SECTOR UPDATE

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Finance/Consumer Goods Team

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▶ AT A GLANCE

KB Financial Group (105560 KS, 115,800)		
Target price	KRW143,000	23.5%
BUY		
Shinhan Financial Group (055550 KS, 74,100)		
Target price	KRW86,000	16.1%
BUY		
Hana Financial Group (086790 KS, 88,600)		
Target price	KRW113,000	27.5%
BUY		
Woori Financial Group (316140 KS, 26,200)		
Target price	KRW30,000	14.5%
HOLD		
IBK (024110 KS, 19,610)		
Target price	KRW21,000	7.1%
HOLD		
BNK Financial Group (138930 KS, 14,280)		
Target price	KRW19,000	33.1%
BUY		
iM Financial Group (139130 KS, 13,510)		
Target price	KRW18,000	33.2%
BUY		
JB Financial Group (175330 KS, 22,750)		
Target price	KRW27,000	18.7%
HOLD		

Samsung Securities

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Banking (OVERWEIGHT)

3Q preview; Focus on easing concerns

- Confirmation of net interest income growth and downward stabilization of credit costs should be the highlight of banks' 3Q earnings reports.
- We remain upbeat towards the industry, as uncertainties surrounding the strengthening of shareholder returns—key to domestic banks' rerating—are beginning to subside.
- We like: 1) KB Financial Group for its differentiated total payout ratio; 2) Shinhan Financial Group and Hana Financial Group for the possibility of their total payout ratios rapidly catching up with KBFG's; and 3) BNK Financial Group and iM Financial Group as valuation gap plays.

WHAT'S THE STORY?

3Q preview—interest income maintains stable growth: We now estimate the combined net profit of the banks under our coverage fell 4.6% q-q but rose 2.5% y-y in 3Q. A q-q fall in securities-related gains looks inevitable, but confirmation of net interest income growth and downward stabilization of credit costs should be the highlight of banks' 3Q earnings reports.

Global banking shares keep rallying: One factor weighing on investment sentiment towards domestic banks is the fact that they have already risen sharply ytd. We, however, note that the banking sector rally has not been confined to Korea.

Reasons behind global banking rally also applicable to Korean banks: The causes of the global banking rally include: 1) improved shareholder returns; 2) anticipation for NIM growth (driven by the Fed's rate cuts); and 3) expectations for earnings growth (driven by loan growth and normalized provisioning). The same factors are also behind the rally for domestic banks. We forecast the implied COE gap between domestic and global banks will gradually narrow.

Remaining puzzle for domestic banks' re-rating—greater visibility in terms of shareholder returns: A series of developments in 3Q has investors questioning whether domestic banks, faced with mounting pressure, can deliver on their commitments to enhancing shareholder returns. However, these concerns are beginning to fade as policies take shape. Financial authorities have decided to only apply risk weights to new mortgages, and—in relation to penalties—work out possible mitigations while looking to change the operational risk calculation method.

(Continued on the next page)

Alpha for domestic banks—Hike in book value per share (BVPS) deserves attention: Over the longer term, domestic banks should boast even higher upside, as: 1) they (especially key financial groups) are expected to allocate nearly 50% of their annual shareholder returns to share buybacks and cancellations; and 2) share buybacks & cancellations—conducted at a P/B far below 1x—should cause their BVPS growth to outpace their earnings growth.

Remaining positive towards sector—Pace at which payout ratio hiked to be key: We remain upbeat towards the banking sector. Of note, key to the sector re-rating should be the pace at which the sector's payout ratio is hiked. We focus on: 1) KB Financial Group (KBFG) for its differentiated payout ratio hike; 2) Shinhan Financial Group (SFG) and Hana Financial Group (HFG) for the possibility of their payout ratios rapidly catching up with KBFG's; and 3) BNK Financial Group and iM Financial Group as valuation gap plays.

3Q preview: Interest income maintains stable growth

3Q earnings modest in size, but interest income sees sustained stable growth

We now estimate the combined net profit of the banks under our coverage fell 4.6% q-q but climbed 2.5% y-y in 3Q. We expect to see a relatively modest net profit due to a q-q fall in securities-related gains. But the focus of the 3Q results should be on the underlying quality rather than the headline profit figures: 1) net interest income likely maintained solid growth on stable loan growth and resilient NIM; and 2) credit costs likely stabilized at lower levels (vs figures seen in 1H). 3Q results are expected to confirm improvements in banks' core earnings-generating capacity.

We trim our 3Q combined net profit forecast for the banks under our coverage by 1.2%. Earnings were likely pressured by: 1) forex losses (the won weakened against the US dollar at end-3Q); and 2) a fall in securities-related gains amid rising interest rates. NIM, though, likely proved steadier than expected, mitigating some of the earnings pressure.

3Q25 net profit estimates

(KRWb)	New	Growth (%)		Old	Chg.	Consensus	Samsung vs consensus	Earnings call
		q-q	y-y		(%)		(%)	
KBFG	1,634.5	(6.0)	1.3	1,575.7	3.7	1,639.3	(0.3)	Oct 30
SFG	1,374.9	(11.2)	6.0	1,315.5	4.5	1,445.1	(4.9)	Oct 28
HFG	1,057.5	(9.9)	(8.6)	1,129.0	(6.3)	1,105.3	(4.3)	Oct 28
WFG	1,106.7	18.3	22.4	1,110.8	(0.4)	830.1	33.3	Oct 29
IBK	684.9	(1.2)	(14.5)	813.2	(15.8)	673.3	1.7	Oct 30
BNKFG	261.2	(15.5)	22.7	248.5	5.1	246.1	6.1	Oct 30
IMFG	129.1	(16.7)	25.8	128.6	0.4	134.9	(4.3)	Oct 30
JBFG	201.2	(3.1)	4.3	189.9	6.0	201.6	(0.2)	Oct 28
Kakao Bank	117.5	(7.0)	(5.4)	135.8	(13.5)	129.4	(9.2)	Nov 5
Total	**6,567.4**	**(4.6)**	**2.5**	**6,647.0**	**(1.2)**	**6,405.1**	**2.5**	

Source: Company data, FnGuide, Samsung Securities estimates

Trimming 2025 combined net profit forecast 0.8%

We also trim our 2025 combined net profit forecast for the banks under our coverage by 0.8%, although NIM likely proved steadier than expected in 3Q, to reflect our new assumptions for one-offs such as forex losses.

Meanwhile, we downwardly adjust our 2026 combined net profit forecast by 4.2% to reflect increases in education tax and corporate tax rates.

We also cut our 12-month target prices for the banks under our coverage, as we shift the valuation basis from end-2025 to end-2026.

Full-year net profit forecasts

(KRWb)	2024	2025E	Chg (% y-y)	Old	Chg (%)	2026E	Chg (% y-y)	Old	Chg (%)
KBFG	5,078.2	5,762.0	13.5	5,712.7	0.9	5,897.3	2.3	5,994.9	(1.6)
SFG	4,450.2	5,193.7	16.7	5,153.1	0.8	5,366.3	3.3	5,495.7	(2.4)
HFG	3,738.9	4,118.3	10.1	4,265.5	(3.4)	4,264.1	3.5	4,446.9	(4.1)
WFG	3,086.0	3,148.2	2.0	3,197.8	(1.6)	3,220.0	2.3	3,473.3	(7.3)
IBK	2,644.5	2,754.7	4.2	2,849.9	(3.3)	2,703.2	(1.9)	2,973.6	(9.1)
BNKFG	728.6	832.9	14.3	789.3	5.5	859.2	3.2	920.2	(6.6)
IMFG	214.9	465.6	116.7	468.7	(0.6)	486.4	4.5	515.6	(5.7)
JBFG	677.5	692.0	2.1	685.2	1.0	726.4	5.0	759.7	(4.4)
Kakao Bank	440.1	476.6	8.3	504.7	(5.6)	557.0	16.9	567.6	(1.9)
Total	21,058.8	23,444.0	11.3	23,626.7	(0.8)	24,080.0	2.7	25,147.5	(4.2)

Source: Company data, Samsung Securities estimates

Target-price changes

(KRW)	Recommendation	Old	New	Chg (%)	Current price	Upside (%)	2025 target P/B (x)
KBFG	BUY	140,000	143,000	2.1	113,700	25.8	0.86
SFG	BUY	83,000	86,000	3.6	72,700	18.3	0.74
HFG	BUY	115,000	113,000	(1.7)	87,200	29.6	0.73
WFG	HOLD	31,000	30,000	(3.2)	25,650	17.0	0.65
IBK	HOLD	22,000	21,000	(4.5)	19,260	9.0	0.56
BNKFG	BUY	19,000	19,000	0.0	14,540	30.7	0.54
IMFG	BUY	18,000	18,000	0.0	13,750	30.9	0.54
JBFG	HOLD	27,000	27,000	0.0	23,150	16.6	0.86
Kakao Bank	HOLD	32,000	29,000	(9.4)	22,750	27.5	1.87
Average							0.74

Note: As of Oct 16; average excluding Kakao Bank
Source: Company data, Samsung Securities estimates

Loan growth continues to recover in 3Q

Banks' loan growth likely continued to recover in 3Q. According to the Bank of Korea (BOK), banks' loans outstanding rose 1% q-q in 3Q—faster than the figure seen in 1Q (+0.5% q-q) but slower than the figure recorded in 2Q (+1.4% q-q)—indicating a solid annualized growth pace of 4%.

Household loans grow 0.7% q-q

Household lending increased 0.7% q-q in 3Q, half the pace seen in 2Q (+1.4% q-q). Specifically, mortgages expanded 1% q-q, while general household loans contracted 0.4% q-q. Tightening of mortgage-related regulations in 3Q appears to have caused household loan growth to slow. Unlike expectations, though, lending did not fall off a cliff, as mortgages for housing contracts signed through end-June were issued in 3Q. Notably, general household loans shrank KRW0.9t q-q after expanding KRW0.3t q-q in 2Q.

Corporate loans expand 1.3% q-q

Lending to businesses rose 1.3% q-q in 3Q. In detail, lending to: 1) large corporations remained strong, jumping 2% q-q in 3Q; and 2) SMEs recovered, climbing 1.1% q-q. But the facts—large corporations accounted for a large net increase in corporate loans and SOHO loans accounted for a small net increase in corporate loans—highlight banks' conservative lending attitude, which we believe is a result of: 1) continuing US tariff-related uncertainty in 3Q; 2) lingering concerns about a delayed domestic economic recovery; and 3) measures such as the establishment of a bad bank (for the writing off of long-term delinquent loans) and a credit amnesty, which measures likely prompted banks to strengthen their risk management practices.

Loan growth to gradually slow

Looking ahead, banks' loan growth is likely to gradually slow. While financial authorities still seek to curb mortgage lending, additional measures have recently been announced to stabilize the real-estate market. Banks' corporate lending is unlikely to increase sharply any time soon, as international trade uncertainties—including US tariffs and the EU's steel tariffs—could persist for a while.

Banks: Monthly loan growth

(KRWt)	2024									2025										
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Sep (% m-m)	Sep (% y-y)
Total household	5.0	6.0	5.9	5.3	9.2	5.7	3.8	1.9	(0.4)	(0.5)	3.2	1.3	5.1	5.2	6.2	2.7	4.1	1.9	0.2	3.0
Mortgages	4.5	5.7	6.2	5.6	8.1	6.2	3.5	1.5	0.7	1.8	3.4	2.2	4.0	4.1	5.1	3.3	3.9	2.4	0.3	4.0
General	0.5	0.3	(0.3)	(0.3)	1.1	(0.5)	0.3	0.4	(1.1)	(2.3)	(0.2)	(0.9)	1.1	1.1	1.1	(0.6)	0.2	(0.5)	(0.2)	(0.6)
Total corporate	11.8	7.0	5.2	7.9	7.2	4.3	8.1	2.2	(11.4)	7.8	3.5	(2.1)	14.4	7.9	(3.6)	3.4	8.4	5.3	0.4	3.3
Large corporate	6.5	1.1	0.6	4.5	1.9	0.7	2.9	0.2	(4.3)	6.1	0.4	(0.7)	6.7	5.3	(3.7)	0.5	3.9	1.3	0.4	6.7
SME	5.3	5.9	4.6	3.4	5.3	3.6	5.2	2.0	(7.1)	1.7	3.1	(1.4)	7.7	2.6	0.1	2.9	4.5	4.0	0.4	2.4
Total loans	16.8	13.0	11.1	13.2	16.4	10.0	11.9	4.1	(11.8)	7.3	6.7	(0.8)	19.5	13.1	2.6	6.1	12.5	7.2	0.3	3.2

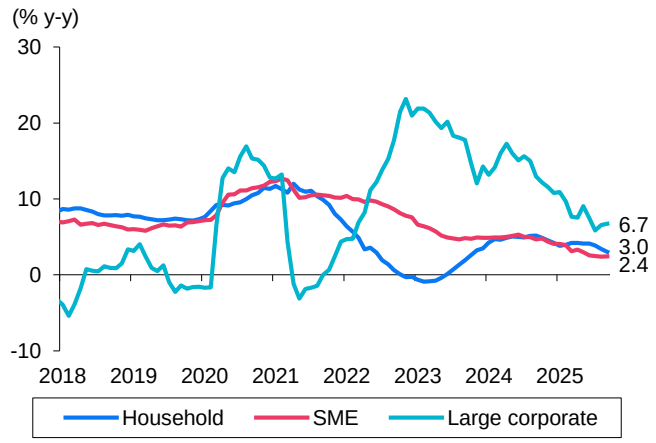
Source: BOK, Samsung Securities

Banks: Quarterly loan growth

Chg (% q-q)	3Q24	4Q24	1Q25	2Q25	3Q25
Total household	**1.8**	**0.5**	**0.4**	**1.4**	**0.7**
Mortgages	2.3	0.6	0.8	1.5	1.0
General	0.1	(0.2)	(1.4)	1.4	(0.4)
Total corporate	**1.5**	**(0.1)**	**0.7**	**1.4**	**1.3**
Large corporate	2.6	(0.4)	2.1	3.0	2.0
SME	1.2	0.0	0.3	1.0	1.1
Total loans	**1.6**	**0.2**	**0.5**	**1.4**	**1.0**

Note: Includes mortgage transfers
Source: BOK, Samsung Securities

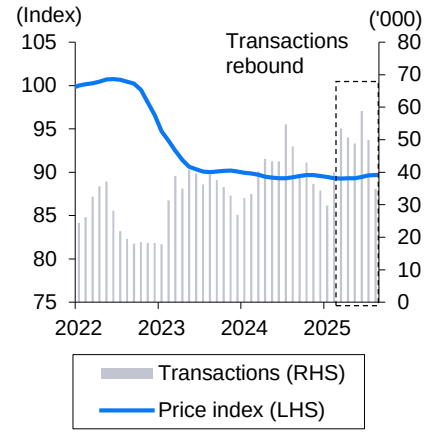
Loan growth, by type



Source: BOK, Samsung Securities

Nationwide:

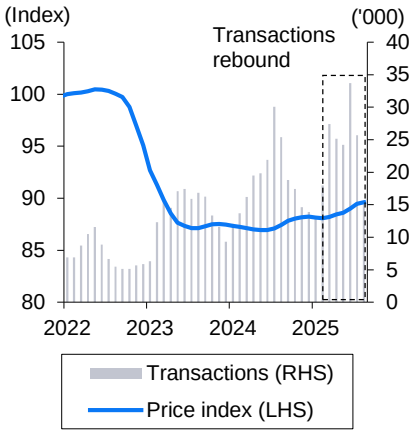
Apartment transactions vs price index



Source: K-REB, Samsung Securities

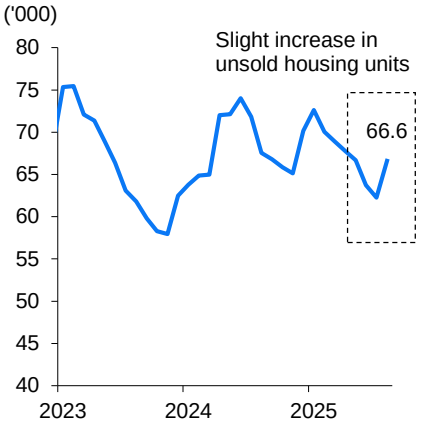
SMA:

Apartment transactions vs price index



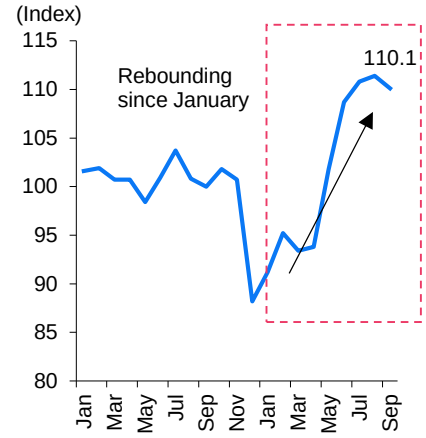
Source: K-REB, Samsung Securities

Unsold housing inventory



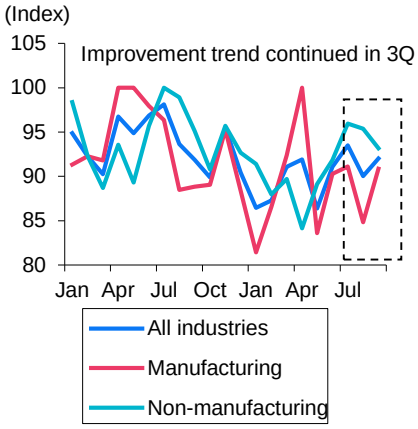
Source: MoLIT, Samsung Securities

Consumer Sentiment Index



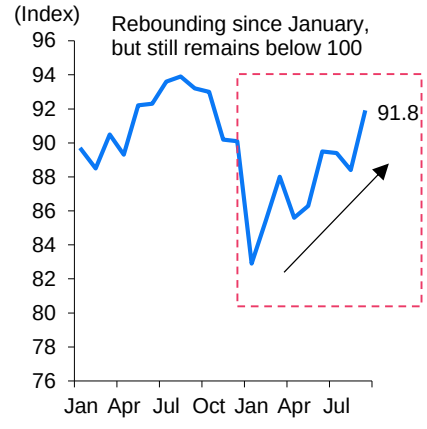
Source: BOK, Samsung Securities

Business Survey Index



Source: Korea Economic Research Institute, Samsung

Composite Business Sentiment Index



Source: BOK, Samsung Securities

NIM holds steady despite fall in market interest rates

We believe banks' NIM held steady q-q in 3Q. Banks' NIS (on outstanding balances) averaged 2.18% in August (2bps lower than the 2Q average), but the impact of this on NIM in 3Q was probably cushioned by: 1) a drop in time deposit rates and an influx of low-cost deposits amid an easing of funding competition; and 2) a favorable repricing of loans and bonds.

