bad debt.

The combined long-term delinquent debt (under KRW50m for each borrower) that credit card firms, banks, insurers, capital firms, and savings banks hold account for 28% of their total long-term delinquent debt. Assuming that 20% of the bad debt that the bad bank purchases comes from bank-centric financial holding companies and that banks recognize what they invest in the bad bank as losses in their entirety, we estimate banks will incur a total of KRW186.3b in costs—an insignificant figure given financial holding companies' full-year earnings.

Bad bank: Earnings impact, by bank

(KRWb)	Equity investments	Gains from written off loans	Diff 25E (amount)	Pre-tax profit	Earnings impact (%)
KBFG	73.2	29.3	(43.9)	7,853.0	(0.6)
SFG	57.8	23.1	(34.7)	6,950.5	(0.5)
HFG	56.3	22.5	(33.8)	5,791.0	(0.6)
WFG	59.8	23.9	(35.9)	4,374.6	(0.8)
IBK	17.7	7.1	(10.6)	3,816.2	(0.3)
BNKFG	13.5	5.4	(8.1)	1,070.9	(0.8)
iMFG	8.8	3.5	(5.3)	638.8	(0.8)
JBFG	6.3	2.5	(3.8)	924.7	(0.4)
Kakao Bank	17.1	6.8	(10.3)	651.2	(1.6)
Total	**310.5**	**124.2**	**(186.3)**	**32,070.9**	**(0.6)**

Note: Assuming 20% for banking groups and considering household loan M/S
Source: FISIS, Samsung Securities estimates

Long-term delinquent debt, by institution

(KRWt)	Amount	Portion (%)
KAMCO	4.6	29.3
Public institutions	4.2	26.8
Money lenders	2.0	12.7
Card	1.7	10.8
Bank	1.1	7.0
Insurance	0.8	5.1
Credit union	0.5	3.2
Mutual savings	0.5	3.2
Capital	0.3	1.9
Total	**15.7**	**100.0**

Source: Media, Samsung Securities

Lifting education tax—impact on earnings to be limited but to hurt investment sentiment

The Ministry of Economy and Finance announced a 2025 tax reform proposal that includes increasing the education tax rate that is imposed on financial and insurance companies. The proposal introduced a new tax bracket and a tax-rate increase—the education tax rate for financial and insurance businesses, currently 0.5% of gross revenue, will increase from next year to 1% for companies whose annual revenue exceeds KRW1t.

Impact on earnings—2.5% of net profit at four financial groups

It is not easy to precisely estimate company-specific impacts of this tax reform—details regarding the scope of gross revenue and deductibles have yet to be unveiled.

That said, we roughly estimate the additional education tax burden, using banks' interest income (which accounts for the biggest portion of revenue subject to the education taxation). In 2024, the four major banks' interest income totaled KRW84.8t. Assuming an additional 0.5% tax on interest income that exceeds KRW1t, we estimate the total education tax would have been KRW400b—2.5% of their combined 2024 net profit (KRW16.4t). In short, any impact on banks' earnings should be limited.

Impact of education tax rise on big-4 banks (estimates based on bank interest income)

(KRWb)	2024 bank net interest income	Additional education tax	2024 consolidated net profit	(%)
KB	23,211.1	(111.1)	5,078.2	(2.2)
Shinhan	21,789.5	(103.9)	4,450.2	(2.3)
Hana	20,286.0	(96.4)	3,738.9	(2.6)
Woori	19,550.7	(92.8)	3,086.0	(3.0)
Total	**84,837.3**	**(404.2)**	**16,353.3**	**(2.5)**

Source: Company data, Samsung Securities estimates

Financial groups with large exposure to non-banking businesses to see heavier tax burden

Large financial groups' non-banking affiliates will also become subject to the extra education tax burden. If non-banking affiliates' (credit card companies, insurers, and securities firms) revenue that is subject to the education tax exceeds KRW1t, the related tax burden needs to be factored in.

Since details related to the scope of revenue that will be subject to the tax have yet to be revealed, it is not be easy to estimate the size of the new tax burden. For example, the education tax burden for insurers should vary depending on taxation details, given their complicated product structures and multi-layered revenue structures. In particular, it has been argued that the tax base for securities firms needs to shift from revenue to profit—securities firms ought to book losses while, say, managing investment securities.

Without company-specific details, we simply estimate the education tax based on financial groups' interest income. Four financial groups' consolidated interest income stood at KRW105.8t in 2024, and we estimate that they their education tax burden will rise KRW500b (the actual figure may top our estimate, since non-bank affiliates have non-interest income that is subject to taxation). The figure equates to 3.1% of their 2025 consolidated earnings. The higher banks' exposure to non-banking businesses, the greater the burden is likely to be.

Impact of education tax on big-4 banks (estimates based on consolidated interest income)

(KRWb)	2024 group net interest income	Additional education tax	2024 consolidated net profit	(%)
KBFG	30,491.4	(147.5)	5,078.2	(2.9)
SFG	29,209.3	(141.0)	4,450.2	(3.2)
HFG	24,116.6	(115.6)	3,738.9	(3.1)
WFG	22,013.3	(105.1)	3,086.0	(3.4)
Total	**105,830.7**	**(509.2)**	**16,353.3**	**(3.1)**

Source: Company data, Samsung Securities estimates

To weighing more on investment sentiment than on earnings

The education tax was cited as one of the reasons behind the sharp decline in banking shares on Aug 18. Despite the likely limited impacts of this tax hike on firms' earnings, the education tax hike announcement weighed on investment sentiment—the tax will continue to be based on revenue (not profit), despite the industry calling for it to be based on net profit (not revenue)—likely aggravating concerns towards banks' earnings.

Concerns over penalties for LTV collusion—capital ratio downside

Alleged LTV collusion case involving 4 commercial banks to be concluded as early as end-2025

On Aug 1, four commercial banks submitted statements regarding their alleged LTV collusion to Korea's Fair Trade Commission (KFTC). The KFTC accused the four commercial banks of sharing approximately 7,500 LTV-related data points for years. Banks have argued that simple information sharing does not constitute collusion, and that lowering LTV conflicts with improving revenue. They went on to argue that even after information was shared, banks have showed disparate LTV ratios—hence, competition has not lessened.

Related implications for banks should become visible at end-2025. The KFTC should hold a meeting at end-2025 to determine: 1) whether the banks' actions were illegal; and 2) penalties (and their size).

Penalties to weigh on banks' earnings

LTV collusion-related penalties may reach a cumulative KRW1t-2t for the four banks. Considering that the four banks have issued similar-sized mortgages, we estimate each bank will be fined KRW250b-500b, equating to 4-8% of their 2025 pre-tax profit.

Impact of LTV collusion penalties

(KRWb)	Mortgage balance	Penalty assumption 1	vs pre-tax profit (%)	Penalty assumption 2	vs pre-tax profit (%)
KBFG	139,530.9	(250.0)	(3.2)	(500.0)	(6.4)
SFG	109,190.1	(250.0)	(3.6)	(500.0)	(7.2)
HFG	107,399.9	(250.0)	(4.3)	(500.0)	(8.6)
WFG	120,260.0	(250.0)	(5.7)	(500.0)	(11.4)
Total	**476,380.9**	**(1,000.0)**	**(4.0)**	**(2,000.0)**	**(8.0)**

Source: Based on 2025E annual income
Source: Samsung Securities estimates

Increasing operational risk to cause capital ratios to decline

Penalties could add operational risk to the banks, causing their capital ratios to decline. According to press reports, the Financial Supervisory Service is considering applying a 600% risk weight to the penalty amount—*ie*, if a bank is fined KRW0.5t, then KRW3t (600% of KRW0.5t) would be recognized as risk-weighted assets (RWA).

In short, the affected bank would see its CET-1 ratio decline—penalty payments would erode its earnings, and its RWA would increase (given heightened operational risk). If the four banks are fined KRW0.5t each, their CET-1 ratios would be impacted by an average of 25bps: 1) 12bps in relation to earnings erosion; and 2) 13bps stemming from the higher RWA.

Impact of LTV collusion penalties on CET-1 ratio

(KRWb)	Penalty	RWA	Impact on CET-1 ratio (%pts)
KBFG	500.0	354,230.4	(0.10)
SFG	500.0	340,595.0	(0.11)
HFG	500.0	281,790.0	(0.13)
WFG	500.0	230,411.0	(0.16)
Total	**2,000.0**	**1,207,026.4**	**(0.12)**

Note: RWA as of 1H25
Source: Samsung Securities estimates

Impact of operating risk from LTV collusion penalties on CET-1 ratio

(KRWb)	CET-1 capital	RWA	CET-1 ratio (%)	Additional RWA from operational risks	RWA (after penalty)	CET-1 ratio (after penalty)	Diff (%p)
KBFG	48,668.3	354,230.4	13.7	3,000.0	357,230.4	13.6	(0.12)
SFG	46,298.6	340,595.0	13.6	3,000.0	343,595.0	13.5	(0.12)
HFG	37,726.0	281,790.0	13.4	3,000.0	284,790.0	13.2	(0.14)
WFG	29,407.0	230,411.0	12.8	3,000.0	233,411.0	12.6	(0.16)
Total	**162,099.9**	**1,207,026.4**	**13.4**	**12,000.0**	**1,219,026.4**	**13.3**	**(0.13)**

Note: RWA as of 1H25
Source: Samsung Securities estimates

Penalties for Hong Kong H index-linked ELS—all eyes on the size

Banks spent a lot last year on voluntary compensation…

The plunge in the Hong Kong H Index in early 2024 caused heavy losses for Hong Kong H index-linked ELS products. In response, financial authorities recommended voluntary compensation to financial institutions, and the former chairman of the Financial Supervisory Service (FSS) stated that such efforts would be taken into consideration during the sanction review process.