COFIX down, market interest rates up

The cost of funds index (COFIX) declined in 3Q, acting as a drag on banks' NIM. However, market interest rates rose, offsetting some of this drag. While the COFIX on new funds declined 5bps (from 2.54% at end-June to 2.49% at end-September), the 1-year KTB yield rose 3bps from 2.3% (at end-June) to 2.33% (at end-September).

Funding environment improves

Meanwhile, NIM impacts stemming from the fall in COFIX were likely offset by improvements in the funding environment: 1) reining in the pace of loan growth, banks were likely not under much pressure to raise additional funds, leading to a drop in banks' 1-year time deposit rates to 2.51% at end-August (down 6bps from end-June); and 2) some investors likely opted to stay liquid, in anticipation of potential opportunities in the stock or real-estate markets, favoring low-cost deposits over time deposits (to avoid locking up their funds). In fact, the COFIX on outstanding balance came to 2.94% in September, 13bps lower than the June figure.

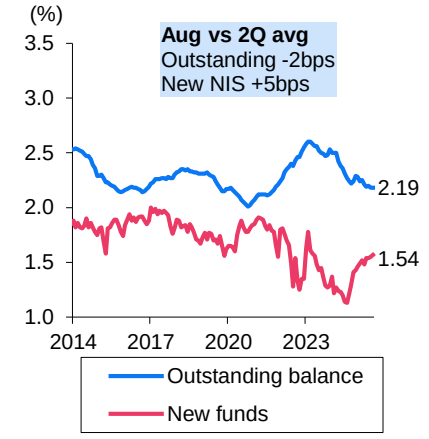
New loan rate spreads improve

A widening of new loan rate spreads also likely helped banks' NIM in 3Q, albeit marginally. Bank's NIS on new loans improved 5bps to 1.57% in August (vs the 2Q average) on: 1) a slow decline in new household loan rates amid government action to rein in household debt; and 2) mortgage rates rebounding to 3.96% in August, despite market interest rates trending lower this year.

Mortgages up for repricing

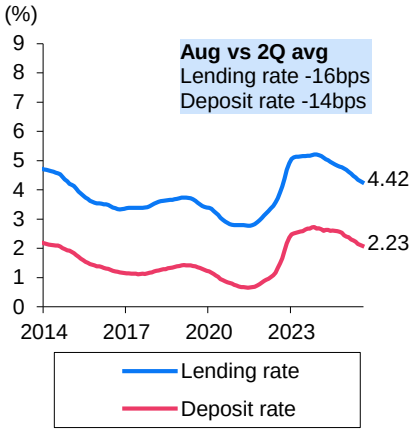
NIM was also likely supported by the repricing of mortgages whose rates are reset every five years. Some of the mortgages sold by banks are tied to 5-year bank debenture yields, which are repriced every five years. Loans taken out shortly after COVID-19 emerged (when interest rates were much lower) began being repriced in 1Q25. A resetting of their rates at higher levels should positively impact banks' NIM.

NIS: Outstanding balance vs new funds



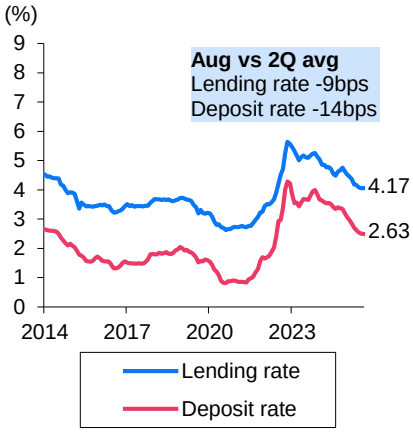
Source: BOK, Samsung Securities

Outstanding balance: Lending rate vs deposit rate



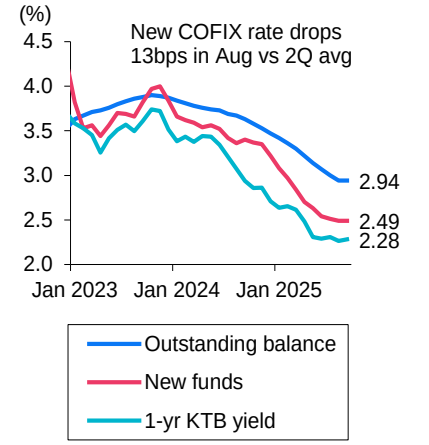
Source: BOK, Samsung Securities

New funds: Lending rate vs deposit rate



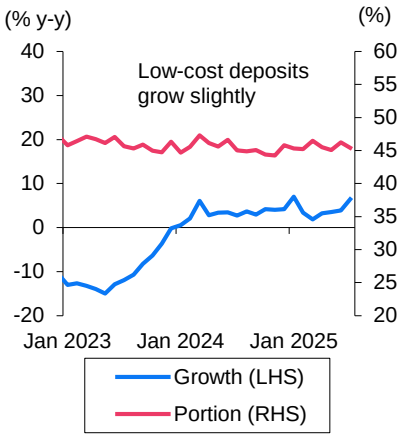
Source: BOK, Samsung Securities

COFIX rate vs 1-yr KTB yield



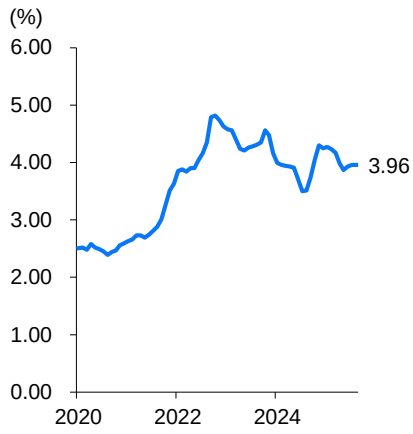
Source: KFB, Samsung Securities

Low-cost portion of deposits



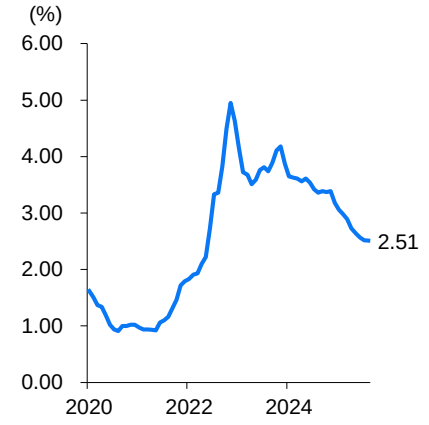
Source: BOK, Samsung Securities

Banks: Average mortgage rate



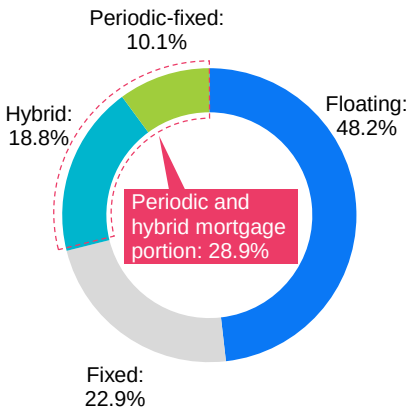
Source: BOK, Samsung Securities

Banks: Average 1-yr time deposit rate



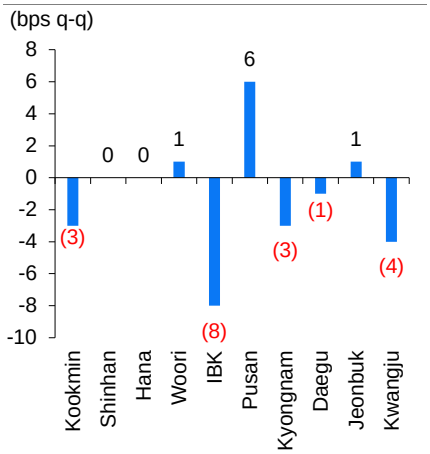
Source: BOK, Samsung Securities

Mortgages, by type



Source: FSC, Samsung Securities

NIM change in 2Q, by bank



Source: Company data, Samsung Securities

Interest income edges up q-q

We believe banks' interest income edged up q-q in 3Q, as: 1) loan growth continued at a healthy clip in 3Q; and 2) NIM likely held steady.

Loan growth slowing needs to be approached from perspective of NIM recovery

What differentiates earnings this cycle (up to 3Q25) is the positive effect brought about by slower loan growth. In the past, a cut in policy rates typically led to NIM contraction and downwards pressure on banks' interest income. However, despite the BOK's rate cuts this year, and the subsequent decline in market interest rates, banks' NIM has actually improved ytd. This is because: 1) the slowdown in loan growth has eased funding pressure, reduced competition for deposits, and in turn mitigated downwards pressure on NIM; and 2) wider lending-funding rate spreads—to control the pace of mortgage growth—has supported NIM.

In conclusion, banks' results suggest that even if loan growth moderates further, banks should be able to defend their NIM to sustain a certain level of interest income growth.

Banks: Interest income

(KRWb)	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	Chg (% q-q)	Chg (% y-y)
Kookmin Bank	2,521.6	2,538.2	2,552.9	2,579.9	2,515.8	2,575.3	2,596.7	2,607.7	2,633.3	1.0	4.7
Shinhan Bank	2,137.4	2,146.3	2,184.1	2,195.7	2,224.7	2,232.5	2,230.1	2,235.1	2,220.1	(0.7)	(0.2)
Hana Bank	1,991.6	1,952.6	1,968.8	1,913.6	1,900.2	1,955.9	1,935.9	1,962.4	1,959.8	(0.1)	3.1
Woori Bank	1,859.9	1,819.0	1,875.2	1,876.5	1,880.8	1,933.8	1,918.2	1,935.0	1,942.6	0.4	3.3
IBK	1,984.5	2,028.7	1,977.6	1,975.3	1,956.6	1,982.4	1,920.9	1,882.7	1,858.6	(1.3)	(5.0)
Busan Bank	369.1	381.0	382.9	383.8	379.4	382.3	379.7	392.4	396.7	1.1	4.6
Kyeongnam Bank	242.5	256.5	259.4	255.3	254.2	256.0	254.6	254.9	257.9	1.2	1.5
Daegu Bank	383.3	391.3	387.6	390.9	380.5	380.1	365.3	371.1	365.3	(1.6)	(4.0)
Jeonbuk Bank	182.2	180.1	176.6	174.3	175.2	180.0	182.3	186.2	186.0	(0.2)	6.2
Gwangju Bank	216.5	217.2	216.8	215.5	212.5	208.0	201.8	204.1	207.6	1.7	(2.3)
Kakao Bank	288.2	311.3	301.1	314.7	327.0	326.6	323.4	318.6	327.3	2.7	0.1
Total	12,176.9	12,222.1	12,282.8	12,275.5	12,206.8	12,412.9	12,308.8	12,350.2	12,355.1	0.0	1.2

Note: Based on banking business units

Source: Company data, Samsung Securities estimates

Loan-loss provisioning stabilizes at lower level

We believe banks' credit costs edged lower q-q in 3Q.

Asset quality indicators deteriorate further, but at slower pace q-q

Banks' asset quality indicators may have deteriorated q-q in 3Q (due to end-1H effects) but at a slower pace q-q. Korea's loan delinquency ratio rose 10bps y-y and 5bps m-m to 0.57% in July (according to the Financial Supervisory Service). Notably, the uptick in the delinquency ratio stemmed from a decline in NPL sales/write-offs after end-1H. The volume of newly delinquent loans shrank to KRW2.8t in July (from a monthly average of KRW3.1t over April-June), suggesting that asset quality is not worsening.

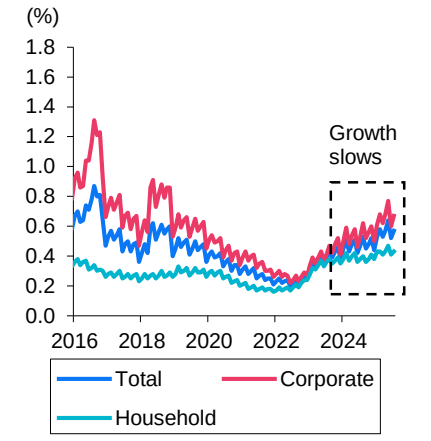
Preemptive provisioning made in 1H

Notably, some banks carried out preemptive provisioning in 1H. For instance, credit costs at KB Financial Group (KBFG) and Shinhan Financial Group (SFG) rose q-q in 2Q, staying elevated compared to usual levels—banks are taking steps to spread out the provisioning burden that they typically recognize at year-end. Taking this into account, credit costs likely stabilized at a lower level in 3Q, easing from the quarterly levels seen in 1H.

Credit costs to improve in earnest next year

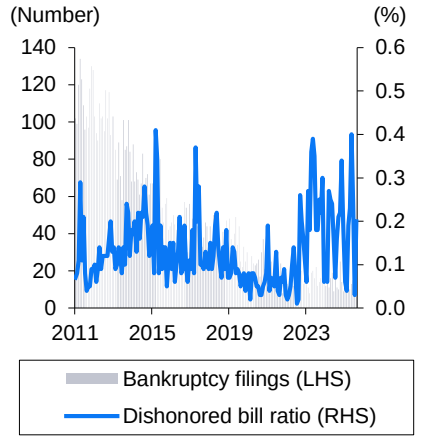
Yet, credit cost normalization is more likely to pick up steam next year than this year, as: 1) macroeconomic uncertainties remain high in Korea and internationally; 2) declining market interest rates are reflected in lending rates with a time lag, leading to gradual asset quality improvements; and 3) the government's rollout of economic stimulus measures should progressively revive the economy.

Delinquency ratios



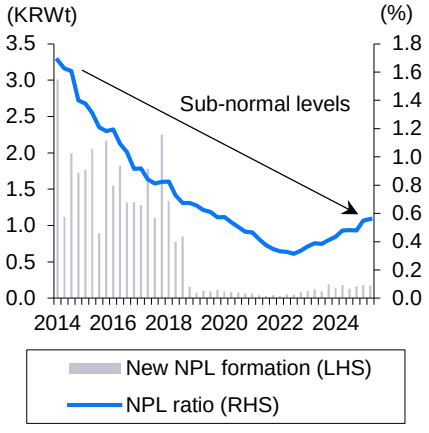
Source: FSS, Samsung Securities

Bankruptcy filings vs dishonored bills



Source: BOK, Samsung Securities

NPL ratio vs new NPL formation



Source: Company data, Samsung Securities

Banks: Credit-cost ratios

(%)	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E
KBFG	0.41	1.26	0.39	0.49	0.43	0.48	0.56	0.55	0.38
SFG	0.49	0.68	0.36	0.49	0.44	0.58	0.42	0.59	0.46
HFG	0.43	0.54	0.26	0.26	0.26	0.42	0.29	0.32	0.31
WFG	0.29	0.87	0.39	0.44	0.48	0.47	0.46	0.53	0.57
IBK	0.60	0.97	0.52	0.60	0.59	0.64	0.40	0.56	0.52
BNKFG	0.59	1.75	0.61	0.70	0.72	1.08	0.93	0.55	0.45
DGBFG	0.79	1.58	1.05	1.94	0.74	0.95	0.46	0.53	0.50
JBFG	1.00	1.46	0.86	1.16	0.85	0.94	1.06	0.83	0.88
Average	0.47	0.95	0.42	0.52	0.46	0.56	0.47	0.52	0.45

Source: Company data, Samsung Securities estimates

Credit costs likely improved in 3Q

One-off factors: Forex translation losses and reduced non-interest income

One-off factors in 3Q likely pressured banks' earnings.

Biggest earnings swing factor is forex translation losses when won weakens against US dollar

Some banks likely recorded sizable forex translation losses in 3Q, as the won weakened vs the US dollar by a massive KRW46/USD q-q to stand at KRW1,402/USD at end-3Q. Hana Financial Group (HFG), Woori Financial Group (WFG), and Industrial Bank of Korea (IBK) likely suffered particularly hefty forex translation losses.

But these banks will probably book forex translation gains in 4Q, reporting forex translation gains for full-year 2025. Our economist projects a forex rate of KRW1,370/USD at year-end, which represents the won strengthening KRW32/USD from KRW1,402/USD at end-3Q.

Non-interest income falls

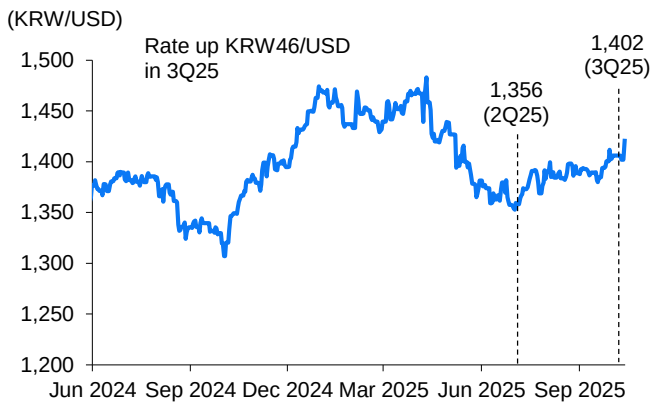
Banks' non-interest income, which pushed their earnings above recurring levels in 1H, likely dwindled q-q in 3Q. Although a bullish stock market likely resulted in gains on securities investments, a rebound in market interest rates (vs the levels recorded at end-2Q) likely caused bond valuation (or bond disposal) gains to shrink q-q.

Forex translation gains/losses, by bank

(KRWb)	2Q25 won change	2Q25 forex translation gains/losses	Translation loss per KRW10/USD of won depreciation	3Q25 won change	3Q25 forex translation gains/losses
HFG	(110.1)	105.2	9.6	45.8	(43.8)
Woori	(110.1)	65.0	5.9	45.8	(27.0)
IBK	(110.1)	108.3	9.8	45.8	(45.1)

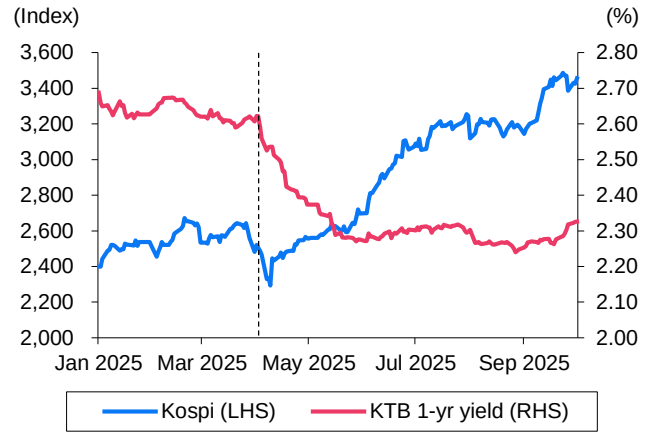
Source: Company data, Samsung Securities estimates

KRW/USD exchange rate



Source: BOK, Samsung Securities

Kospi vs KTB 1-yr yield



Source: KRX, Kofia, Samsung Securities

Whether CET-1 ratio safeguarded to be highlight of 3Q earnings reports

Banks' CET-1 ratios faced downwards pressure in 3Q, including from: 1) the won's depreciation against the dollar, which together with loan growth likely led to an expansion of risk-weighted assets (RWA); and 2) penalties associated with LTV collusion and Hong Kong ELS (news relating to factors that erode CET-1 ratios was reported in 3Q).

Banks probably began taking steps to protect their CET-1 ratios through tighter RWA management in 3Q. With the terms of many financial group CEOs up for renewal next year, maintaining solid CET-1 ratios have become a key requisite for enhancing shareholder returns—a top priority for shareholders.

As such, the key focus of banks' 3Q results should be to what extent they were able to defend their CET-1 ratios amid less than ideal industry conditions. If banks' CET-1 ratios turn out better than feared, it would not only help alleviate concerns over recent sector developments but also enhance visibility for stronger shareholder returns next year, boosting investor sentiment.

CET-1 ratio, by bank

(%)	KBFG	SFG	HFG	WFG	IBK	BNKFG	iMFG	JBFG
1Q25	13.67	13.27	13.23	12.42	11.37	12.26	12.02	12.28
2Q25	13.74	13.59	13.39	12.76	11.66	12.56	12.15	12.41
3Q25E	13.80	13.60	13.38	12.82	11.71	12.67	12.26	12.67
Chg (%pts q-q)	0.06	0.01	(0.01)	0.06	0.06	0.11	0.11	0.26

Source: Company data, Samsung Securities estimates

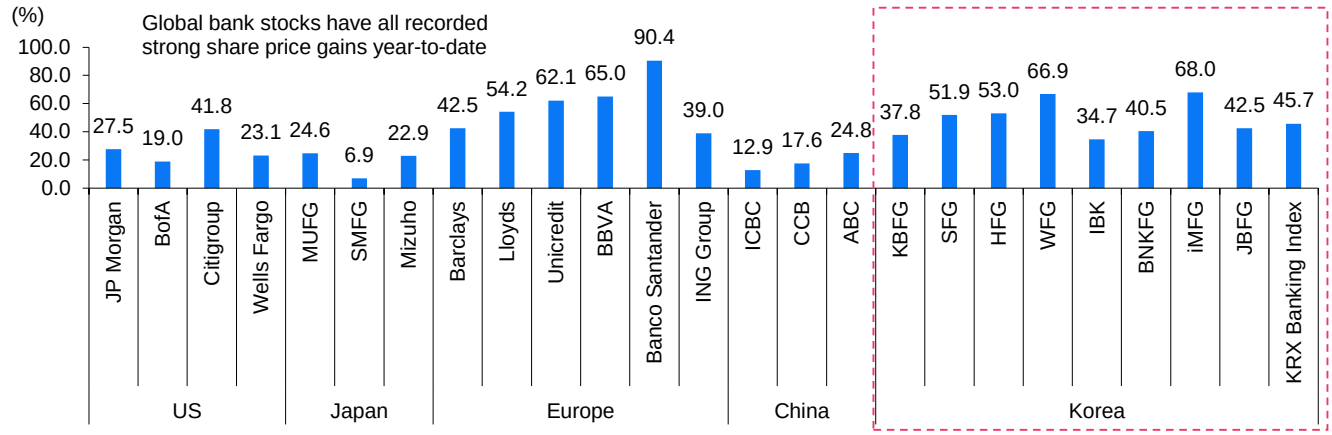
Global banking shares keep rallying— Clearing shareholder return visibility key

Global banking shares continue to rally

One factor weighing on investor sentiment towards domestic banks is the fact that their shares have already surged ytd. Indeed, the KRX banking sector is up 45.7% since Jan 2.

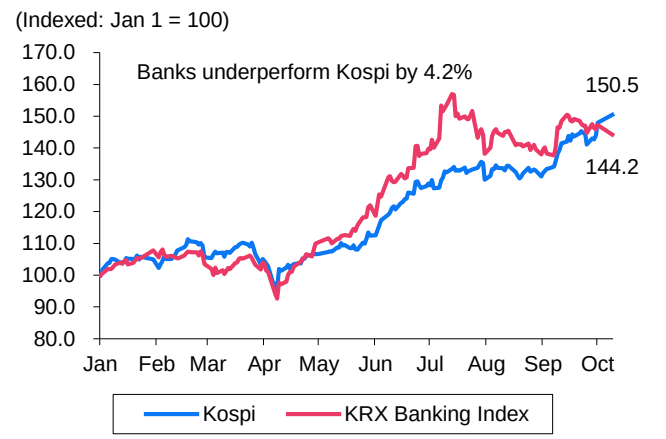
Of note, however, is the fact that the banking sector rally has not been confined to Korea. Banking shares in most markets have been rallying in 2025: 1) JP Morgan, a key US bank, has broken through USD300, rising 45.6% since its April low of USD210; 2) Japan's top-three banks have risen 16.9% ytd; and 3) Chinese banking shares have put in solid performances ytd.

YTD share performance, by global bank



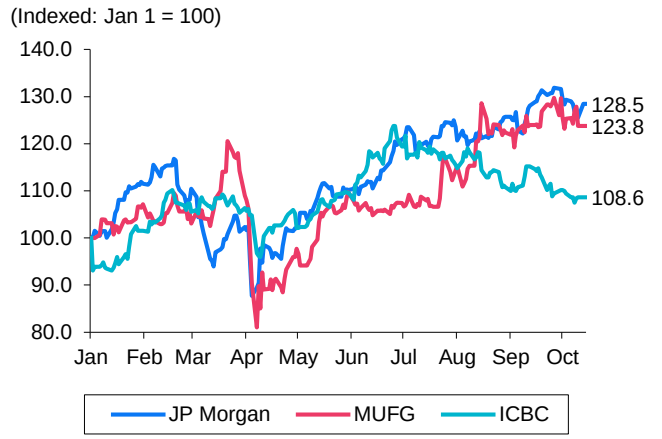
Note: As of Oct 15
Source: Bloomberg, Samsung Securities

Kospi vs KRX Banking Index



Source: KRX, Samsung Securities

Share performance of major global banks



Source: Bloomberg, Samsung Securities

First cause of global banking rally (including Korean one): Improved shareholder returns

Key catalysts of global banking shares re-rating—Shareholder return enhancement

The rally for global banking shares has been primarily driven by their enhanced shareholder returns. As of end-1H: 1) the US' top four banks had a payout ratio of 88.7% (vs 78.3% in 2024); and 2) Europe's key banks had a payout ratio of 74.1% (vs 60.9% in 2024). Japan's MUFG and SMFG had 2024 payout ratios of 62.9% and 62%, respectively, and their 2025 payout ratios should prove flat y-y.

Global banks' implied COE stays below 10% on enhanced shareholder returns

The hike in global banks' payout ratios has translated into their COEs falling and their P/Bs rising. Global banks' P/Bs now top 1x, and JP Morgan's is far above 2x. Global banks' implied COE (based on current share prices and their 2025 ROE) now stands at about 7-11%.

Domestic banks, too, enhancing shareholder returns

Domestic banks are also joining global banks in boosting their shareholder returns. Domestic banks' (centered on the top-three financial groups) payout ratios should expand to 50% in 2025 (up 9-18%pts y-y). Medium-sized banks, too, should make visible progress in terms of shareholder returns, with their CET-1 ratios likely to surpass recommended levels.

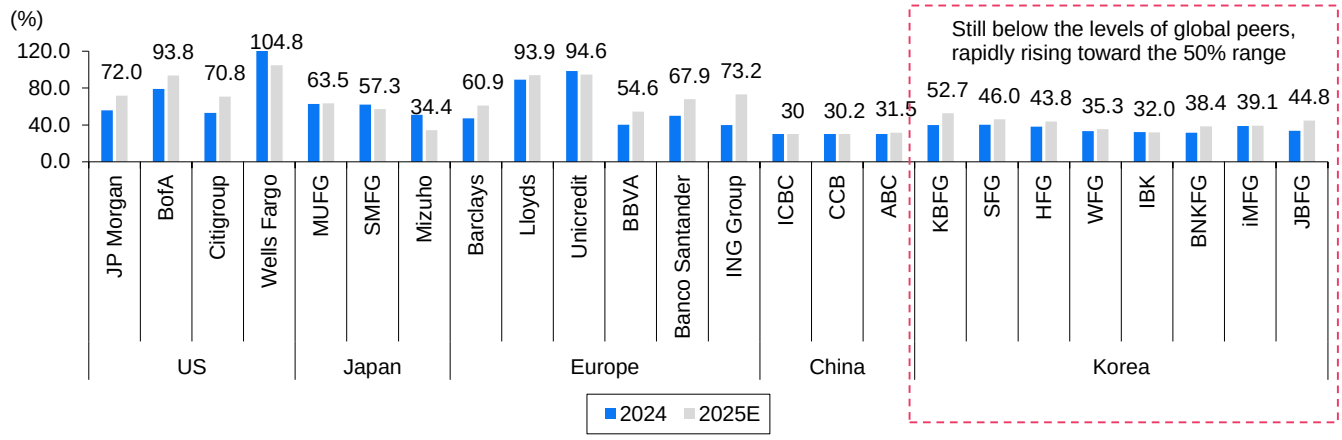
Peer pressure in payout ratio policy—Domestic banks' payout ratios to rise further in 2026

Peer pressure should result in domestic banks' payout ratios rising further in 2026. KB Financial Group's (KBFG) payout ratio is expected to top 50% in 2025 and Shinhan Financial Group's (SFG) 46%. Buoyed by KBFG's generosity, SFG may bring forward the timing of its hitting the 50% threshold to 2026 (vs 2027 previously). SFG's move—alongside global banks' rapid payout ratio hikes—should prompt investors in key financial groups (*eg*, KBFG and Hana Financial Group (HFG)) to demand more lavish payout ratios.

Domestic banks need to narrow implied COE gap with global banks

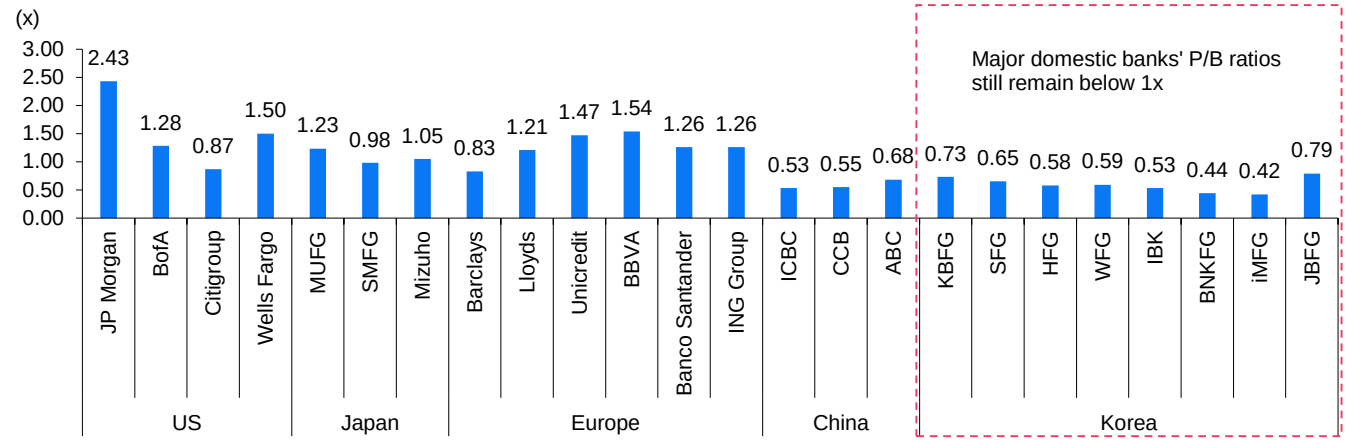
Domestic banks' implied COE remains excessively high at 15-21% (vs 8% for global banks), and we forecast the figure will fall over time. In the past, the implied COE gap (between domestic and global banks) was justifiable given domestic banks' payout ratio of just 30%, and further given lingering uncertainty over their earnings improvement. We, however, note that since 2H24, most domestic banks have unveiled roadmaps to lift their payout ratios, and some banks have accomplished their targets earlier than expected. In other words, the improved visibility for payout ratio hikes should increasingly justify a narrowing of the implied COE gap between domestic and global banks.