As a result, banks carried out voluntary compensation related to the index-linked ELS products in 1Q24. The country's four major financial holding groups booked KRW1.05t in ELS-related losses last year—equivalent to 4.1% of their 2024 pre-tax profit, even when including ELS commission income.

ELS sales vs losses incurred from voluntary compensation

(KRWb)	ELS sales	ELS fee revenue	Losses from voluntary compensation in 2024	vs 2024 pre-tax profit (%)	2024 pre-tax profit
KBFG	8,197.2	92.2	(741.6)	(10.6)	6,985.2
SFG	2,370.1	26.7	(182.7)	(3.0)	6,029.1
HFG	2,118.3	23.8	(114.7)	(2.3)	5,052.2
WFG	41.3	0.5	(7.0)	(0.2)	4,222.9
NH NACF	2,131.0	24.0	n/a	n/a	n/a
Total	**14,857.9**	**167.2**	**(1,046.0)**	**(4.1)**	**22,289.4**

Note: ELS fee revenue based on media reports
Source: Company data, media, Samsung Securities

Penalty fears lingers—Will fines be calculated based on sales or commission revenue?

Yet, the final burden for banks has not yet been determined—formal sanctions have yet to be imposed.

The key point of contention is how the penalties will be calculated. According to media reports, during its 14th regular meeting in July, the FSS decided to interpret Article 57 of the Act on the Protection of Financial Consumers in a way that applies the penalties based on sales. Based on this, the financial watchdog has reportedly begun preparing full-scale sanctions against the banks.

Banks, however, argue that such an approach would be excessive. The country's top-five banks earned about KRW180b in commission on Hong Kong ELS products, equivalent to only 1% of their ELS sales (KRW16t).

Nevertheless, some reports suggest that penalties could reach up to KRW8t if they are based on sales. Under the Financial Consumer Protection Act, penalties can be imposed at a rate of up to 50% of the 'income or equivalent amount' obtained through illegal acts.

However, since not all sales of Hong Kong ELS products were deemed complete, the total fine should be smaller than the figures reported by the media, with the true number likely to depend on the actual ratio of incomplete sales. While this ratio has not been publicly disclosed and is hard to estimate, we believe the combined penalty may be as low as KRW1.9t, assuming: 1) an income sales ratio of 30% (based on the five banks' most recent voluntary compensation ratio of 31.4% at end-June 2024); and 2) a maximum penalty ratio of 50%. If the penalty ratio is 25%, the burden would fall to around KRW1t. Even with these moderating assumptions, the penalties should still reduce banks' 2025 earnings by 3.8-7.6%.

ELS penalty impact, by bank

(KRWb)	ELS sales	Assumtion of incomplete sales: 30%	Penalty ratio assumption: 50%	vs 2025E earnings (%)	Penalty ratio assumption: 25%	vs 2025E earnings (%)
KBFG	8,197.2	2,459.2	(1,229.6)	(15.7)	(614.8)	(7.8)
SFG	2,370.1	711.0	(355.5)	(5.1)	(177.8)	(2.6)
HFG	2,118.3	635.5	(317.7)	(5.5)	(158.9)	(2.7)
WFG	41.3	12.4	(6.2)	(0.1)	(3.1)	(0.1)
Total	**12,726.9**	**3,818.1**	**(1,909.0)**	**(7.6)**	**(954.5)**	**(3.8)**

Source: Samsung Securities estimates

Penalties to drive down capital ratios

Importantly, the ELS penalty impact on capital ratios extends to both the numerator and the denominator. Similar to the case of the LTV collusion case, the penalties should reduce banks' capital directly, while also raising their RWAs. Based on the assumptions given above, we estimate the increased RWA and greater operational risk exposure will cut CET-1 ratios 6-12bps and 6bps, respectively.

The earnings impact of the penalties should vary considerably among banks, given the wide disparity in their respective ELS sales. The ELS sales figure at the banks under our coverage totaled KRW12.7t, of which KBFG represented 64.4% (KRW8.2t), followed by SFG and HFG (KRW2.1t-2.4t each), and WFG (KRW0.0413t).

Impact of ELS penalties on capital ratios

(KRWb)	Penalty assumption	RWA	CET-1 ratio impact (%)	Operational risks	CET-1 ratio impact (%)	Total impact on CET-1 ratio
KBFG	(614.8)	354,230.4	(0.13)	3,688.7	(0.14)	(0.27)
SFG	(177.8)	340,595.0	(0.04)	1,066.5	(0.04)	(0.08)
HFG	(158.9)	281,790.0	(0.04)	953.2	(0.05)	(0.09)
WFG	(3.1)	230,411.0	(0.00)	18.6	(0.00)	(0.00)
Total	**(954.5)**	**1,207,026.4**	**(0.06)**	**5,727.1**	**(0.06)**	**(0.12)**

Source: Samsung Securities estimates

Raising risk weights on mortgages—adjusting risk weights on SME and other loans key

Higher risk weights on mortgages to inevitably drive down capital ratios

According to media reports, as a way to rein in household loan growth, regulators may raise the minimum risk weight assigned to mortgages in banks' capital adequacy calculations from 15% to 25%.

A decline in banks' capital ratios would be an obvious major concern under such a scenario. The four major financial groups under our coverage have a combined mortgage balance of KRW476t. Based on this, a 10%pts hike in the risk weight would expand banks' RWA by KRW47.6t, lowering their CET-1 ratios by an average of 51bps. Specifically, their CET-1 ratios would slide to around 13% at the three largest financial groups and to the low-12% range at Woori Financial Group.

Sensitivity test: Change in capital ratio for every 10%pts increase in mortgage risk weight

(KRWb, %)	KBFG	SFG	HFG	WFG	Total
CET-1 capital	48,668.3	46,298.6	37,726.0	29,407.0	162,099.9
RWA	354,230.4	340,595.0	281,790.0	230,411.0	1,207,026.4
CET-1 ratio	13.74	13.59	13.39	12.76	13.43
Mortgages	139,530.9	109,190.1	107,399.9	120,260.0	476,380.9
Mortgages x 10%	13,953.1	10,919.0	10,740.0	12,026.0	47,638.1
RWA (higher RW reflected in mortgages)	368,183.5	351,514.0	292,530.0	242,437.0	1,254,664.5
CET-1 ratio (higher RW reflected in mortgages)	13.22	13.17	12.90	12.13	12.92
Diff (%p)	**(0.52)**	**(0.42)**	**(0.49)**	**(0.63)**	**(0.51)**

Note: CET-1 ratio as of 2Q25 / Mortgage balance as of 1Q25 (FISIS)
Source: FISIS, Company data, Samsung Securities estimates

2018 revision of LDR calculation framework—weight raised for household loans but lowered for corporate loans, with one-year grace period applied

That said, we do not see a high likelihood of this (regulators raising the minimum risk weight assigned to mortgages in banks' capital adequacy calculations from 15% to 25%) happening. For context, it is worth recalling the FSC's revision of the loan-to-deposit ratio (LDR) calculation framework in 2018, which was aimed at managing banks' mortgage exposure. At that time, the FSS: 1) raised the weight on household loans by 15%; 2) lowered the weight on corporate loans by 15%; 3) kept the weight on SOHO loans unchanged at 0%; and 4) gave a grace period of more than a year, enforcing the new rules in 2020.

By lowering the weight on corporate loans while raising the weight on household loans, the new LDR rules: 1) had a minimal impact on banks with a 50:50 mix of household and corporate loans; 2) incentivized lending to corporates over households, achieving desired policy outcomes; and 3) through a grace period of more than a year, let banks realign their loan portfolios ahead of the regulatory shift.

Regulators to seek minimal impacts on capital ratios—goal is to rein in household debt

We believe risk weight adjustments will be made in a way that minimally impacts capital ratios but curbs the pace of household debt growth, given: 1) the precedent of the LDR framework revision; 2) potential side effects stemming from a sharp decline in capital ratios; and 3) the reasonability of incentivizing banks to increase corporate lending rather than household lending. For instance, regulators could raise the risk weight on mortgages by 10bps and lower the risk weight on loans to exporting manufacturers (which need liquidity support due to US tariffs) or SOHOs. Such a calibrated approach would lead banks—whose top priorities are managing their capital ratios and RoRWA—to rebalance their loan portfolios, thereby enabling policymakers to achieve their intended outcomes.