Total shareholder payout ratio, by global bank



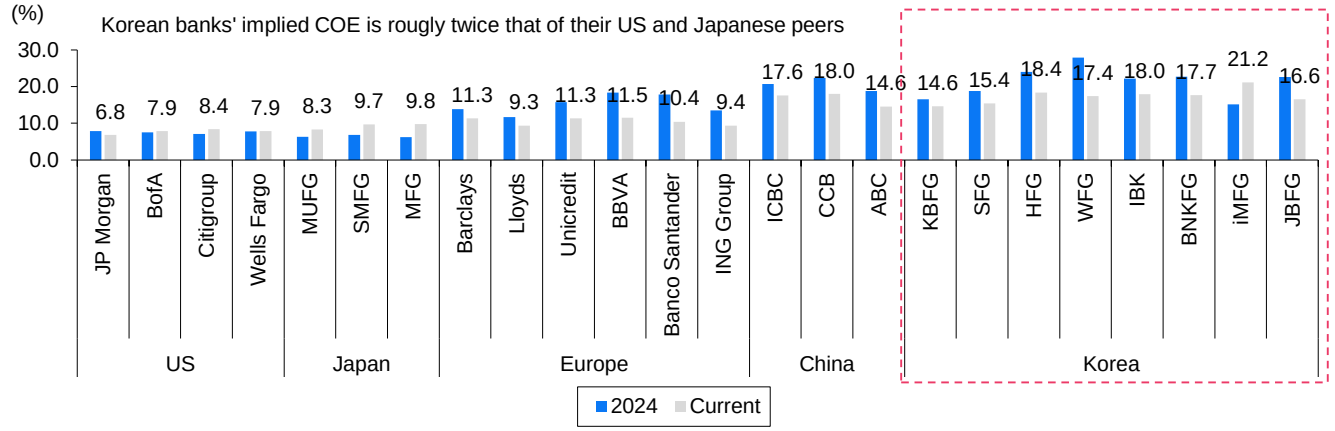
Source: Bloomberg, Samsung Securities

2025E P/B, by global bank



Source: Bloomberg, Samsung Securities

Implied COE, by global bank



Source: Bloomberg, Samsung Securities

Second cause of global banking rally (including Korean one): Improved interest rate environment

Long-short yield spread keeps widening

The rally for global banking shares has also been spurred by a widening of long-short yield spreads. Following the outbreak of COVID-19, long-short yield spreads inverted, but the spread has rapidly normalized in key nations over the past twelve months (the spread has widened, with short-term yields falling and long-term yields holding up well). For instance, the spread stood at 0.54%pts in the US as of end-September (0.4%pts wider y-y). Such widening has also been spotted in key nations (*eg*, the EU, the UK, Japan, and Korea).

Widening of long-short spreads hints at banks' margin improvement

The widening of long-short spreads theoretically points to banks' margins rising. In general, banks secure short-term funds and manage them over the long term—*eg*, they seek funds via term deposits (with maturities of less than one year) and demand deposits, and based on the short-term funds, they finance long-term assets (*eg*, mortgages) or government bonds. As such, widening of long-short spreads is positive for banks' NIM management.

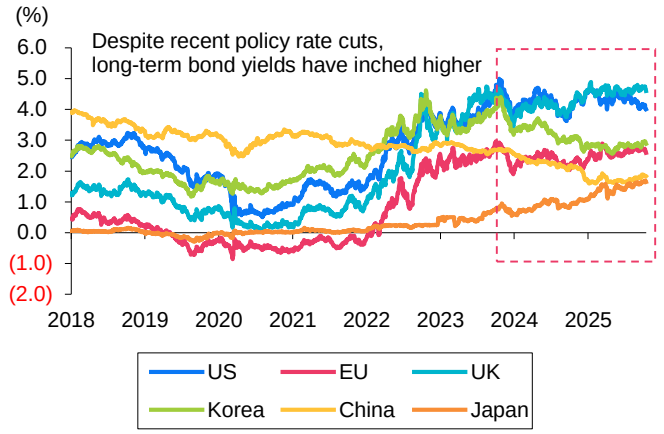
Re-pricing of low interest-bearing assets (*eg*, ones purchased during COVID-19) to boost US banks' NIM

Banks are re-financing or re-pricing their low interest-bearing assets bought during the COVID-19 era, which bodes well for their NIM. Re-financing maturing assets, such as government bonds purchased during the pandemic (offering a near zero interest rate) into 30-yr government bonds (now 4.6% interest rate) would boost US banks' NIM. During its 3Q conference call, Bank of America (BofA) said that repricing its maturing MBS and mortgages would boost its NIM 150-200bps per asset.

Domestic banks, too, to gain from re-pricing of mortgages

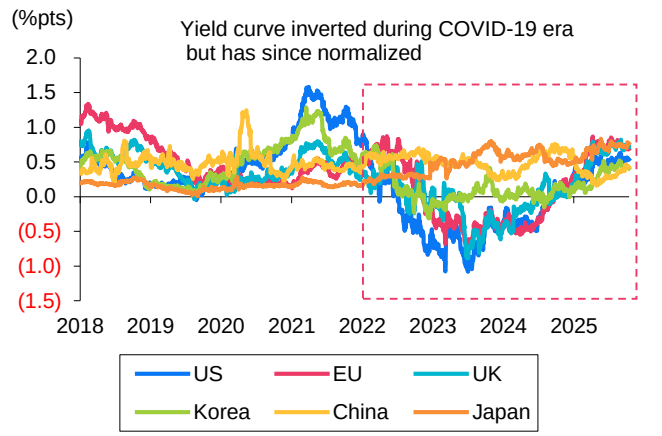
Domestic banks should also gain from re-pricing their mortgages. In 2020, amid the real-estate market boom fueled by a low interest-rate regime, domestic banks extended mortgages at low interest rates. Among banks' loan assets, hybrid mortgages (which are repriced every five years) should be re-priced in 2026, with the re-pricing set to boost domestic banks' NIM. As the interest rate on hybrid mortgages' underlying asset—*ie*, 5-yr bank debentures—has risen from the Jul 2020 low of 1.28% to 2.92% now, banks' margins would receive a boost upon the repricing of the mortgages.

Long-term sovereign yield, by country



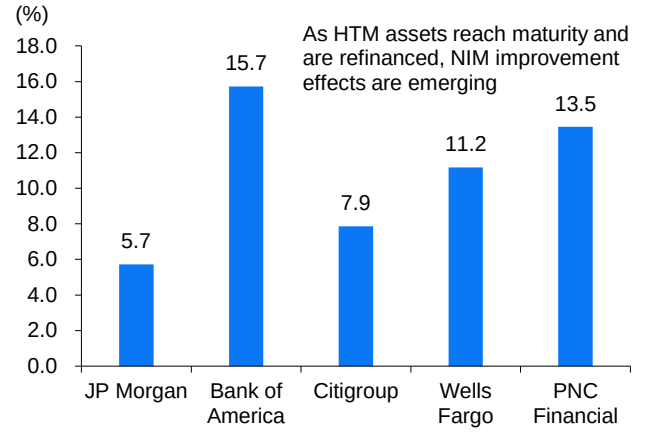
Source: Bloomberg, Samsung Securities

Yield-curve spread, by country



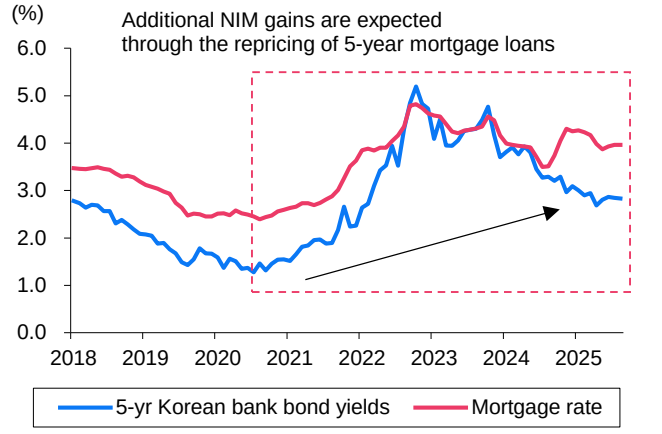
Source: Bloomberg, Samsung Securities

HTM securities as portion of total assets, by US bank



Source: Bloomberg, Samsung Securities

5-yr Korean bank bond yield vs mortgage rates



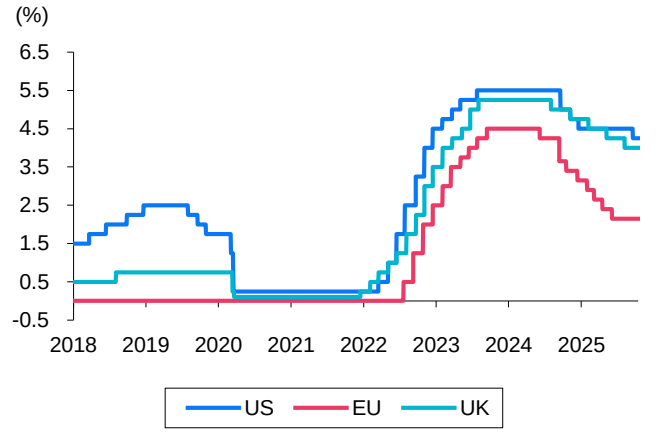
Source: BOK, Samsung Securities

Third key driver of the global banking rally (including in Korea): Loan growth and provisioning normalization

Key central bank rate cuts underway

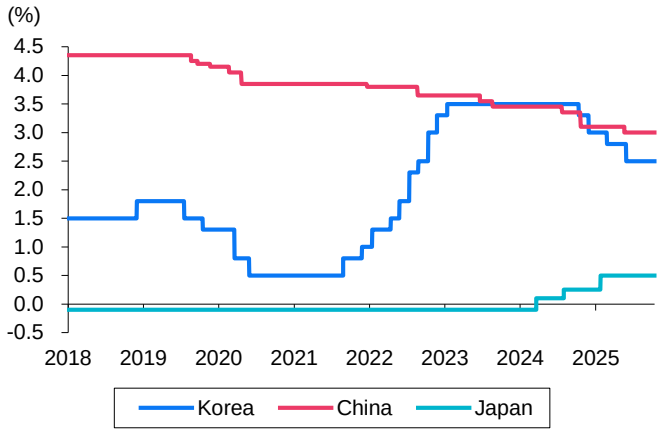
Key central banks have already begun cutting rates this year—by 25bps in the US, 100bps in the EU, 75bps in the UK, and 50bps in Korea. Further cuts remain possible if economic conditions justify it, as current policy rates are still well above end-2019 levels (just before COVID-19). In other words, central banks have room to ease further if Trump's universal tariffs put additional pressure on the economy.

Policy rate: US, EU, and UK



Source: Bloomberg, Samsung Securities

Policy rate: Korea, China, and Japan



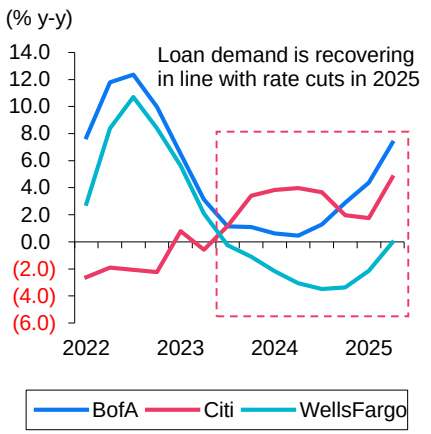
Source: Bloomberg, Samsung Securities

First key example of rate cut-led fundamentals normalization: Loan-growth recovery

Rate cuts by major central banks should help loan growth rebound. In 2024, loan growth at the four largest US banks was just 0.1%, and at major European banks 0.7%—in both cases reflecting the drag from rapid rate hikes aimed at curbing inflation. For instance, the US 30-year fixed mortgage rate remains at 6.3%, a level that will clearly suppress demand.

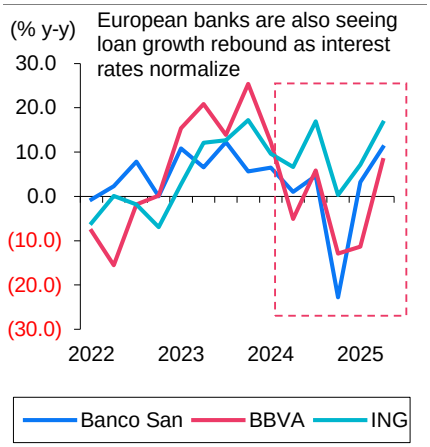
If yields normalize, however, loan demand should normalize. Rate cuts that help stimulate economic activity can create a virtuous circle of stronger demand for high-quality loans. Entering this year, US and European banks have already seen a modest rebound in loan growth, which we attribute to the initial rounds of monetary easing. Additional rate cuts should support a further pickup.

US banks: Loan growth



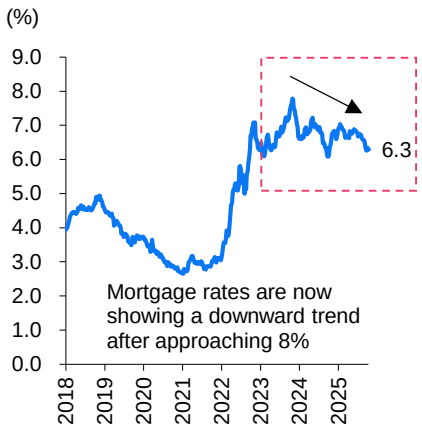
Source: Bloomberg, Samsung Securities

European banks: Loan growth



Source: Bloomberg, Samsung Securities

US 30-yr fixed-rate mortgage rates

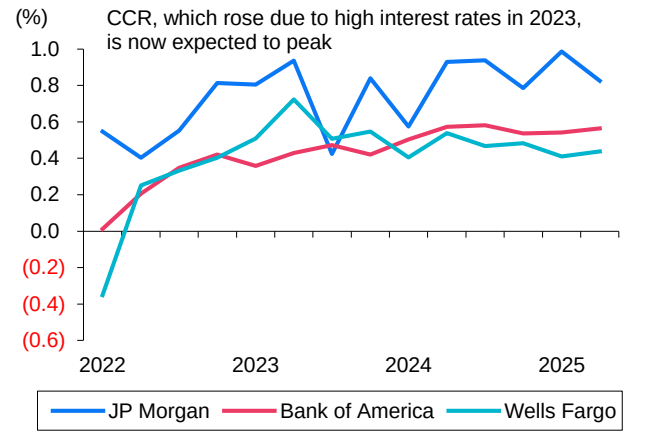


Source: Bloomberg, Samsung Securities

Second key example of rate cut-led fundamentals normalization: Provisioning peaking

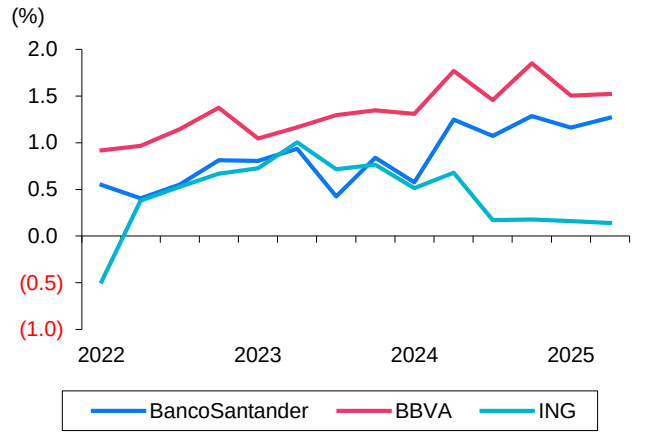
Rate cuts, a rebound in loan growth, and firmer economic growth should lead to provisioning peaking. Past increases in global banks' CCR stemmed from rapid rate hikes (which increased borrowers' interest burden), inflation, and slowing economic growth. By contrast, looser monetary policy and the economic environment should ease interest burdens and allow CCR to peak and then normalize. For example, at recent earnings calls, major US banks said they expect CCR to peak and then normalize in 2H. At its 3Q earnings call, JPMorgan lowered its net charge-off (NCO) guidance for its credit card business from 3.6% to 3.3%.

US banks: Credit cost rate



Source: Bloomberg, Samsung Securities

European banks: Credit cost rate



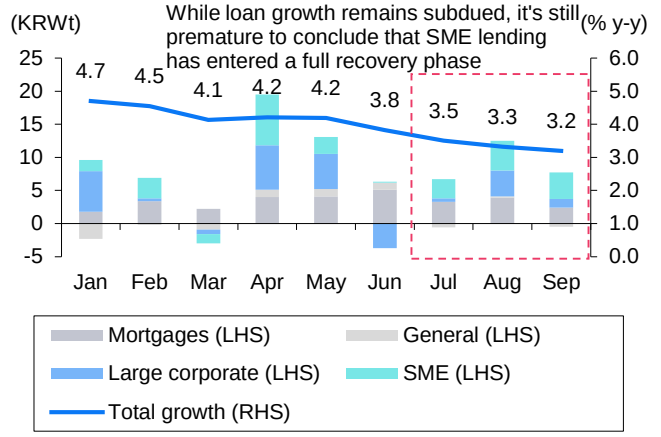
Source: Bloomberg, Samsung Securities

Korean banks, too, should enjoy fundamentals normalization

The same dynamics should play out domestically. Lower rates will ease the interest burden not only for household loan borrowers but also for manufacturing, construction, and SOLO loan borrowers. This, in turn, should improve asset quality and support stronger, higher-quality loan growth.

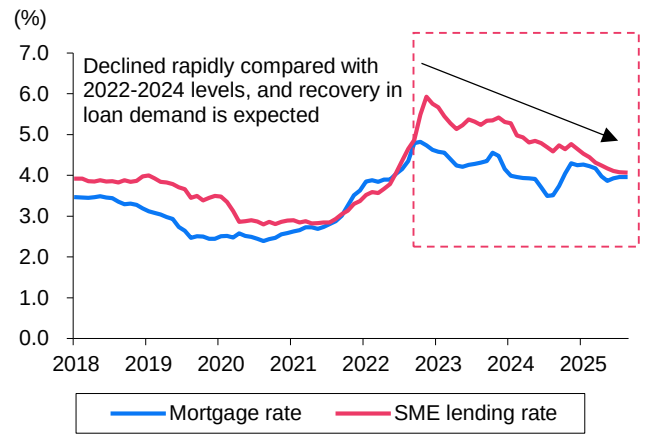
Loan growth at Korean banks began to pick up in 2Q, but remains concentrated in large corporates. Construction sites, meanwhile, continue to face margin pressure from elevated borrowing costs. At their 2Q earnings calls, domestic banks flagged the likelihood of credit costs peaking at end-2025.

Net loan growth (by segment) vs total loan growth



Source: BOK, Samsung Securities

Mortgage rate vs SME lending rate



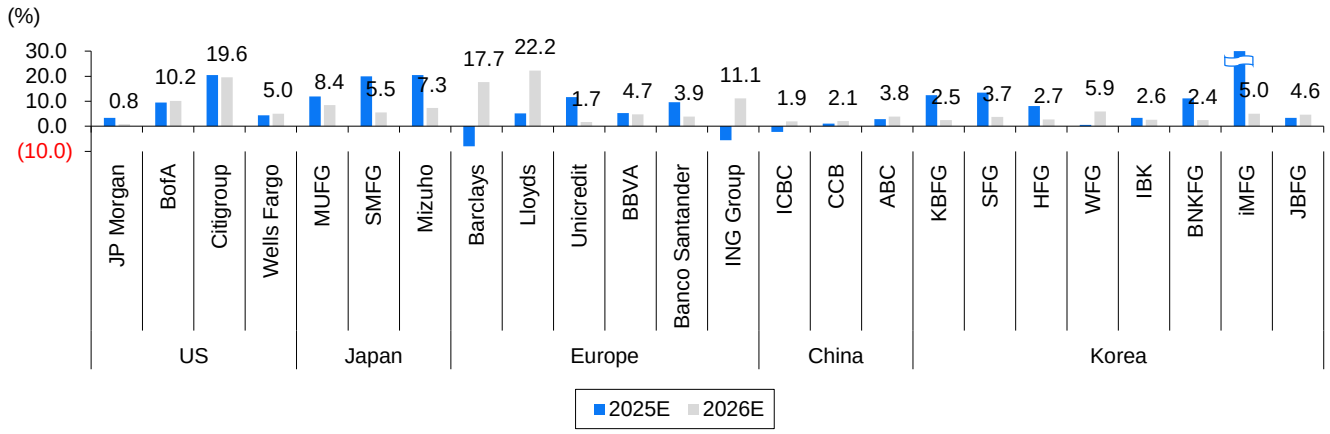
Source: BOK, Samsung Securities

Banks' earnings to improve y-y in 2026

We expect banks' earnings to improve in 2026. Consensus, which has global banks (including Korean ones) posting net profit growth of 3.2% next year, strengthened recently, with earnings forecasts being revised up.

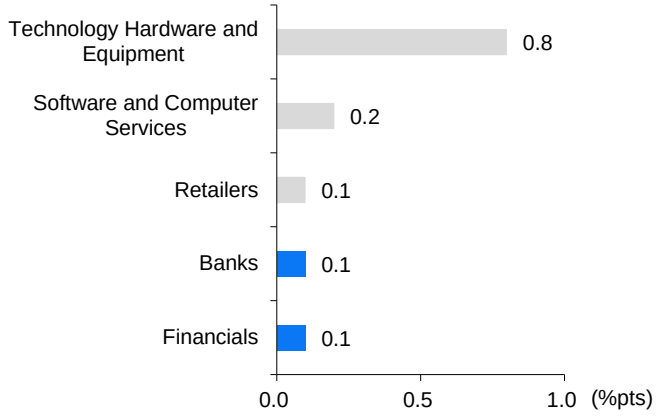
For domestic banks, earnings growth in 2026 may lag that of global peers due to headwinds such as a higher bank levy and corporate tax. Excluding these factors, domestic banks' earnings growth would likely be in the mid-single digits, broadly in line with global banks.

Global banks: 2025E and 2026E earnings growth forecasts



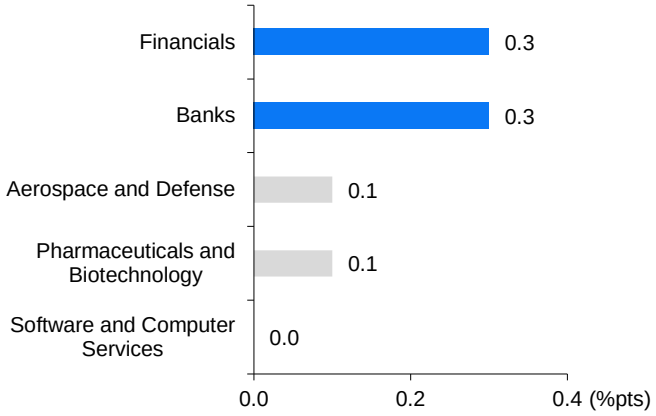
Note: iMFG's earnings growth for 2025 is estimated at 114.4%
Source: Bloomberg, FnGuide, Samsung Securities estimates

Top 5 sectors driving US earnings estimate upgrades



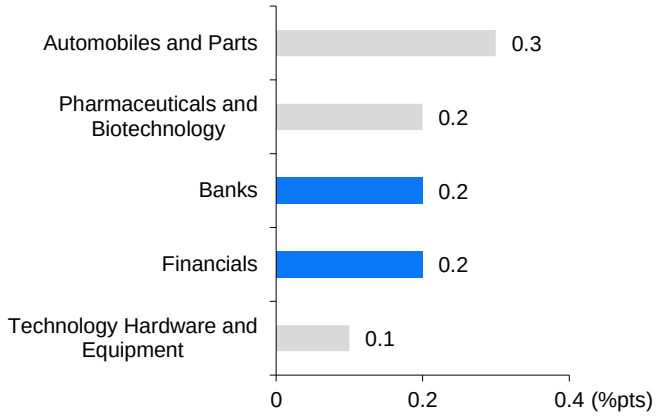
Note: As of Sep 19; based on S&P 500 companies
Source: LSEG, Samsung Securities

Top 5 sectors driving European earnings estimate upgrades



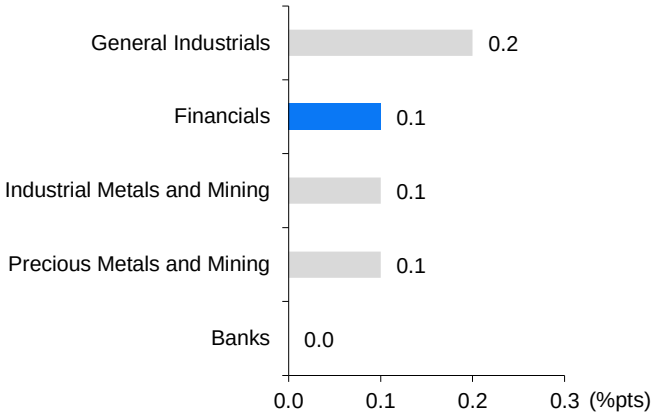
Note: As of Sep 19; based on EuroStoxx companies
Source: LSEG, Samsung Securities

Top 5 sectors driving Japanese earnings estimate upgrades



Note: As of Sep 19; based on Nikkei225 companies
Source: LSEG, Samsung Securities

Top 5 sectors driving Chinese earnings estimate upgrades



Note: As of Sep 19; based on Hang Seng Index companies
Source: LSEG, Samsung Securities

Remaining puzzle for domestic banks rerating: Clearer visibility on shareholder returns

Market questioning whether banks, faced with mounting pressure, can deliver on their commitment to enhance shareholder returns

While major global banks are trading above 1x P/B, domestic banks remain at just 0.6x 2026 P/B. This sharp valuation discount reflects both their comparatively low total shareholder returns and lingering uncertainty over the execution of planned shareholder return enhancements.

A series of developments in 3Q—including contributions to a bad bank initiative, an education tax hike, potential penalties related to LTV collusion, penalties linked to sales of Hong Kong H index-linked ELS, and higher mortgage risk weights—have weighed on earnings and eroded capital ratios. These factors have fueled concerns that banks may struggle to meet their shareholder return commitments.

But concerns beginning to fade

However, these concerns are easing as policy direction becomes clearer. Policymakers are prioritizing liquidity supply to support domestic industries in the face of an economic recovery and rising global protectionism. Recognizing that weaker earnings and lower capital ratios could constrain lending capacity, financial authorities have recently rolled out a series of calibrated measures to address concerns that surfaced in 3Q.

5 measures weighing on bank earnings

	Bad bank	Education tax	LTV collusion penalty	ELS penalty	Mortgage RW
Category	Equity Investment	Taxation	Fines/Penalties	Fines/Penalties	Capital Requirement
Authority	FSC	MOEF	FTC	FTC/FSC	FSC
Timeline	- Launched in August - Purchases of delinquent loans will begin in October	- Final confirmation at National Assembly: Nov 2025 - Effective from 2026 - New tax rate (0.5%→1%) applies to income generated from Jan 1, 2027	- FTC plenary session as early as end-2025 - Final decision on illegality and fine level	- Final decision expected by end-2025 - Implementation in early 2026	- Currently under internal review by financial authorities (as of Sept 2025) - Expected to be discussed as part of Basel III-based capital regulation revisions in 2025-2026

Source: Samsung Securities

Concerns fading as policies take clearer shape

Concerns and their easing 1: Bad bank initiative—Burden to be smaller than initially feared

On Oct 1, Korea launched the New Leap Fund, a bad bank initiative aimed at purchasing KRW16t of long-term delinquent debt. The funding structure remains under discussion, as there is a mismatch between funding providers and ultimate beneficiaries. Banks hold just KRW1.1t (7%) of the targeted debt. Even when including their non-bank affiliates (card, insurance, savings banks, consumer finance), their exposure rises to only around 30%. This raises concerns that bank capital would end up supporting money lenders (12.7%) or competitors in the card and insurance sectors.

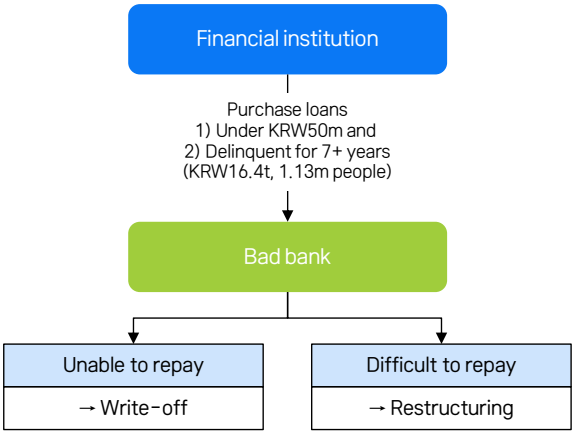
That said, the actual earnings impact on banks this year should be limited. Even if banks contribute KRW360b (the high end of media estimates), that would amount to only about 1% of annual profit per bank. Moreover, their participation will take the form of equity investments, meaning no immediate losses will be recognized. Any impairment would be spread over several years, further diluting the impact. When the National Happiness Fund was established in 2013, the initial write-off of long-term delinquent debt even provided a one-off profit boost.

Bad bank: Earnings impact, by bank

(KRWb)	Equity investments	Impact on 2025E pre-tax profit (%)	Gains from written off loans	Impact on 2025E pre-tax profit (%)
KBFG	73.2	0.9	29.3	0.4
SFG	57.8	0.8	23.1	0.3
HFG	56.3	1.0	22.5	0.4
WFG	59.8	1.4	23.9	0.6
IBK	17.7	0.5	7.1	0.2
BNKFG	13.5	1.2	5.4	0.5
iMFG	8.8	1.4	3.5	0.5
JBFG	6.3	0.7	2.5	0.3
Kakao Bank	17.1	2.7	6.8	1.1
Total	**310.5**	**1.0**	**124.2**	**0.4**

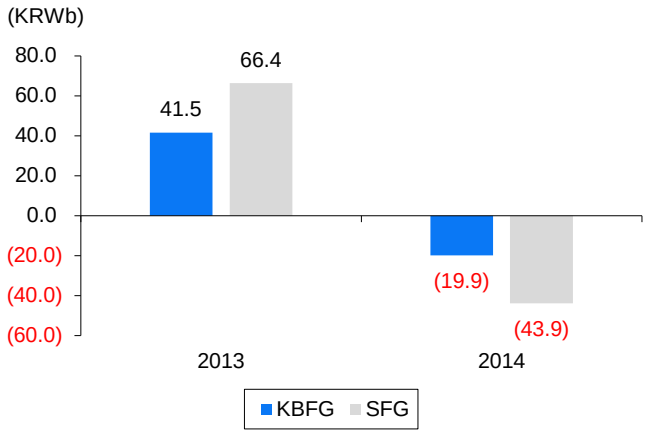
Note: Assuming 20% for banking groups and considering household loan market shares
Source: FISIS, Samsung Securities estimates

Debt restructuring program



Source: Samsung Securities

National Happiness Fund: Impact on banks' earnings



Source: Company data, Samsung Securities

Concerns and their easing 2: Education tax—Taxable revenue items likely to be adjusted

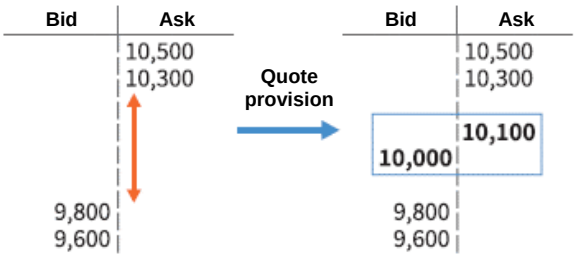
A proposed hike in the education tax on financial institutions, including banks, as part of a broader tax code amendment, remains under review. The Ministry of Economy and Finance is currently gathering feedback from financial institutions on how to define taxable revenue and has reportedly yet to finalize whether to raise the education tax.

The core issue under discussion is how to adjust taxable revenue items. For banks' currency forward businesses, forex transaction gains/losses and derivative gains/losses are already netted, and the net figure forms the tax base. However, netting is not applied to customer-facing RP bond transaction gains/losses across the financial sector, nor to ELS and other stock and bond transaction gains/losses at securities brokers.

The problem is twofold: 1) securities-related revenue growth does not necessarily translate into profit growth; and 2) some financial institution activities are not discretionary or profit-driven. For example, securities brokers' market-making in equity and government bond markets and ELS hedging transactions are currently classified as taxable revenue.

The key going forward is to establish a rational and calibrated framework for determining the tax base. According to data from the Korea Capital Market Institute, applying netting could significantly reduce the education tax burden on securities brokers compared with the initial proposal.