Change in LDR calculation

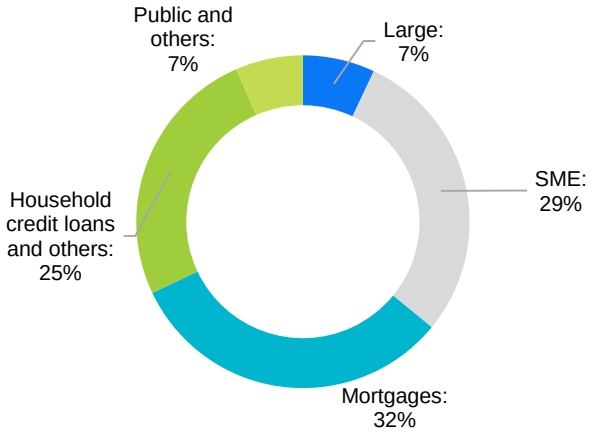
$$LDR = \frac{Loans}{Deposits}$$

After regulation

$$\frac{(\text{Household loans} \times 1.15) + (\text{Corporate loans} \times 0.85)}{Deposits}$$

Source: FSC, Samsung Securities

Loan breakdown of big-4 banks



Note: As of 1Q25 / Source: FISIS, Samsung Securities

Loan breakdown

(KRWt)	KBFG	SFG	HFG	WFG	Total
Corporate	180.7	176.4	162.8	151.6	671.5
Large	34.4	34.6	30.8	31.0	130.8
SME	146.4	141.7	131.9	120.7	540.7
(SOHO)	94.1	69.7	56.6	46.6	267.0
Household	179.1	139.4	136.4	143.8	598.7
Mortgage	139.5	109.2	107.4	120.3	476.4
Credit loans *etc*	39.6	30.2	29.0	23.5	122.3
Public and others	7.2	5.0	3.6	1.6	17.4
Won-denominated loans	367.0	320.7	302.7	297.1	1,287.6
(%)	**KBFG**	**SFG**	**HFG**	**WFG**	**Total**
Corporate	49.2	55.0	53.8	51.0	52.2
Large	9.4	10.8	10.2	10.4	10.2
SME	39.9	44.2	43.6	40.6	42.0
(SOHO)	25.6	21.7	18.7	15.7	20.7
Household	48.8	43.5	45.0	48.4	46.5
Mortgages	38.0	34.0	35.5	40.5	37.0
Credit loans *etc*	10.8	9.4	9.6	7.9	9.5
Public and others	2.0	1.6	1.2	0.6	1.4
Won-denominated loans	100.0	100.0	100.0	100.0	100.0

Note: As of 1Q25 / Source FISIS, Samsung Securities

Small strokes fell great oaks—collectively, these factors could weigh on sentiment

Individually, the five issues discussed above are expected to have a limited impact on banks' earnings. Each issue—excluding the ELS penalties—is expected to cut annual profit by a single-digit percentage.

However, when taken together, the impact could become enough to weigh heavily on investor sentiment. Indeed, our estimates suggest that the combined impact of these five factors could reduce banks' pre-tax profits by 10-18% and lower their capital ratios by as much as 37bps.

The actual downside could be even worse. For example, if the percentage of ELS products deemed mis-sold prove higher than we assume and if penalties top our forecasts, the actual burden on banks could prove heavy.

Such issues are likely to weigh on sentiment towards the bank sector—the inevitability of capital ratio erosion would constrain banks' capacity to expand leverage and give them less room for shareholder returns, weakening industry momentum and raising concerns about the sustainability of shareholder return growth. Given that banks' valuation reratings this year have been driven by solid earnings, expectations of stronger shareholder returns, and the resulting normalization of COE, the outcome of the issues currently highlighted in the media should inevitably impact sentiment.

Total impact on earnings—Conservative scenario

(KRWb)	Bad bank	Education tax	LTV collusion	Hong Kong ELS	Total	vs 2025E pre-tax profit (%)
KBFG	(43.9)	(147.5)	(500.0)	(1,229.6)	(1,921.0)	(24.5)
SFG	(34.7)	(141.0)	(500.0)	(355.5)	(1,031.2)	(14.8)
HFG	(33.8)	(115.6)	(500.0)	(317.7)	(967.1)	(16.7)
WFG	(35.9)	(105.1)	(500.0)	(6.2)	(647.1)	(14.8)
Total	**(148.3)**	**(509.2)**	**(2,000.0)**	**(1,909.0)**	**(4,566.4)**	**(18.3)**

Note: Based on the above mentioned 4 effects / Assuming KRW2t of LTV collusion penalties and ELS penalty ratio of 50% / Source: Samsung Securities estimates

Total impact on earnings – Optimistic scenario

(KRWb)	Bad bank	Education tax	LTV collusion	Hong Kong ELS	Total	vs 2025E pre-tax profit (%)
KBFG	(43.9)	(147.5)	(250.0)	(614.8)	(1,056.2)	(13.4)
SFG	(34.7)	(141.0)	(250.0)	(177.8)	(603.5)	(8.7)
HFG	(33.8)	(115.6)	(250.0)	(158.9)	(558.2)	(9.6)
WFG	(35.9)	(105.1)	(250.0)	(3.1)	(394.0)	(9.0)
Total	**(148.3)**	**(509.2)**	**(1,000.0)**	**(954.5)**	**(2,611.9)**	**(10.5)**

Note: Based on the above mentioned 4 effects / Assuming KRW1t of LTV collusion penalties and ELS penalty ratio of 25% / Source: Samsung Securities estimates

Total impact on capital ratio

(%, %p)	Operational risk from LTV collusion	Penalties due to LTV collusion	HK ELS penalties	HK ELS operational risks	Total Adjusted CET-1 ratio
KBFG	(0.12)	(0.10)	(0.13)	(0.14)	(0.49)	13.3
SFG	(0.12)	(0.11)	(0.04)	(0.04)	(0.31)	13.3
HFG	(0.14)	(0.13)	(0.04)	(0.05)	(0.36)	13.0
WFG	(0.16)	(0.16)	(0.00)	(0.00)	(0.32)	12.4
Total	**(0.13)**	**(0.12)**	**(0.06)**	**(0.06)**	**(0.37)**	**13.1**

Note: Based on the above mentioned 4 effects / Assuming KRW2t of LTV collusion penalties and ELS penalty ratio of 25% / Source: Samsung Securities estimates

Excessive burden on banks risks undermining their role as liquidity supplier

Foundation of banks' liquidity supply capacity lies in their capital ratios

Excessively burdening banks could undermine their intrinsic role as liquidity suppliers, given that the foundation of banks' liquidity supply capacity lies in their capital ratios, particularly their CET-1 ratios.

When capital ratios come under pressure, banks incentivized to reduce RWA or loan issuances

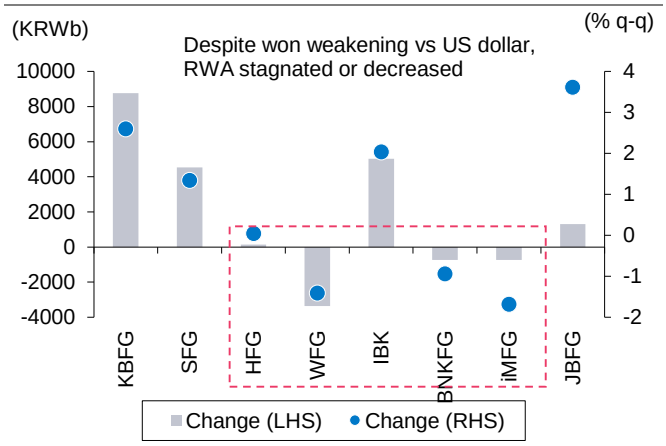
When capital ratios come under pressure, banks may have little choice but to curtail loan issuances or recall loans. A precedent was observed in Dec 2024: Amid concerns that the sharp depreciation in the won against the dollar would slash banks' CET-1 ratios by 20-30bps, most banks decided to conservatively manage RWA to defend their capital ratios. As a result, despite the spike in the KRW/USD rate, major financial groups in 4Q24 managed to safeguard and, in some cases, improve their CET-1 ratios. During this period, won-denominated loans shrank 0.2% q-q at the banks under our coverage, while Woori Financial Group, BNK Financial Group, and iM Financial Group's RWA contracted 0.9-1.7% q-q.

Surging KRW/USD rate in 4Q24 prompted banks to reduce RWA

Notably, there was heightened pressure at banks to protect their CET-1 ratios in 4Q24. For example, KB Financial Group's share price plunged 6.7% d-d after its 4Q24 earnings release, as it diverged from its peers by reporting a 2.6% q-q increase in RWA and a subsequent 32bps q-q decline in its CET-1 ratio. With the four major financial groups having no controlling shareholders and held mostly by financial investors (FI), greater emphasis was placed on banks' commitment to enhancing shareholder value (above and beyond that promised by other sectors).