Example: Liquidity provision



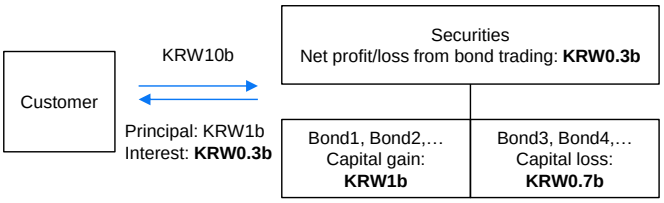
Source: KCMI, Samsung Securities

Example: Education tax base

Transaction price/Number of shares	Capital gain (KRW)	Capital loss (KRW)
9,900/100shs		10,000
10,100/100shs	10,000	
Education tax base	**10,000**	

Note: Only capital gains are included in the tax base
Source: KCMI, Samsung Securities

Example: Retail RP operations



Source: KCMI, Samsung Securities

Example: ELS redemptions

Transaction		Net profit	Gain	Loss
ELS redemption: 110		-10	0(-2)	
Hedging	Derivatives	8		
	Bond trading	3	10	7
Net trading profit/loss		1		

Source: KCMI, Samsung Securities

Example: Education tax calculation related to securities

(KRWb)	Capital gain	Capital loss	Net profit/loss	Education tax	Proposed amendment	0.5% reflection in net profit/loss
Company A	2548.7	2356.6	192.1	12.7	20.5	1.0
Company B	1050.7	751.2	299.5	5.3	5.5	1.5
Company C	808.0	938.1	(130.1)	4.0	4.0	0.0

Source: KCMI, Samsung Securities

Concerns and their easing 3: Penalties for Hong Kong H index-linked ELS—Possible mitigation and favorable court ruling

Penalties tied to Hong Kong H index-linked ELS, once expected to run into the trillions of won, now look likely to be much smaller than initially feared. On Sep 22, the Financial Services Commission (FSC) proposed an amendment to the enforcement decree of the Financial Consumer Protection Act, which clarifies penalty criteria. The proposal: 1) establishes clear penalty calculation standards by product type; 2) segments penalty rates more finely (than the current three tiers), allowing for as little as 1% for minor violations; 3) imposes heavier penalties on firms that profited most from the misconduct; and 4) mitigates penalties for those that demonstrated good-faith consumer protection efforts.

This last element is particularly significant: it incentivizes stronger consumer protection in normal times and could substantially reduce penalties for banks that have already made voluntary compensation to affected investors. Under the proposal, penalties could be reduced by up to 75%.

Basic penalty imposition standards

Materiality Assessment		Current		New Standard
Materiality	Score	Applicable rate		Applicable rate
Very material	2.3 ~	100%	→	65% - 100%
Material	1.6 - 2.3	75%		30% - 65%
Minimally material	~ 1.6	50%		1% - 30%

Note: The applicable rate is adjusted by ±5%pts for every 0.1 points in the score
Source: FSC, Samsung Securities

The misconduct severity rating and the ratio of incomplete sales have not yet been determined, making precise estimates difficult. Still, the proposed revisions imply that banks will likely face much lower penalties than previously expected. For instance, if fines are based on the total amount of Hong Kong H index-linked ELS sold, and banks receive a "moderate" misconduct severity rating (2 points), penalties can be assessed at a rate of 50%. Applying a maximum penalty of 50% and assuming a 75% mitigation, the four major financial groups would face around KRW0.8t in related costs—equal to 3.2% of 2025 earnings. This is 58.3% less than the KRW1.9t we previously projected.

Moreover, if fines are calculated based on the amount of Hong Kong ELS mis-sold rather than the total amount sold, the actual burden could decline even further. On Oct 1, KB Kookmin Bank won a lawsuit filed by an investor over alleged misselling of Hong Kong H index-linked ELS. The district court ruled that the case did not constitute an incomplete sale, citing the investor's prior experience with ELS products and the procedures followed in the investment process. Notably, banks' voluntary compensation efforts revealed that many retail investors already had experience with ELS products. If we assume that 30% of Hong Kong ELS was mis-sold, penalties could drop to around KRW200b—an 87.5% reduction from our initial estimate.

Banks: ELS penalty impact

(KRWb)	ELS sales	Losses from voluntary compensation in 2024	Applicable rate assumption: 50%	Penalty ratio assumption: 50%	Reduction ratio assumption: 75%	2025E pre-tax profit	Earnings impact (%)	Proportion of incomplete sales assumption: 30%	Earnings impact (%)
KBFG	8,197.2	(741.6)	4,098.6	2,049.3	512.3	7,839.6	(6.5)	153.7	(2.0)
SFG	2,370.1	(182.7)	1,185.1	592.5	148.1	7,083.9	(2.1)	44.4	(0.6)
HFG	2,118.3	(114.7)	1,059.2	529.6	132.4	5,591.1	(2.4)	39.7	(0.7)
WFG	41.3	(7.0)	20.7	10.3	2.6	4,231.5	(0.1)	0.8	(0.0)
Total	**12,726.9**	**(1,046.0)**	**6,363.5**	**3,181.7**	**795.4**	**24,746.1**	**(3.2)**	**238.6**	**(1.0)**

Source: Samsung Securities estimates

Concerns and their easing 4: Penalties as operational risk—Regulators reportedly mulling change in calculation method

According to media reports on Oct 10, financial authorities are considering changes to how penalties are factored into operational risk. Currently, a single penalty payment requires banks to reflect the risk of recurrence (operational risk) in their capital ratios for 10 years. Regulators are reportedly working on partial exemption criteria: if a bank establishes and implements adequate recurrence prevention measures, the FSC may allow operational risk to be recognized later (*eg*, at penalty imposition vs finalization) and over a shorter duration.

Such revisions would meaningfully ease capital pressure. Deferring recognition would reduce short-term impact, while shorter reflection periods would limit the drag on capital ratios. Additionally, lowering the operational risk weight from the current 600%—in recognition of financial institutions' remedial efforts—would further ease pressure.

Taken together, these moves reflect regulators' intent to support capital ratio improvements. Against a challenging macro backdrop (domestic and global), ensuring banks' ability to provide liquidity has become increasingly critical. Authorities are pursuing calibrated measures to facilitate liquidity provision while tightening consumer protection in a multifaceted and swift manner.

Currently, the main penalty risks stem from alleged LTV collusion and Hong Kong H index-linked ELS sales. For example, if each bank is fined KRW0.5t for LTV collusion and penalties for Hong Kong ELS are calculated on a base-case scenario (total amount sold), and if the operational risk weight is cut from 600% to 300%, the impact on CET-1 ratios would be roughly 6bps—less than half of the 13bps impact initially expected.

Impact of LTV & ELS penalties on capital ratios

(KRWb)	LTV penalties	ELS penalties	Total penalties	Applied risk weight: 300%	CET-1 ratio impact (%)	Previously estimated CET-1 ratio impact (%)
KBFG	250.0	512.3	762.3	2,287.0	(0.09)	(0.20)
SFG	250.0	148.1	398.1	1,194.4	(0.05)	(0.10)
HFG	250.0	132.4	382.4	1,147.2	(0.05)	(0.12)
WFG	250.0	2.6	252.6	757.7	(0.04)	(0.08)
Total	**1,000.0**	**795.4**	**1,795.4**	**5,386.3**	**(0.06)**	**(0.13)**

Source: Samsung Securities estimates

Concerns and their easing 5: Higher risk weights to apply only to new mortgages—Neutral impact on CET-1 ratios

Earlier media reports suggesting a rise in the minimum mortgage risk weight from 15% to 25% had raised concerns about potential capital ratio erosion, with simple calculations pointing to a 51bps drop in CET-1 ratios.

However, on Sep 19, financial authorities announced a more moderate proposal that should have no actual impact on CET-1 ratios. Under the new proposal: 1) the minimum risk weight will be raised to 20% (instead of 25%); and 2) the change will apply only to new mortgages, not outstanding ones. This approach reflects regulators' intention to implement a calibrated measure—minimizing unintended pressure on capital ratios while gradually nudging banks to shift lending from household mortgages toward corporate borrowers.

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	368,183.5	351,514.0	292,530.0	242,437.0	1,254,664.5
(Higher RW reflected in mortgages)					
CET-1 ratio	13.22	13.17	12.90	12.13	12.92
(Higher RW reflected in mortgages)					
Diff (%pts)	**(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

Banks to remain committed to higher shareholder returns: Peer pressure confirmed in 4Q24 earnings season

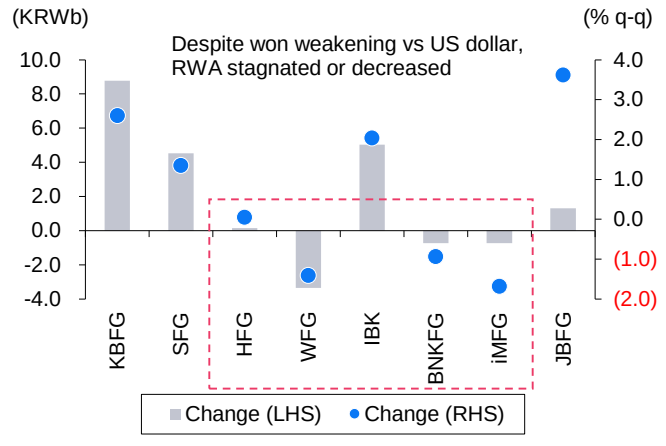
If capital ratios come under pressure, banks are incentivized to reduce RWA or loan issuance

Even assuming a worst-case scenario in which capital ratios come under pressure, banks would probably try to deliver enhanced shareholder return programs by curtailing loan issuance or recalling loans. This was clearly demonstrated in Dec 2024. At the time, concerns over a sharp depreciation of the won against the US dollar—which was expected to cut CET-1 ratios by 20-30bps—prompted banks to actively manage RWA. As a result, despite the forex headwinds, major financial groups were able to maintain or even slightly improve CET-1 ratios in 4Q24. Won-denominated loans at banks under our coverage fell 0.2% q-q, while RWA at Woori Financial Group, BNK Financial Group, and iM Financial Group contracted 0.9-1.7% q-q.

Steep KRW depreciation in 4Q24 drove RWA reduction

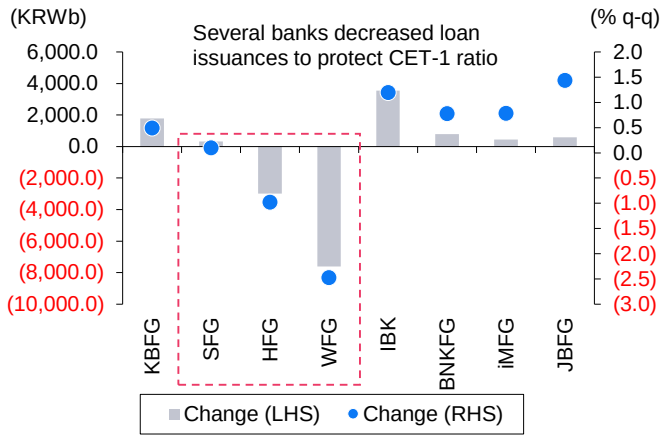
Pressure to defend CET-1 ratios intensified during 4Q24. Notably, KB Financial Group's share price fell 6.7% d-d after its 4Q24 earnings release, as it diverged from peers by reporting a 2.6% q-q increase in RWA and a 32bp q-q decline in its CET-1 ratio. Given that Korea's four major financial groups have no controlling shareholders and are largely owned by financial investors, greater emphasis was placed on delivering on enhanced shareholder return commitments (above and beyond those promised by other sectors).

Banks: 4Q24 RWA change



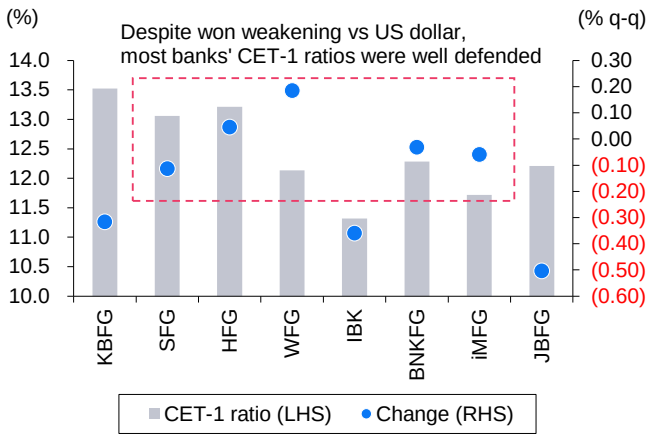
Source: Company data, Samsung Securities

Banks: 4Q24 loan balance growth



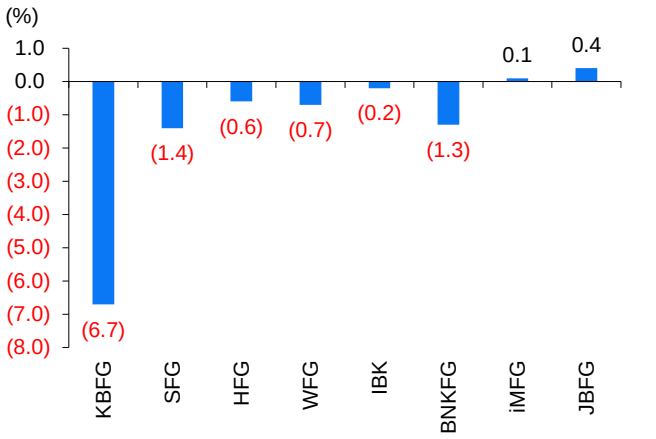
Source: Company data, Samsung Securities

Banks: 4Q24 CET-1 ratio vs growth



Source: Company data, Samsung Securities

Banks: Share price change day after 4Q24 earnings release



Source: QuantiWise, Samsung Securities

Alpha for domestic banks: A hike in BVPS

Banking shares to grow more attractive over longer term—Focus on BVPS gains

Domestic bank stocks should boast even more upside over the medium-to-long term. Major US and Japanese banks currently have an implied cost of equity (COE) of 7-9% (based on 2025 estimates). Even under a conservative assumption of a 12-15% implied COE for domestic banks, their fair P/B multiple would be 0.6-0.9x (based on 2027E ROE), implying considerable upside from current share price levels.

Actual upside could be even larger given the rapid pace of BVPS growth. Assuming an ROE of around 10% and a payout ratio of 40-50%, BVPS should grow about 5% *pa*. In reality, it is estimated to grow closer to 10% *pa*, driven by: 1) share buybacks and cancellations—conducted at P/B multiples well below 1x—accounting for more than 50% of total shareholder returns; and 2) the cancellation of treasury shares, which accelerates the reduction in share count. Korean banks should have much-heightened fair values come end-2027.

For example, KBFG's BVPS is projected to reach KRW181,000 by end-2027 (vs KRW141,000 at end-2024). Applying a fair P/B multiple of 0.84x yields a fair value of KRW152,000, or 33-35% upside from current levels. Banks with lower P/B multiples than KBFG's should have even greater upside.

BVPS growth accelerates when share prices remain sluggish

When share prices underperform, BVPS growth tends to accelerate as treasury share cancellations drive down the share count more aggressively. We assume domestic banks' share buyback price rises 10% y-y. If share prices rise faster than this, the number of shares repurchased may fall short of expectations, slowing the decline in share count. But if share price gains are weaker, higher-than-expected BVPS growth should enhance the investment case for domestic banks.

Sensitivity test: BVPS growth and fair value per share, by bank

(KRW)	2024 BVPS	2027E BVPS	Growth (%)	2027E ROE (%)	COE (%)	Fair P/B (x)	2027E BVPS	Fair value per share	Current price	Upside (%)
KBFG	140,598	180,822	28.6	10.6	12.6	0.84	180,822	151,841	113,700	33.5
SFG	99,328	126,555	27.4	10.1	13.1	0.77	126,555	97,472	72,700	34.1
HFG	133,682	168,969	26.4	10.2	13.1	0.78	168,969	131,708	87,200	51.0
WFG	40,691	50,340	23.7	9.9	14.4	0.69	50,340	34,498	25,650	34.5
BNKFG	31,117	38,512	23.8	8.4	14.2	0.59	38,512	22,819	14,540	56.9
iMFG	30,612	34,729	13.4	9.2	15.6	0.59	34,729	20,453	13,750	48.7
JBFG	26,019	34,712	33.4	12.8	14.2	0.90	34,712	31,406	23,150	35.7

Note: As of Oct 16
Source: Samsung Securities estimates

Share-price stagnation would imply irrational derating

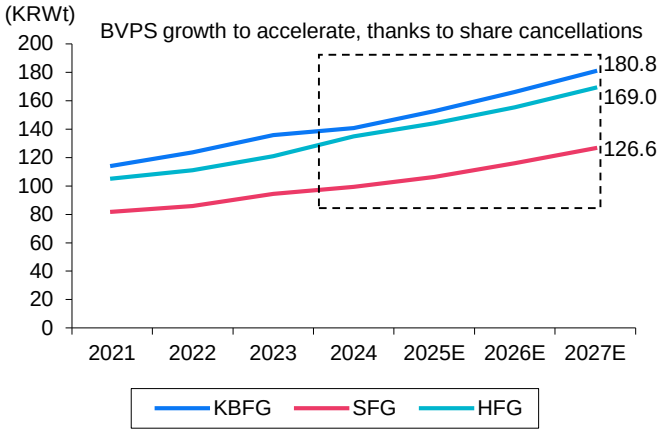
Some may argue that banking shares will remain stuck at current levels, but this view is irrational, as it effectively assumes: 1) banks' corporate value enhancement efforts will prove meaningless; and 2) valuation multiples will derate as a result.