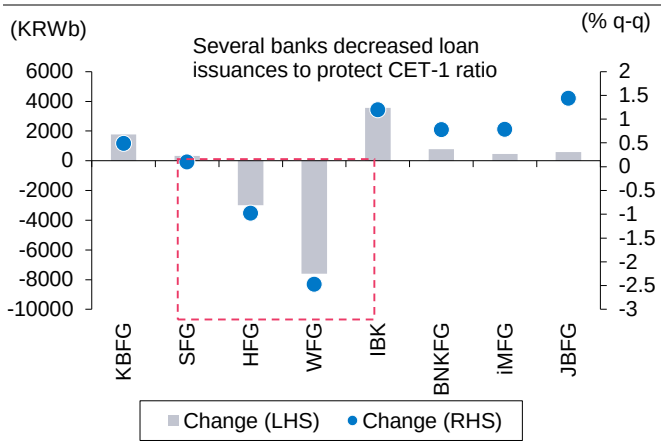
The implications are clear: If capital ratios again come under pressure, banks will likely have no choice but to tighten their RWA management. Let's say capital ratios are at risk of falling 40bps. In order to maintain their CET-1 ratios at 1H25 levels, the four major financial groups would have to reduce their RWA by KRW24.6t or cut their total assets (including loans) by KRW54.9t—RWA accounts for 45% of their total assets. The heaviest cuts would probably concentrate on higher risk-weighted segments—from greatest risk-weighted segment to least are unsecured loans, SOHO loans, and SME loans—which we believe will strengthen headwinds for the domestic economy.

4Q24 RWA change



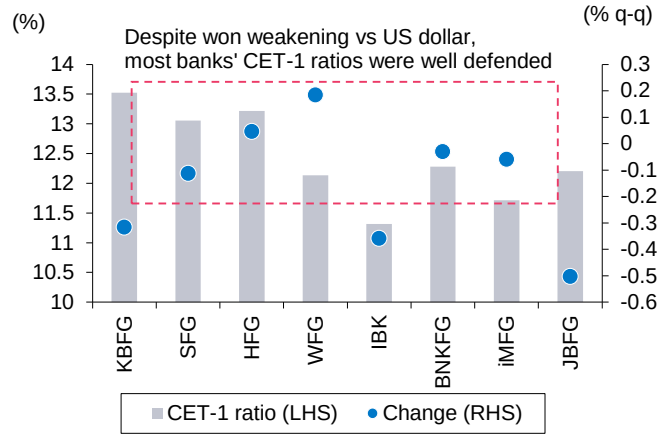
Source: Company data, Samsung Securities

4Q24 loan balance growth



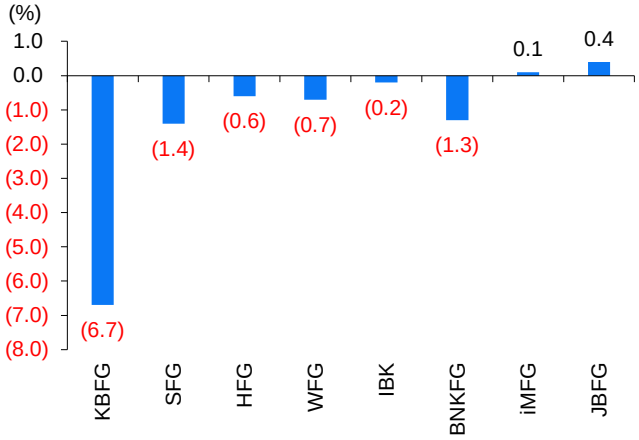
Source: Company data, Samsung Securities

4Q24 CET-1 ratio vs growth, by bank



Source: Company data, Samsung Securities

Share price movement day after 4Q24 earnings release



Source: QuantiWise, Samsung Securities

Required RWA and total asset reduction to maintain CET-1 ratio

(KRWb, %)	CET-1 ratio impact	Adjusted CET-1 ratio	Required RWA to maintain CET-1 ratio	Required RWA reduction	RWA/total assets (1H25)	Required total asset reduction
KBFG	(0.67)	13.1	344,093.7	(10,136.7)	0.45	(22,338.3)
SFG	(0.30)	13.3	335,094.9	(5,500.1)	0.45	(12,154.8)
HFG	(0.34)	13.1	276,552.8	(5,237.2)	0.44	(11,933.6)
WFG	(0.21)	12.6	226,734.9	(3,676.1)	0.43	(8,521.6)
Total	**(0.40)**	**13.0**	**1,182,374.5**	**(24,550.1)**	**0.45**	**(54,948.3)**

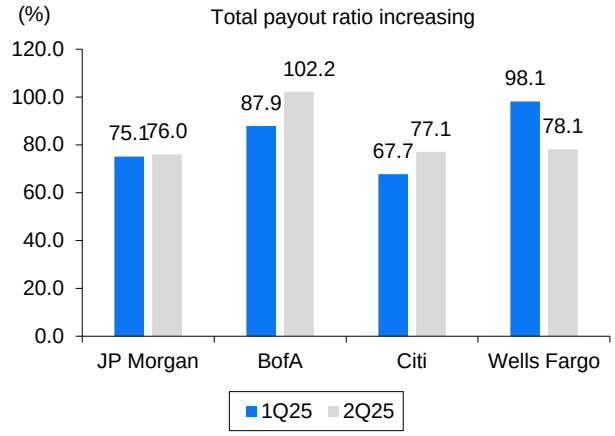
Note: Assuming conservative scenario / RWA-to-asset ratio as of 1H25
Source: Samsung Securities estimates

Note: US easing bank capital ratio regulations to buoy US economy

Notably, the US has been easing regulations to encourage bank lending as a means of supporting economic growth under the Trump administration. The Fed: 1) in late June released US bank stress test results, based on which it required US banks to hold a stress capital buffer (SCB; smaller than that mandated in 2024); and 2) on Jun 26 approved a proposal to recalibrate the supplementary leverage ratio (SLR) requirement applicable to global systematically important banks (G-SIBs), which is projected to reduce required capital at the holding-company level and at the subsidiary level.

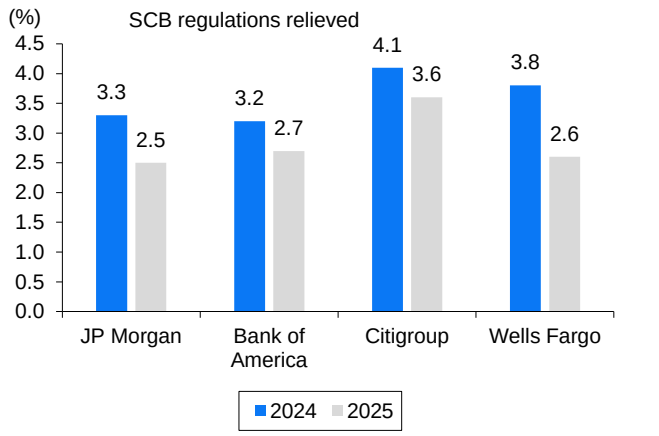
Permitted to operate with slightly lower CET-1 ratios, US banks have been able to boost shareholder payouts and, in 2Q, started seeing a recovery in loan growth.

Big-4 US banks: Total shareholder payout ratio



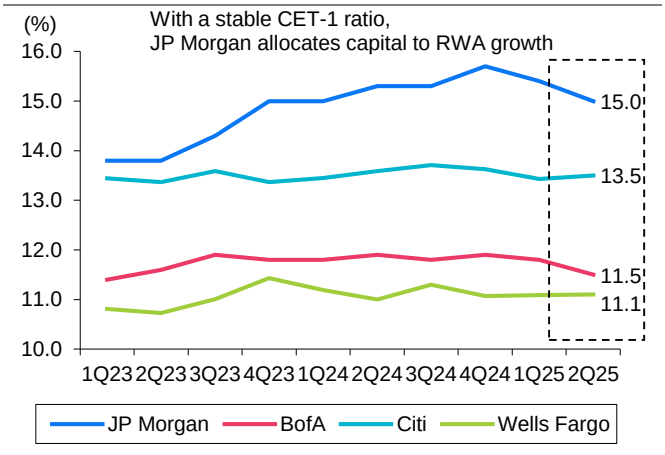
Source: Bloomberg, Samsung Securities

Big-4 US banks: SCB regulations



Source: Company data, Samsung Securities

Big-4 US banks: CET-1 ratio trend



Source: Company data, Samsung Securities

SLR regulation proposal

Category	Current	Future
US G-SIBs	5%	3% + 50% G-SIB method 1 surcharge
Insured depository institutions that are owned by US G-SIBs	6%	3% + 50% parent's G-SIB method 1 surcharge
Category II and III banking organizations that are not US G-SIBs	3% (SLR)	3% (unchanged)

Source: Media, Samsung Securities

Loan balance, by bank

(USDb)	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	Chg (% q-q)	Chg (% y-y)
JP Morgan	1,238.2	1,306.3	1,315.4	1,311.6	1,313.1	1,325.4	1,339.4	1,339.4	1,380.7	3.1	5.2
Bank of America	1,046.6	1,046.3	1,050.7	1,047.9	1,051.5	1,059.7	1,081.0	1,093.7	1,128.5	3.2	7.3
Citigroup	653.6	662.3	674.7	678.8	679.6	686.5	688.0	690.7	712.2	3.1	4.8
Wells Fargo	945.9	943.2	938.0	928.1	917.0	910.3	906.4	908.2	916.7	0.9	(0.0)
PNC Financial	324.5	319.5	324.6	320.6	319.9	319.6	319.1	316.6	322.8	1.9	0.9
Total	**4,208.9**	**4,277.6**	**4,303.4**	**4,286.9**	**4,281.1**	**4,301.5**	**4,333.8**	**4,348.7**	**4,460.8**	**2.6**	**4.2**
Excluding JP Morgan	2,970.6	2,971.2	2,988.0	2,975.3	2,968.0	2,976.1	2,994.4	3,009.3	3,080.1	2.4	3.8

Note: Based on quarterly average balance
Source: Bloomberg, Samsung Securities

Yet, expectations for reasonable outcome still valid

That said, expectations for a reasonable outcome remain valid. With deliberations ongoing over tax reforms and penalty frameworks, there remains time to figure out a rational outcome that balances consumer protection, recurrence prevention, and banks' role (as liquidity suppliers).

After all, the goal of preventing mishaps by financial firms can be achieved by putting in place institutional arrangements, besides imposing heavier financial burdens on banks. As a precedent, following the ELS debacle, various measures have been introduced to prevent the mis-selling of highly complex financial products. In February, financial authorities restricted the sale of ELS products to qualified bank branches with enhanced consumer safeguards and tightened suitability and appropriateness assessments. In July, they took action to amend the enforcement decree and supervisory regulations of the Financial Consumer Protection Act. On Aug 4, the Korea Financial Investment Association raised industry standards for selling complex financial products, by: 1) expanding risk-profiling categories from four to six; 2) broadening the scope of mandatory recordings; and 3) notifying predesignated family members of elderly investors (before contracts take effect).

Revised standards for complex financial investment product sales

Main points	Before	After
Understanding investors	Identification of wealth level, investment experience, and breadth of financial knowledge	Added investment purpose, aggressiveness of product, and whether principal is protected (or not)
Maximum losses	4 levels (principal guaranteed, -10%, -20%, -100%)	6 levels (added -50% and -70%)
Recording sales process	Explanation of financial products	Conformity assessment
Sales to older investors	Operate recording and consideration system	Added designator confirmation service
Explanation of products	Explain the details of and risks surrounding the products	Added the word 'complex' before the name of financial products

Source: FSC, Kofia, Samsung Securities

Investment strategy: Focus on long-term outlook and valuations

Near-term sentiment pressured, but long-term opportunity compelling

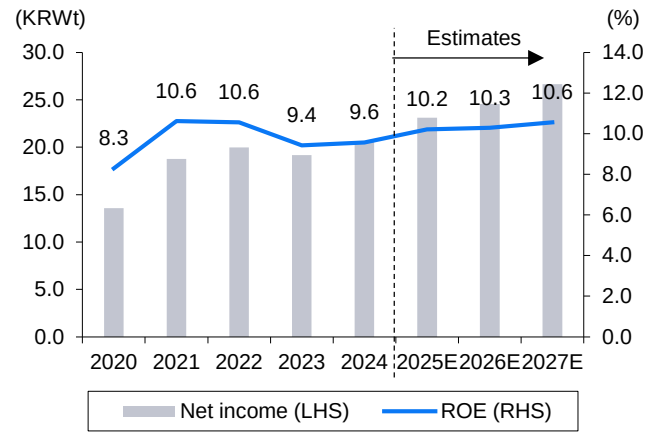
Macro uncertainty and concerns over banks' earnings should weigh on investor sentiment in the near term. The impact of US tariff policies on the global economy will take time to play out, and potential headwinds for Korean banks' earnings hinge on policy decisions by relevant ministries, which will also require time to materialize.

That said, as 3Q earnings season and year-end approach, banks should regain investor appeal, supported by: 1) a low probability of sharp earnings deterioration; 2) continued expectations for ROE improvement into 2H and 2026; 3) strong incentives for banks to continue enhancing shareholder returns; and 4) robust BVPS growth, which should drive the sector's multiple down to 0.58x 2026 P/B. We highlight three investment points for banking stocks: 1) sustained ROE improvement; 2) accelerating shareholder returns; and 3) BVPS growth enhancing valuations.

Continued ROE improvement

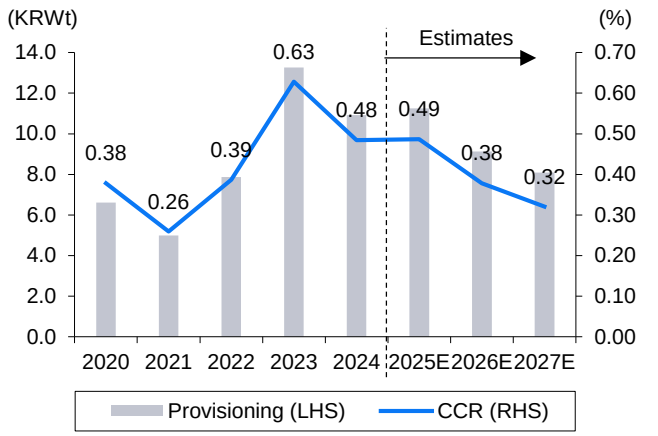
Banks' ROE should continue trending higher, rising from 9.6% in 2024 to 10.6% by 3Q27. We believe 1H results reinforced visibility of this trajectory, with: 1) resilient NIMs, supported by limited competition for asset growth despite falling interest rates; and 2) higher-than-expected CCRs in 2Q25, which could decline depending on the pace of rate cuts.

Banks/financial groups: Net income vs ROE



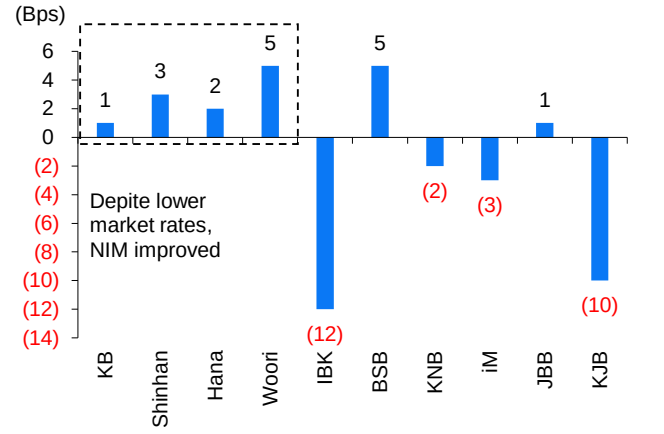
Note: Based on financial groups under coverage
Source: Company data, Samsung Securities estimates

Banks/financial groups: Provisioning vs CCR



Note: Based on financial groups under coverage
Source: Company data, Samsung Securities estimates

Banks: NIM change in 1H



Source: Company data, Samsung Securities

Banks/financial groups: Credit costs

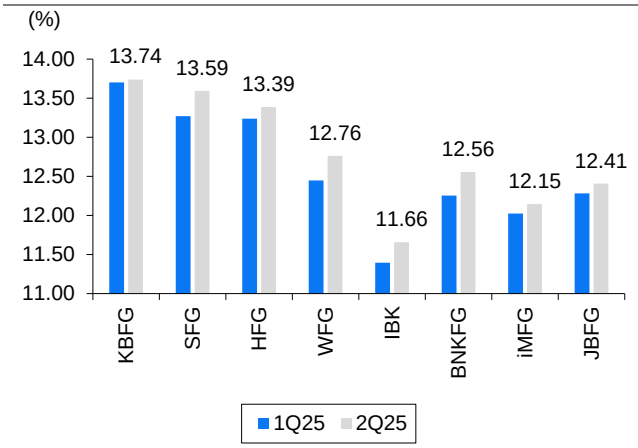
(%)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
KBFG	0.39	0.49	0.43	0.48	0.56	0.55
SFG	0.36	0.49	0.44	0.58	0.42	0.59
HFG	0.26	0.26	0.26	0.42	0.29	0.32
WFG	0.39	0.44	0.48	0.47	0.46	0.53
IBK	0.52	0.60	0.59	0.64	0.40	0.54
BNKFG	0.61	0.70	0.72	1.08	0.93	0.55
DGBFG	1.05	1.94	0.74	0.95	0.46	0.52
JBFG	0.86	1.16	0.85	0.94	1.06	0.82
Average	**0.42**	**0.52**	**0.46**	**0.56**	**0.47**	**0.51**

Source: Company data, Samsung Securities

Strengthening shareholder returns

Banks are likely to move quickly to strengthen shareholder return programs. KBFG announced additional shareholder returns of KRW850b for 2H, bringing full-year shareholder returns to KRW3.01t and lifting its payout ratio to an estimated 52.7%. There are also growing expectations that SFG and HFG will accelerate their timelines to reach the 50% payout ratio target by 2027. CET-1 ratios at WFG and the regional-bank-led financial groups are also improving more rapidly than expected, creating room for higher payouts.