KBFG is trading at 0.74x P/B based on its 2025 BVPS of KRW152,709—a level already raising questions over further P/B increases—but on a 2027 BVPS of KRW180,822, the P/B falls to just 0.63x.

For share prices to stay flat, banks' P/B multiples would have to fall from their current levels, implying an increase in the market's perceived COE. Such a scenario seems unlikely unless banks were to: 1) abandon their ROE and payout ratio expansion plans; and 2) face a severe systemic shock.

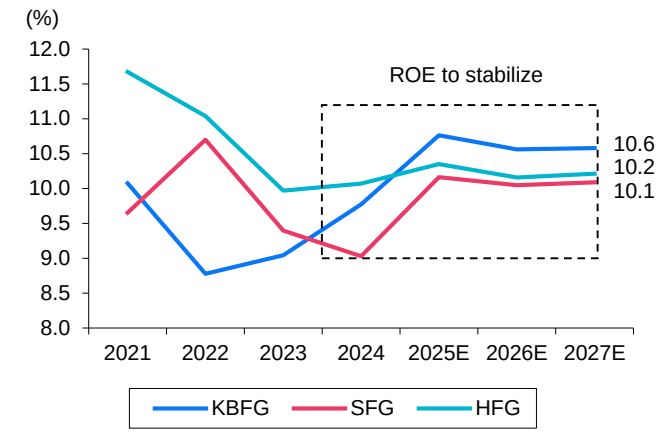
A more reasonable expectation is that bank stocks will: 1) at least track their BVPS growth; and 2) benefit from valuation expansion if payout ratio increases match or beat expectations.

Big 3 financial groups: BVPS trends and forecasts



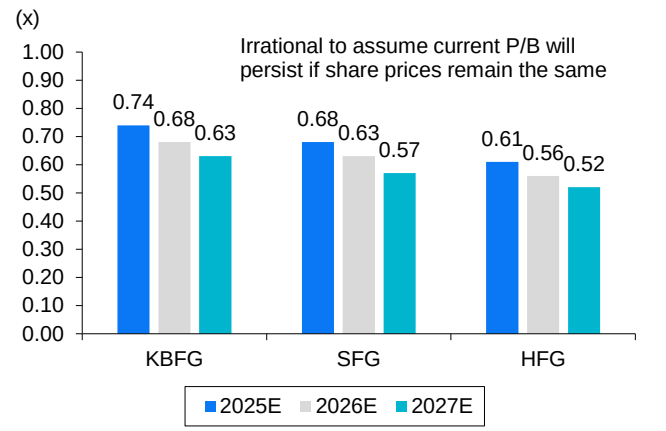
Source: Company data, Samsung Securities estimates

Big 3 financial groups: ROE trends and forecasts



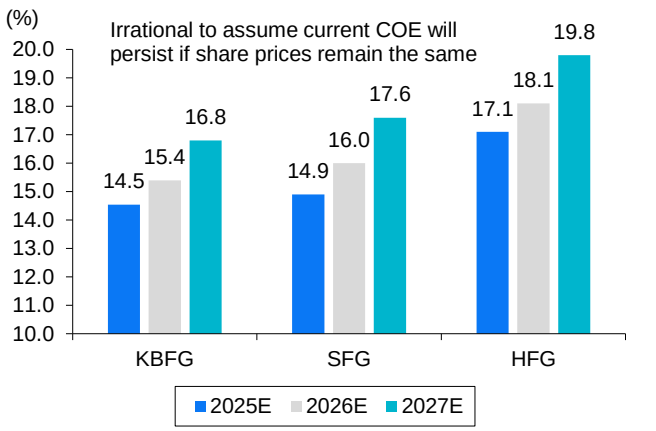
Source: Company data, Samsung Securities estimates

Big 3 financial groups: Annual P/B forecasts



Note: As of Oct 16
Source: QuantiWise, Samsung Securities estimates

Big 3 financial groups: Annual COE forecasts



Note: As of Oct 16
Source: QuantiWise, Samsung Securities estimates

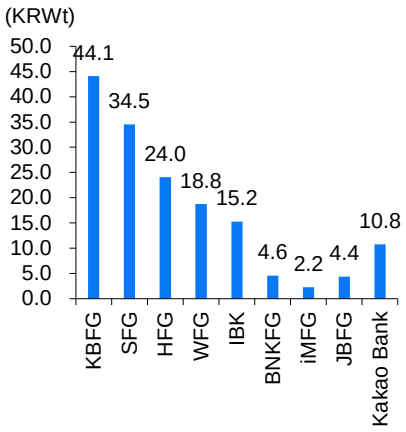
Remaining bullish on sector: Pace of payout ratio hike is key

Despite this year's rally, we remain bullish on the sector for three main reasons: 1) improving industry conditions should support earnings growth; 2) banks have laid out credible corporate value enhancement plans, with some on track to reach targets ahead of schedule; and 3) valuations remain attractive from a longer-term perspective.

We see the pace of payout ratio hikes as the key driver of sector rerating. Specifically: 1) KBFG, as the first mover on payout ratio hikes, should remain the sector leader; 2) SFG and HFG are likely to catch up with KBFG on payout ratios, with valuations following suit; and 3) BNK Financial Group and iM Financial Group, currently trading at the sector's lowest valuations, should emerge as valuation gap plays as the sector's investor base broadens.

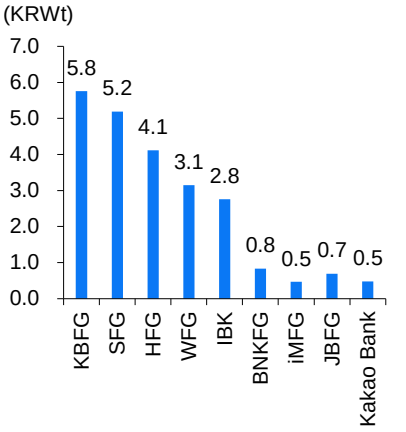
Meanwhile, we also view Woori Financial Group's valuation and dividend yield as appealing, particularly after recent capital-reduction dividend. To narrow its valuation gap with peers, WFG needs to: 1) clarify its ownership structure and management plan for Tongyang Life and ABL Life, the two insurers it recently acquired; 2) demonstrate their earnings-generating capabilities; and 3) provide greater clarity on its payout ratio plans.

Banks/financial groups: Market cap



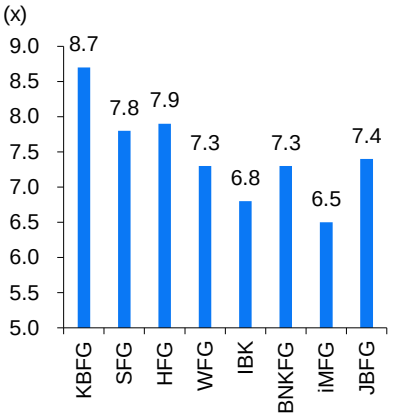
Note: As of Oct 16
Source: QuantiWise, Samsung Securities

Banks/financial groups: 2025E net income



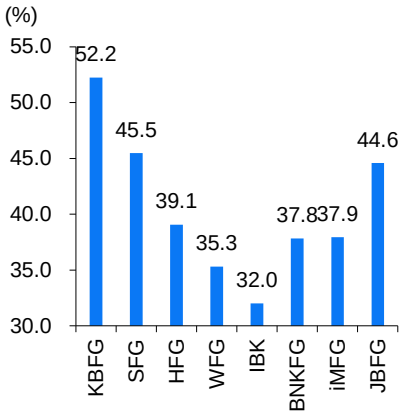
Source: Samsung Securities estimates

Banks/financial groups: 2025E P/E



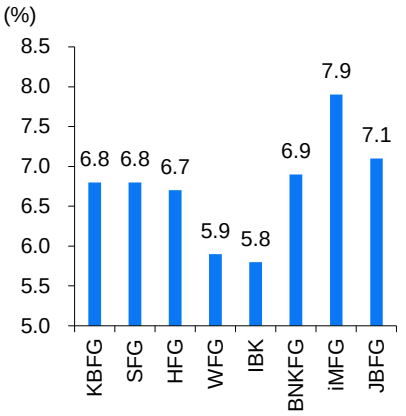
Note: As of Oct 16

Banks/financial groups: 2025E total payout ratio*



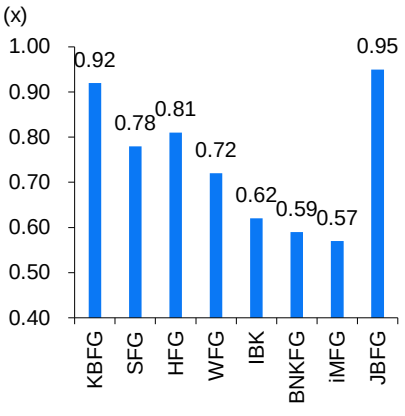
Note: *(Dividends + share buybacks) / net profit
Source: Samsung Securities estimates

Banks/financial groups: 2025E total shareholder yield*



Note: As of Oct 16;
*(Dividends + share buybacks) / mkt cap
Source: QuantiWise, Samsung Securities estimates

Banks/financial groups: 2025E P/B



Note: As of Oct 16
Source: QuantiWise, Samsung Securities estimates

Valuation matrix

(KRWb, 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 (KRW)		115,800	74,100	88,600	26,200	19,610	14,280	13,510	22,750	23,650	
Target price (KRW)		143,000	86,000	113,000	30,000	21,000	19,000	18,000	27,000	29,000	
Upside (%)		23.5	16.1	27.5	14.5	7.1	33.1	33.2	18.7	22.6	
Target P/B (x)		0.94	0.81	0.80	0.70	0.59	0.59	0.57	0.95	2.02	
Target P/E (x)		8.9	8.1	7.8	7.1	6.5	7.3	6.5	7.4	29.0	
Market cap (KRWt)		44.1	34.5	24.0	18.8	15.2	4.6	2.2	4.4	10.8	158.6
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	7.2	7.0	6.1	6.2	6.0	5.5	4.9	6.2	23.5	6.8
	2026	6.8	6.5	5.7	5.9	6.2	5.1	4.7	5.7	20.1	6.6
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	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.8	1.6	0.7
	2026	0.7	0.6	0.6	0.6	0.5	0.4	0.4	0.7	1.5	0.6
EPS (KRW)	2024A	13,593	8,816	13,017	4,156	3,106	2,274	1,270	3,483	923	
	2025E	16,132	10,610	14,562	4,239	3,224	2,594	2,753	3,664	999	
	2026	17,150	11,365	15,434	4,416	3,143	2,787	2,876	3,965	1,168	
BVPS (KRW)	2024A	140,598	99,328	133,682	40,691	34,537	31,117	30,612	26,019	13,712	
	2025E	152,709	106,383	141,851	42,968	35,563	32,132	31,795	28,351	14,358	
	2026	166,209	115,917	153,142	46,424	37,558	34,989	33,281	31,409	15,526	
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	0.6	0.6	0.6	0.9	0.5	1.0	0.7	0.7
	2026	0.7	0.7	0.6	0.6	0.5	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	10.8	10.2	10.3	10.2	9.2	8.2	8.8	13.3	7.1	10.1
	2026	10.6	10.0	10.2	9.9	8.6	8.1	8.8	13.1	7.8	9.9
DPS (KRW)	2025E	3,699	2,280	3,600	1,310	1,110	670	690	1,030	450	
Div. yield (%)	2025E	3.2	3.1	4.1	5.0	5.7	4.7	5.1	4.5	1.9	
Total payout ratio (%)	2025E	52.2	45.5	39.1	35.3	32.0	38.0	37.9	44.6	45.0	
Total shareholder yield (%)	2025E	6.8	6.8	6.7	5.9	5.8	6.9	7.9	7.1	2.0	

Note: As of Oct 22

Source: QuantiWise, Samsung Securities estimates

KB Financial Group

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	29,917	29,930	34,991	36,667	38,434
Financial instruments	203,951	218,720	227,929	239,839	252,452
Net loans & credit	445,790	474,706	491,709	513,612	536,150
Interest earning assets	**679,658**	**723,356**	**754,209**	**789,665**	**826,545**
Tangible assets	9,637	10,516	5,305	5,568	5,845
Other assets	26,431	23,974	39,328	41,748	44,335
Total assets	**715,726**	**757,847**	**798,842**	**836,981**	**876,724**
Customer deposits	401,290	429,357	443,826	464,488	485,648
Borrowing	69,578	68,077	71,925	76,132	80,621
Debentures	69,182	76,171	76,031	80,033	84,291
Interest bearing liabilities	**595,927**	**635,856**	**659,361**	**690,977**	**723,738**
Other liabilities	61,164	62,175	77,720	81,632	85,981
Total liabilities	**657,090**	**698,031**	**737,082**	**772,609**	**809,720**
Paid-in capital	2,091	2,091	2,091	2,091	2,091
Hybrid securities	5,033	5,083	5,162	5,162	5,162
Capital surplus	17,129	17,124	17,123	17,123	17,123
Retained earnings	31,935	34,808	37,495	40,107	42,739
Capital adjustment	(1,647)	(1,713)	(1,719)	(1,719)	(1,719)
Other accumulated earnings and comprehensive income	2,153	497	(277)	(277)	(277)
Minority interest	1,944	1,926	1,885	1,885	1,885
Shareholder equity	**58,636**	**59,815**	**61,760**	**64,372**	**67,004**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	29,142	30,491	29,665	31,009	32,523
Interest expense	(16,961)	(17,665)	(16,806)	(17,608)	(18,688)
Net interest income before prov.	**12,181**	**12,827**	**12,859**	**13,402**	**13,835**
Loan-loss provisioning	(3,146)	(2,044)	(2,354)	(2,187)	(2,013)
Net interest income after prov.	**9,034**	**10,782**	**10,505**	**11,215**	**11,822**
Fee income	3,674	3,850	3,834	3,898	3,955
Other non-interest income	324	352	538	640	600
Gross income	**13,032**	**14,984**	**14,877**	**15,753**	**16,377**
G&A expenses	(6,647)	(6,939)	(7,203)	(7,436)	(7,654)
Operating profit	**6,385**	**8,045**	**7,674**	**8,317**	**8,724**
Other non-operating income	(265)	(1,060)	165	(144)	(146)
Pre-tax profit	**6,120**	**6,985**	**7,840**	**8,173**	**8,577**
Taxes	1,594	1,957	2,044	2,227	2,338
Net profit	**4,526**	**5,029**	**5,796**	**5,946**	**6,239**
Minority interest	(69)	(50)	34	49	53
Net profit (consolidated)	**4,595**	**5,078**	**5,762**	**5,897**	**6,187**
Pre-provisioning operating profit	9,719	10,301	10,251	10,735	10,979

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.6	0.6	0.5	0.5	0.5
NPL ratio (below precautionary)	1.6	1.6	1.2	1.2	1.2
NPL coverage ratio (below substandard)	279.0	134.3	195.7	186.9	179.3
NPL coverage ratio (below precautionary)	99.6	54.4	74.5	71.3	68.5
Cumulative provisioning / credit	1.6	0.9	0.9	0.9	0.8
Net write-offs / NPL (below substandard)	42.4	44.5	67.6	62.6	59.2
Net write-offs / credit	0.2	0.3	0.3	0.3	0.3
Loan loss provisioning charges / credit	0.72	0.44	0.49	0.43	0.38

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.7	0.7	0.8	0.7	0.7
Return on avg equity	9.0	9.8	10.8	10.6	10.6
Loan growth (bank basis)	4.0	6.4	4.5	4.6	4.5
Deposit growth (bank basis)	3.0	7.1	3.1	4.6	4.5
Asset growth (bank basis)	2.4	6.2	4.3	4.4	4.3
Loans-to-deposit (bank basis)	98.5	97.8	98.6	98.6	98.6
Net interest margin (bank basis)	1.83	1.78	1.73	1.67	1.61
Net interest spread (bank basis)	1.76	1.72	1.67	1.61	1.55
Cost-to-income	41.1	40.7	41.8	41.5	41.6
BIS CAR, total	16.7	16.4	16.3	16.4	16.4
BIS CAR, Tier 1	15.4	15.2	15.3	15.4	15.5
BIS CAR, Tier 2	1.4	1.3	1.0	0.9	0.9
BIS CAR, CET-1	13.6	13.5	13.7	13.7	13.7
Equity-to-assets	8.2	7.9	7.7	7.7	7.6

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	12,134	13,593	16,132	17,150	18,711
BVPS (KRW)	135,703	140,598	152,709	166,209	180,822
DPS (KRW)	3,060	3,174	3,699	4,300	4,763
Dividend payout ratio (%)	25.4	23.6	23.3	25.4	25.9
Total payout ratio (%)	37.8	39.8	52.2	55.7	57.4