CET-1 ratios: 1Q24 vs 2Q25



Source: Company data, Samsung Securities

Banks/financial groups: Total payout ratio*

(%)	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E
KBFG	19.9	26.0	27.7	37.8	39.8	52.7	50.7	56.1
SFG	27.1	25.9	29.9	35.8	40.3	46.0	49.6	53.0
HFG	21.1	25.6	27.4	33.1	38.2	43.8	47.0	50.5
WFG	19.9	25.3	26.2	33.8	33.3	35.3	39.6	42.4
IBK	22.7	24.1	28.7	29.4	32.1	32.0	33.2	34.4
BNKFG	21.4	23.1	26.0	28.5	33.0	38.5	43.4	49.8
DGBFG	19.3	21.2	26.8	29.1	38.7	37.7	44.3	47.7
JBFG	20.3	22.9	27.0	33.1	32.4	44.7	44.8	44.9
Average	**22.3**	**25.2**	**27.9**	**34.2**	**37.1**	**43.6**	**45.5**	**49.0**

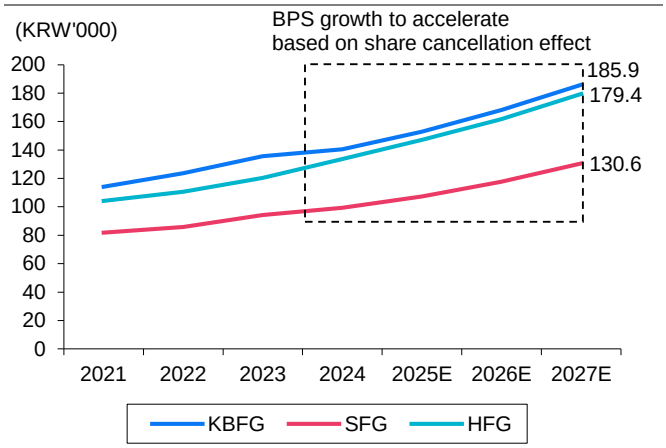
Note: *(Dividends + share buybacks) / net profit;
When using consensus, HFG's TSPR is 46.2%, 50.3% 55.8% (25~27E)
Source: Company data, Samsung Securities estimates

BVPS growth enhancing valuations

Banks' BVPS is expanding rapidly, driven by large-scale buybacks and cancellations executed at prices well below book value. For example, buybacks and cancellations account for 55.5% (KRW1.67t) of KBFG's 2025 shareholder returns of KRW3.01t.

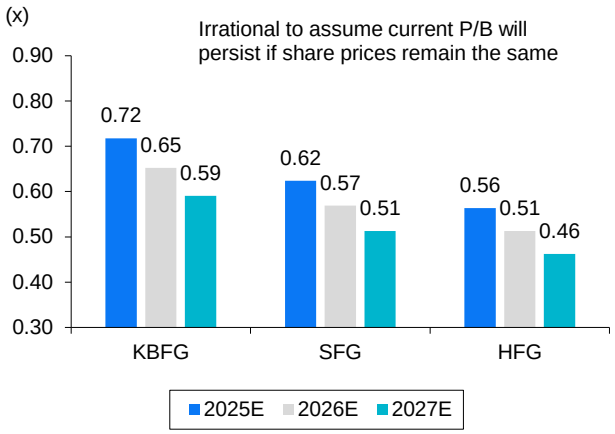
This should make banks more attractive towards year-end as 2026 BVPS begins to be reflected in valuations. Following the recent correction, the sector is trading at 0.62x 2025 book and 0.58x 2026 book, the latter implying a COE of 16.5%. For context, implied COE for major US and Japanese banks ranges between 7.1% and 9%.

Big 3 financial groups: BVPS trends and forecasts



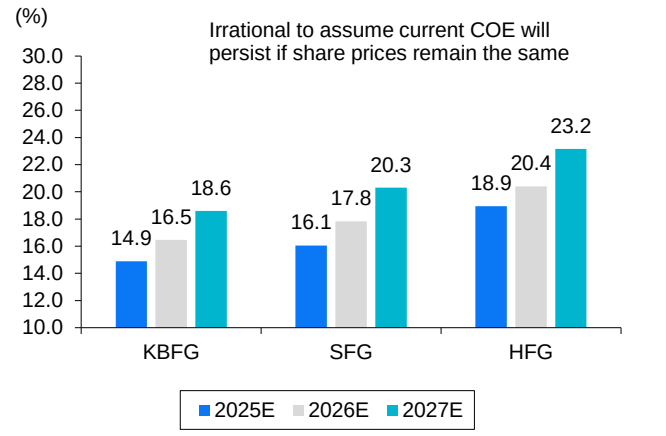
Source: Company data, Samsung Securities estimates

Big 3 financial groups: P/B valuations, by year



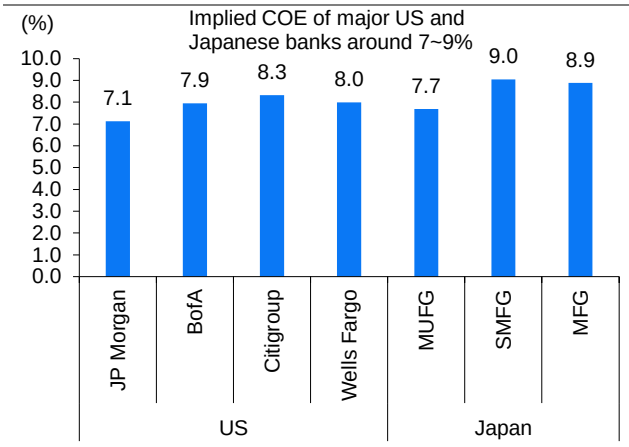
Note: As of Aug 21
Source: Samsung Securities estimates

Big 3 financial groups: Implied COE, by year



Source: Samsung Securities estimates

Implied COE of US and Japanese banks



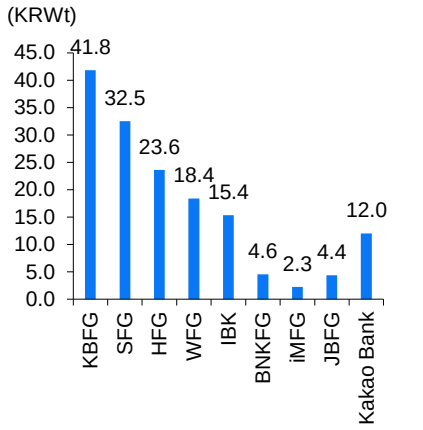
Source: Bloomberg, Samsung Securities

Sentiment to stay pressured for now, but longer-term banking stock uptrend likely intact

While sentiment may remain subdued for now, we expect payout ratios to drive the next leg of the banking rally. KBFG should remain the sector leader given its payout track record, while SFG and HFG could narrow the gap as they accelerate progress toward payout ratio targets. We also recommend valuation-gap players such as BNKFG and iMFG, which are trading at some of the lowest multiples in the sector and could attract incremental investor demand. Notably, HFG is highly likely to announce additional buybacks in October or November alongside its 3Q earnings release.

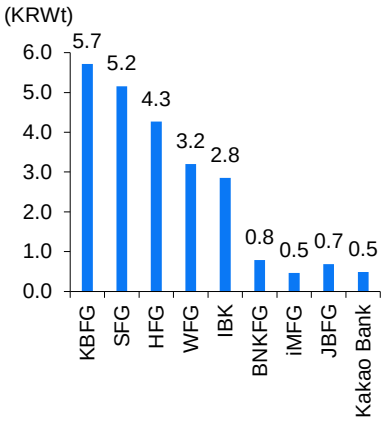
Meanwhile, WFG also offers an attractive combination of valuation and dividend yield. For WFG to close its discount to industry leaders, investors will need to see reduced uncertainty around: 1) the ownership structure and post-merger integration of the two life insurers the group has acquired—namely, Tongyang Life Insurance and ABL Life Insurance; 2) the timing of earnings improvement; and 3) concrete steps to raise its payout ratio.

Banks/financial groups: Market cap



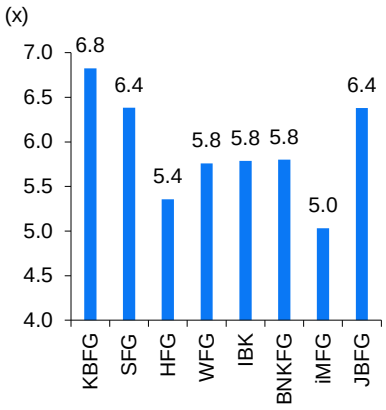
Note: As of Aug 21
Source: QuantiWise, Samsung Securities

Banks/financial groups: 2025E net income



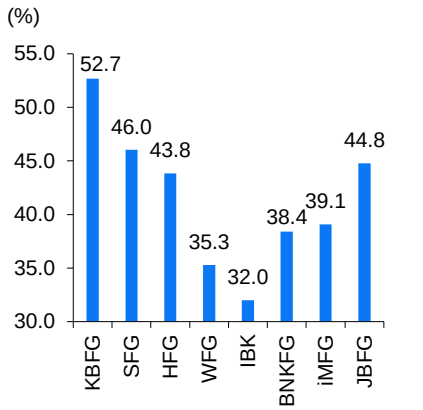
Source: Samsung Securities estimates

Banks/financial groups: 2025E P/E



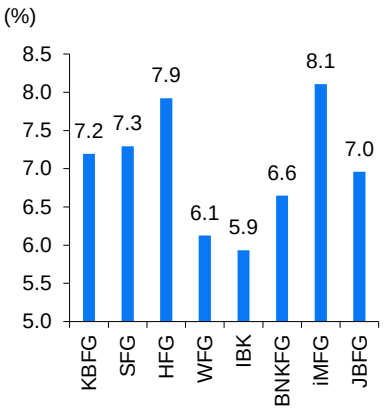
Note: As of Aug 21
Source: QuantiWise, Samsung Securities estimates

Banks/financial groups: 2025E total payout ratio*



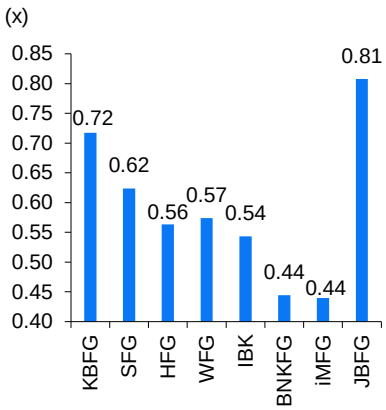
Note: *(Dividends + share buybacks) / net profit
Source: Samsung Securities estimates

Banks/financial groups: 2025E total shareholder yield*



Note: As of Aug 21;
*(Dividends + share buybacks) / mkt cap
Source: QuantiWise, Samsung Securities estimates

Banks/financial groups: 2025E P/B



Note: As of Aug 21
Source: QuantiWise, Samsung Securities estimates

Valuations

(KRW)		KBFG	SFG	HFG	WFG	IBK	BNKFG	iMFG	JBFG	Kakao Bank	Sector
Ticker		105560 KS	055550 KS	086790 KS	316140 KS	024110 KS	138930 KS	139130 KS	175330 KS	323410 KS	
Recommendation		BUY	BUY	BUY	HOLD	HOLD	BUY	BUY	HOLD	HOLD	OVERWEIGHT
Current price		109,700	67,000	82,900	24,800	19,270	14,350	13,940	23,000	25,200	
Target price		140,000	83,000	115,000	31,000	22,000	19,000	18,000	27,000	35,000	
Upside (%)		27.6	23.9	38.7	25.0	14.2	32.4	29.1	17.4	38.9	
Target P/B (x)		0.92	0.77	0.78	0.72	0.62	0.59	0.57	0.95	2.43	
Target P/E (x)		8.7	7.9	7.4	7.2	6.6	7.7	6.5	7.5	34.1	
Market cap (KRWt)		41.8	32.5	23.6	18.4	15.4	4.6	2.3	4.4	12.0	155.0
P/E (x)	2024A	6.1	5.4	4.4	3.7	4.6	4.5	6.4	4.7	22.8	5.4
	2025E	6.8	6.4	5.4	5.8	5.8	5.8	5.0	6.4	24.6	6.6
	2026	6.2	5.7	5.0	5.2	5.6	4.7	4.6	5.6	21.8	6.2
P/B (x)	2024A	0.6	0.5	0.4	0.4	0.4	0.3	0.3	0.6	1.5	0.5
	2025E	0.7	0.6	0.6	0.6	0.5	0.4	0.4	0.8	1.8	0.6
	2026	0.7	0.6	0.5	0.5	0.5	0.4	0.4	0.7	1.6	0.6
EPS	2024A	13,593	8,816	13,017	4,156	3,106	2,274	1,270	3,483	923	
	2025E	16,072	10,494	15,472	4,306	3,330	2,473	2,771	3,605	1,026	
	2026	17,593	11,658	16,654	4,795	3,458	3,022	3,048	4,131	1,154	
BVPS	2024A	140,598	99,328	133,682	40,691	34,537	31,117	30,612	26,019	13,712	
	2025E	152,973	107,408	147,192	43,229	35,480	32,300	31,728	28,467	14,384	
	2026	168,218	117,737	161,708	47,215	37,779	35,562	33,148	31,706	15,538	
ROA (%)	2024A	0.7	0.6	0.6	0.6	0.6	0.8	0.2	1.0	0.8	0.7
	2025E	0.8	0.7	0.7	0.6	0.6	0.9	0.5	1.0	0.7	0.7
	2026	0.8	0.7	0.7	0.6	0.6	1.0	0.5	1.0	0.7	0.7
ROE (%)	2024A	9.8	9.0	10.1	10.6	9.3	7.5	4.1	14.0	7.0	9.5
	2025E	10.7	10.0	10.7	10.3	9.5	7.8	8.9	13.1	7.3	10.1
	2026	10.7	10.2	10.5	10.5	9.4	8.7	9.4	13.5	7.7	10.2
DPS	2025E	3,705	2,280	3,800	1,320	1,140	670	610	1,010	460	
Dividend yield (%)	2025E	3.4	3.4	4.6	5.3	5.9	4.7	4.4	4.4	1.8	
Total payout ratio (%)	2025E	52.7	46.0	43.8	35.3	32.0	38.4	39.1	44.8	45.0	
Total shareholder yield (%)	2025E	7.2	7.3	7.9	6.1	5.9	6.6	8.1	7.0	1.8	

Note: As of Aug 22

Source: QuantiWise, Samsung Securities estimates

Compliance notice

As of 8/26 2025, BNK Financial Group served as a trustee for the company covered in this report to acquire and dispose of its own shares.
- As of 8/26 2025, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 8/26 2025, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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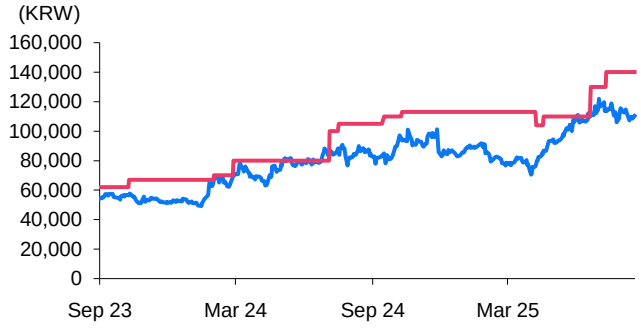
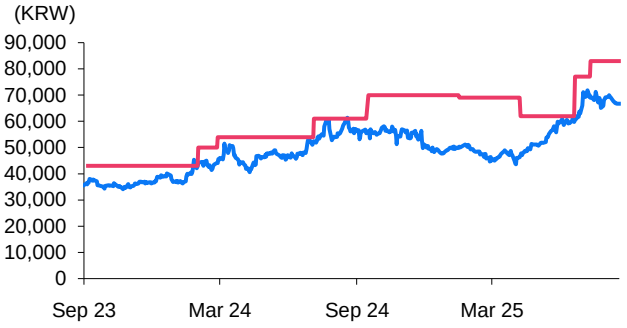
Target price changes in past two years

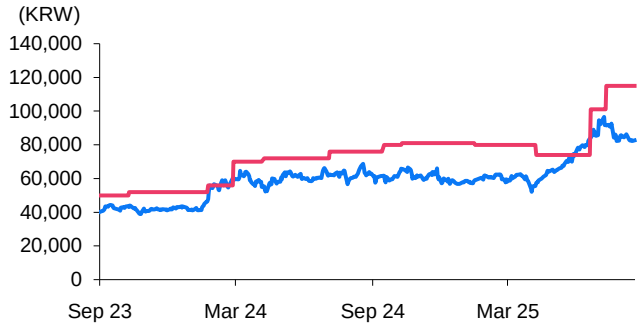
KB Financial Group



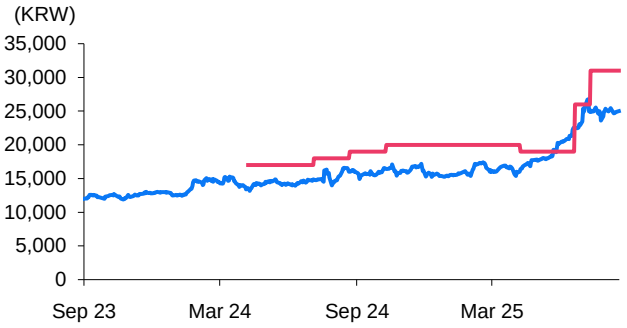
Shinhan Financial Group



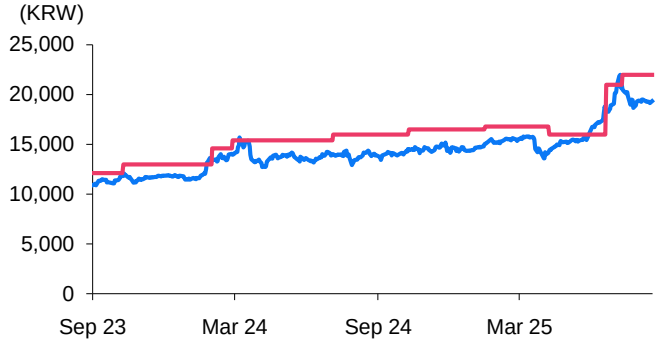
Hana Financial Group



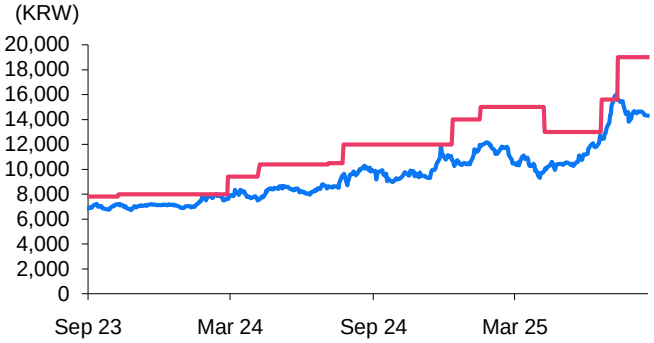
Woori Financial Group



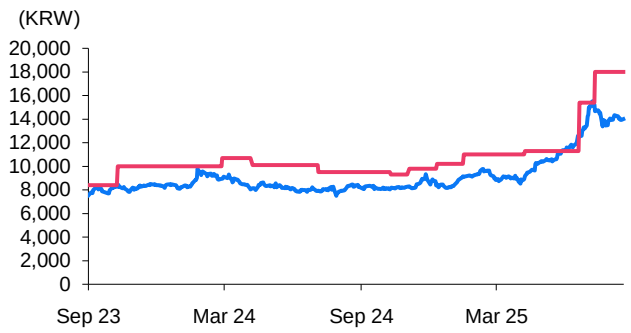
IBK



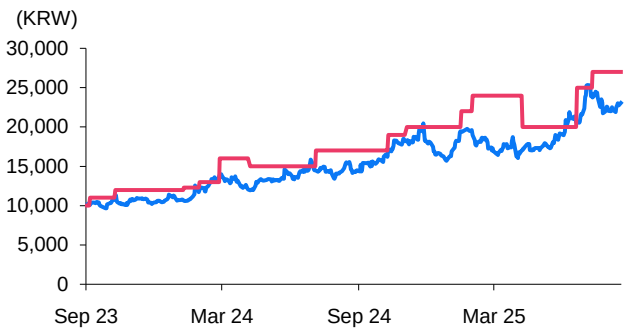
BNK Financial Group



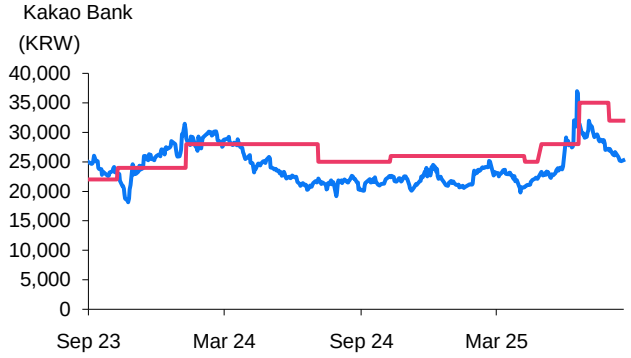
iM Financial Group



JB Financial Group



Kakao Bank



Rating changes over past two years (adjusted share prices)

KB Financial Group												
Date	2023/4/21	10/17	2024/2/8	3/5	7/12	7/24	9/23	10/17	2025/4/15	4/25	6/27	7/18
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	62000	67000	70000	80000	100000	105000	110000	113000	104000	110000	130000	140000
Gap* (average)	-18.04	-20.14	-5.92	-5.45	-14.59	-19.39	-21.04	-23.75	-20.54	-8.40	-11.01	
(max or min)**	-7.26	-1.04	-0.43	10.25	-11.70	-13.52	-11.64	-10.44	-18.27	2.09	-6.15	

Shinhan Financial Group									
Date	2023/7/20	2024/2/8	3/5	7/12	9/23	2025/1/23	4/15	6/27	7/18
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	43000	50000	54000	61000	70000	69000	62000	77000	83000
Gap* (average)	-14.89	-13.28	-13.16	-7.88	-24.09	-31.23	-11.85	-12.80	
(max or min)**	5.35	-9.90	-0.93	0.66	-17.00	-25.94	-1.61	-6.75	

Hana Financial Group												
Date	2023/7/20	10/17	2024/1/31	3/5	4/15	7/12	9/23	10/17	2025/1/23	4/15	6/27	7/18
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	50000	52000	56000	70000	72000	76000	80000	81000	80000	74000	101000	115000
Gap* (average)	-19.26	-19.31	-0.29	-14.66	-16.33	-17.99	-23.57	-25.40	-24.86	-5.81	-10.23	
(max or min)**	-11.20	-10.77	7.50	-7.71	-8.06	-9.47	-17.75	-17.90	-21.75	12.84	-4.46	

Woori Financial Group							
Date	2024/4/15	7/12	8/29	10/17	2025/4/15	6/27	7/18
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	17000	18000	19000	20000	19000	26000	31000
Gap* (average)	-15.86	-14.71	-16.59	-19.10	-0.72	-6.09	
(max or min)**	-12.47	-7.78	-12.79	-12.90	18.68	2.88	

IBK										
Date	2023/7/20	10/17	2024/2/8	3/5	7/12	10/17	2025/1/23	4/15	6/27	7/18
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	12100	13000	14600	15400	16000	16500	16800	16000	21000	22000
Gap* (average)	-10.48	-9.25	-6.50	-10.19	-13.03	-11.68	-9.61	-0.86	-5.01	
(max or min)**	-2.23	4.85	-3.84	1.95	-9.25	-8.06	-5.95	17.44	4.76	

BNK Financial Group											
Date	2023/7/20	10/17	2024/3/5	4/15	7/12	7/31	12/18	2025/1/23	4/15	6/27	7/18
Recommendation	HOLD	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	7800	8000	9400	10400	10500	12000	14000	15000	13000	15600	19000
Gap* (average)	-12.63	-9.77	-15.65	-19.85	-16.59	-18.16	-22.55	-27.38	-16.06	-8.05	
(max or min)**	-7.56	0.25	-11.06	-15.38	-9.43	-1.00	-14.57	-18.93	-2.23	2.24	

iM Financial Group												
Date	2023/7/20	10/17	2024/3/5	4/15	7/12	10/17	11/11	12/18	2025/1/23	4/15	6/27	7/18
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY
Target price (KRW)	8400	10000	10700	10100	9500	9300	9800	10200	11000	11300	15400	18000
Gap* (average)	-9.45	-14.77	-18.37	-19.25	-14.48	-11.94	-12.15	-16.48	-16.85	-4.73	-7.91	
(max or min)**	-1.43	-2.00	-13.08	-14.46	-11.05	-11.08	-4.80	-10.29	-11.18	11.33	0.71	

JB Financial Group												
Date	2023/7/20	9/13	10/17	2024/1/17	2/7	3/5	4/15	7/12	10/17	11/11	2025/1/23	2/7
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	10000	11000	12000	12300	13000	16000	15000	17000	19000	20000	22000	24000
Gap* (average)	-10.13	-6.50	-11.31	-8.62	-1.56	-18.57	-8.89	-12.61	-6.18	-10.99	-11.17	-27.13
(max or min)**	2.70	-2.45	-5.08	2.28	4.92	-12.44	5.73	-2.94	-2.74	2.25	-10.14	-22.04
Date	4/15	6/27	7/18									
Recommendation	HOLD	HOLD	HOLD									
Target price (KRW)	20000	25000	27000									
Gap* (average)	-7.02	-7.20										
(max or min)**	9.50	1.40										

Kakao Bank									
Date	2023/7/20	10/17	2024/1/17	7/12	10/17	2025/4/15	5/7	6/27	8/6
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	22000	24000	28000	25000	26000	25000	28000	35000	32000
Gap* (average)	15.35	3.86	-9.02	-14.31	-14.15	-13.63	-6.99	-16.34	
(max or min)**	2.73	31.04	-27.68	-9.40	-3.27	-10.80	32.14	-8.57	

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

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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 2025.06.30

BUY(81.8%)·HOLD(18.2%)·SELL(0%)

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General

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