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	9,719	4,595	12,134	13.8	135,703	4.5	0.4	0.7	9.0	13.6	5.7
2024	10,301	5,078	13,593	12.0	140,598	8.5	0.8	0.7	9.8	13.5	3.8
2025E	10,251	5,762	16,132	18.7	152,709	7.1	0.8	0.8	10.8	13.7	3.2
2026E	10,735	5,897	17,150	6.3	166,209	6.7	0.7	0.7	10.6	13.7	3.7
2027E	10,979	6,187	18,711	9.1	180,822	6.2	0.6	0.7	10.6	13.7	4.1

Source: Company data, Samsung Securities estimates

Shinhan Financial Group

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	34,764	40,689	40,745	42,515	44,365
Financial instruments	199,781	206,801	211,178	220,576	230,407
Net loans & credit	413,015	450,560	461,609	484,561	508,898
Interest earning assets	**647,560**	**698,050**	**713,532**	**747,652**	**783,669**
Tangible assets	7,139	7,544	4,116	4,358	4,609
Other assets	37,097	34,170	53,824	55,838	57,932
Total assets	**691,795**	**739,764**	**771,473**	**807,848**	**846,211**
Customer deposits	381,932	423,378	433,793	454,044	475,274
Borrowing	56,901	49,920	55,007	56,469	57,983
Debentures	81,817	94,027	90,608	92,971	95,433
Interest bearing liabilities	**570,649**	**619,713**	**633,163**	**657,780**	**683,532**
Other liabilities	64,824	61,230	77,059	86,036	95,852
Total liabilities	**635,473**	**680,943**	**710,222**	**743,816**	**779,383**
Paid-in capital	2,970	2,970	2,970	2,970	2,970
Hybrid securities	4,002	4,600	4,800	4,800	4,800
Capital surplus	12,095	12,095	12,102	12,102	12,102
Retained earnings	36,387	39,021	41,510	44,178	46,862
Capital adjustment	(659)	(807)	(578)	(578)	(578)
Other accumulated earnings and comprehensive income	(1,074)	(1,824)	(2,616)	(2,616)	(2,616)
Minority interest	2,601	2,767	3,062	3,175	3,288
Shareholder equity	**56,322**	**58,821**	**61,251**	**64,031**	**66,828**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	27,579	29,209	28,197	29,378	30,575
Interest expense	(16,761)	(17,807)	(16,637)	(17,396)	(18,139)
Net interest income before prov.	**10,818**	**11,402**	**11,560**	**11,982**	**12,435**
Loan-loss provisioning	(2,130)	(1,960)	(2,298)	(1,955)	(1,713)
Net interest income after prov.	**8,688**	**9,442**	**9,261**	**10,027**	**10,723**
Fee income	2,647	2,715	2,897	2,967	3,039
Other non-interest income	661	418	1,071	928	801
Gross income	**11,996**	**12,575**	**13,229**	**13,922**	**14,563**
G&A expenses	(5,895)	(6,116)	(6,290)	(6,510)	(6,747)
Operating profit	**6,101**	**6,459**	**6,939**	**7,412**	**7,816**
Other non-operating income	(136)	(430)	145	145	142
Pre-tax profit	**5,965**	**6,029**	**7,084**	**7,557**	**7,958**
Taxes	(1,487)	(1,471)	(1,777)	(2,078)	(2,189)
Net profit	**4,478**	**4,558**	**5,307**	**5,479**	**5,770**
Minority interest	(110)	(108)	(113)	(113)	(113)
Net profit (consolidated)	**4,368**	**4,450**	**5,194**	**5,366**	**5,657**
Pre-provisioning operating profit	8,376	8,572	9,471	9,553	9,730

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.6	0.7	0.8	0.8	0.8
NPL ratio (below precautionary)	1.7	1.6	1.6	1.7	1.7
NPL coverage ratio (below substandard)	198.4	149.8	169.2	166.5	159.9
NPL coverage ratio (below precautionary)	65.7	65.9	82.2	81.0	77.8
Cumulative provisioning / credit	1.1	1.1	1.4	1.3	1.3
Net write-offs / NPL (below substandard)	66.5	56.6	25.0	45.9	41.1
Net write-offs / credit	1.1	1.1	1.4	1.3	1.3
Loan loss provisioning charges / credit	0.54	0.46	0.52	0.42	0.35

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.6	0.6	0.7	0.7	0.7
Return on avg equity	9.4	9.0	10.2	10.0	10.1
Loan growth (bank basis)	3.2	10.3	3.9	4.8	4.8
Deposit growth (bank basis)	(0.6)	11.1	2.3	4.8	4.8
Asset growth (bank basis)	4.1	6.9	4.3	4.7	4.7
Loans-to-deposit (bank basis)	118.4	118.2	118.6	118.6	118.6
Net interest margin (bank basis)	1.62	1.58	1.55	1.51	1.48
Net interest spread (bank basis)	2.02	1.88	1.75	1.70	1.67
Cost-to-income	43.1	41.7	40.1	41.2	41.4
BIS CAR, total	16.0	15.8	15.8	15.8	15.8
BIS CAR, Tier 1	14.8	14.8	15.0	15.1	15.1
BIS CAR, Tier 2	1.2	1.0	0.8	0.8	0.7
BIS CAR, CET-1	13.2	13.1	13.5	13.5	13.4
Equity-to-assets	8.1	8.0	7.9	7.9	7.9

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	8,500	8,816	10,610	11,365	12,472
BVPS (KRW)	94,294	99,328	106,383	115,917	126,555
DPS (KRW)	2,100	2,160	2,280	2,840	3,120
Dividend payout ratio (%)	24.7	24.5	21.4	25.1	25.2
Total payout ratio (%)	35.8	40.3	45.5	50.3	52.6

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	8,376	4,368	8,500	(5.6)	94,294	4.7	0.4	0.6	9.4	13.2	5.2
2024	8,572	4,450	8,816	3.7	99,328	5.4	0.5	0.6	9.0	13.1	4.5
2025E	9,471	5,194	10,610	20.3	106,383	6.5	0.7	0.7	10.2	13.5	3.3
2026E	9,553	5,366	11,365	7.1	115,917	6.1	0.6	0.7	10.0	13.5	4.1
2027E	9,730	5,657	12,472	9.7	126,555	5.6	0.5	0.7	10.1	13.4	4.5

Source: Company data, Samsung Securities estimates

Hana Financial Group

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	34,480	40,405	37,353	38,870	40,448
Financial instruments	133,030	151,450	147,883	154,722	161,890
Net loans & credit	382,300	403,979	414,709	434,386	455,071
Interest earning assets	**550,874**	**596,148**	**600,273**	**628,341**	**657,810**
Tangible assets	9,878	11,503	12,278	12,776	13,295
Other assets	31,174	30,196	46,378	48,261	50,220
Total assets	**591,926**	**637,848**	**658,929**	**689,378**	**721,326**
Customer deposits	372,040	390,531	391,549	410,047	429,451
Borrowing	44,160	47,115	49,499	51,509	53,600
Debentures	58,702	64,880	67,951	70,710	73,581
Interest bearing liabilities	**485,930**	**513,637**	**520,912**	**544,663**	**569,533**
Other liabilities	65,814	80,634	92,131	94,522	97,027
Total liabilities	**551,744**	**594,271**	**614,011**	**642,232**	**671,943**
Paid-in capital	1,501	1,501	1,501	1,501	1,501
Hybrid securities	3,606	4,140	3,900	3,900	3,900
Capital surplus	10,583	10,579	10,578	10,578	10,578
Retained earnings	25,126	27,640	29,807	31,995	34,191
Capital adjustment	(182)	(325)	(637)	(637)	(637)
Other accumulated earnings and comprehensive income	(1,291)	(834)	(1,105)	(1,105)	(1,105)
Minority interest	838	876	874	914	955
Shareholder equity	**40,182**	**43,577**	**44,918**	**47,146**	**49,383**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	23,276	24,117	22,568	23,348	24,378
Interest expense	(14,397)	(15,356)	(13,579)	(14,147)	(14,799)
Net interest income before prov.	**8,879**	**8,761**	**8,989**	**9,201**	**9,579**
Loan-loss provisioning	(1,785)	(1,239)	(1,463)	(1,218)	(1,067)
Net interest income after prov.	**7,094**	**7,522**	**7,526**	**7,983**	**8,512**
Fee income	1,296	1,524	1,826	1,884	1,913
Other non-interest income	712	340	706	670	619
Gross income	**9,102**	**9,385**	**10,058**	**10,537**	**11,044**
G&A expenses	(4,408)	(4,530)	(4,626)	(4,777)	(4,945)
Operating profit	**4,693**	**4,855**	**5,432**	**5,760**	**6,099**
Other non-operating income	(12)	197	159	204	213
Pre-tax profit	**4,681**	**5,052**	**5,591**	**5,964**	**6,312**
Taxes	1,213	1,284	1,421	1,640	1,736
Net profit	**3,468**	**3,769**	**4,170**	**4,324**	**4,576**
Minority interest	47	30	51	60	61
Net profit (consolidated)	**3,422**	**3,739**	**4,118**	**4,264**	**4,515**
Pre-provisioning operating profit	6,634	6,272	7,090	7,179	7,375

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.5	0.6	0.4	0.4	0.4
NPL ratio (below precautionary)	2.0	2.1	1.4	1.4	1.4
NPL coverage ratio (below substandard)	154.7	119.8	221.2	224.7	226.6
NPL coverage ratio (below precautionary)	39.0	35.0	66.2	67.3	67.9
Cumulative provisioning / credit	0.8	0.7	1.0	1.0	1.0
Net write-offs / NPL (below substandard)	61.0	45.6	29.7	50.3	41.2
Net write-offs / credit	0.3	0.3	0.1	0.2	0.2
Loan loss provisioning charges / credit	0.45	0.30	0.35	0.28	0.23

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.6	0.6	0.6	0.6	0.6
Return on avg equity	10.0	10.1	10.5	10.4	10.4
Loan growth (bank basis)	7.0	4.0	5.5	4.7	4.7
Deposit growth (bank basis)	4.4	3.9	4.1	4.7	4.7
Asset growth (bank basis)	4.1	7.8	3.3	4.6	4.6
Loans-to-deposit (bank basis)	99.2	99.5	101.2	101.2	101.2
Net interest margin (bank basis)	1.59	1.47	1.48	1.44	1.43
Net interest spread (bank basis)	1.52	1.39	1.40	1.36	1.35
Cost-to-income	40.5	42.6	40.2	40.6	40.8
BIS CAR, total	15.6	15.6	14.8	14.9	14.9
BIS CAR, Tier 1	14.7	14.8	14.1	14.1	14.1
BIS CAR, Tier 2	1.0	0.8	0.7	0.7	0.7
BIS CAR, CET-1	13.2	13.2	13.3	13.4	13.4
Equity-to-assets	6.4	6.4	6.8	7.1	7.4

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	11,704	13,017	14,562	15,557	17,088
BVPS (KRW)	120,263	133,682	140,970	153,292	167,077
DPS (KRW)	3,400	3,400	3,600	3,800	4,200
Dividend payout ratio (%)	28.8	26.0	24.5	24.5	24.5
Total payout ratio (%)	33.1	38.0	45.1	49.1	53.3

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	6,634	3,422	11,704	(3.0)	120,263	3.7	0.4	0.6	10.0	13.2	7.8
2024	6,272	3,739	13,017	11.2	133,682	7.0	0.7	0.6	10.1	13.2	3.7
2025E	7,090	4,118	14,562	11.9	140,970	6.2	0.6	0.6	10.5	13.3	4.0
2026E	7,179	4,264	15,557	6.8	153,292	5.8	0.6	0.6	10.4	13.4	4.2
2027E	7,375	4,515	17,088	9.8	167,077	5.3	0.5	0.6	10.4	13.4	4.6

Source: Company data, Samsung Securities estimates

Woori Financial Group

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	32,546	29,986	32,719	34,080	35,499
Financial instruments	82,610	88,025	80,264	83,554	86,980
Net loans & credit	358,494	385,235	395,070	412,593	430,951
Interest earning assets	**473,651**	**503,246**	**508,053**	**530,228**	**553,430**
Tangible assets	5,339	5,700	3,369	3,522	3,682
Other assets	19,015	16,807	32,342	33,931	35,608
Total assets	**498,005**	**525,753**	**543,763**	**567,680**	**592,719**
Customer deposits	357,802	367,423	376,757	393,735	411,488
Borrowing	30,987	30,117	32,133	33,615	35,172
Debentures	41,239	48,207	50,618	53,665	56,918
Interest bearing liabilities	**430,028**	**445,747**	**459,508**	**481,015**	**503,578**
Other liabilities	33,766	43,494	46,936	47,367	47,852
Total liabilities	**464,607**	**489,858**	**507,105**	**529,074**	**552,155**
Paid-in capital	3,803	3,803	3,803	3,803	3,803
Hybrid securities	3,611	3,810	3,511	3,511	3,511
Capital surplus	936	934	934	934	934
Retained earnings	24,986	26,951	28,663	30,581	32,510
Capital adjustment	(1,688)	(1,735)	(1,835)	(1,835)	(1,835)
Other accumulated earnings and comprehensive income	19	334	28	28	28
Minority interest	1,731	1,798	1,554	1,583	1,613
Shareholder equity	**33,397**	**35,895**	**36,659**	**38,606**	**40,564**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	20,642	22,013	20,701	21,231	22,156
Interest expense	(11,899)	(13,127)	(11,644)	(12,021)	(12,877)
Net interest income before prov.	**8,743**	**8,886**	**9,057**	**9,210**	**9,280**
Loan-loss provisioning	(1,840)	(1,715)	(2,104)	(1,336)	(1,163)
Net interest income after prov.	**6,903**	**7,171**	**6,953**	**7,874**	**8,116**
Fee income	1,454	1,833	1,821	1,861	1,935
Other non-interest income	(414)	(281)	(51)	(219)	(143)
Gross income	**7,942**	**8,724**	**8,723**	**9,515**	**9,908**
G&A expenses	(4,443)	(4,469)	(4,946)	(5,115)	(5,267)
Operating profit	**3,499**	**4,255**	**3,777**	**4,401**	**4,641**
Other non-operating income	18	(32)	454	63	65
Pre-tax profit	**3,517**	**4,223**	**4,231**	**4,464**	**4,706**
Taxes	891	1,051	1,032	1,228	1,294
Net profit	**2,627**	**3,171**	**3,199**	**3,236**	**3,412**
Minority interest	121	85	51	16	15
Net profit (consolidated)	**2,506**	**3,086**	**3,148**	**3,220**	**3,397**
Pre-provisioning operating profit	5,459	6,105	6,111	6,001	6,078

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.4	0.6	0.6	0.6	0.6
NPL ratio (below precautionary)	1.3	1.4	1.3	1.3	1.3
NPL coverage ratio (below substandard)	229.4	151.9	159.8	165.2	168.5
NPL coverage ratio (below precautionary)	63.1	63.1	73.8	76.7	78.5
Cumulative provisioning / credit	0.8	0.9	1.0	1.0	1.0
Net write-offs / NPL (below substandard)	23.5	31.5	23.4	32.2	23.0
Net write-offs / credit	0.1	0.2	0.1	0.2	0.1
Loan loss provisioning charges / credit	0.81	0.86	0.99	1.00	1.01

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.5	0.6	0.6	0.6	0.6
Return on avg equity	9.4	10.6	10.2	9.9	9.9
Loan growth (bank basis)	6.8	12.2	10.4	7.2	9.1
Deposit growth (bank basis)	12.5	7.4	5.3	7.2	9.2
Asset growth (bank basis)	11.4	9.4	9.2	8.0	9.0
Loans-to-deposit (bank basis)	97.3	100.4	97.4	97.4	97.4
Net interest margin (bank basis)	1.56	1.44	1.46	1.43	1.37
Net interest spread (bank basis)	1.51	1.42	1.44	1.41	1.35
Cost-to-income	45.4	42.8	45.7	47.1	47.6
BIS CAR, total	15.8	15.7	16.1	16.2	16.3
BIS CAR, Tier 1	14.1	14.2	14.7	14.9	15.0
BIS CAR, Tier 2	1.7	1.5	1.4	1.3	1.2
BIS CAR, CET-1	12.0	12.1	12.7	12.8	12.9
Equity-to-assets	6.7	6.8	6.7	6.8	6.8

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	3,333	4,156	4,239	4,416	4,774
BVPS (KRW)	37,191	40,680	42,968	46,424	50,340
DPS (KRW)	1,000	1,200	1,310	1,390	1,520
Dividend payout ratio (%)	29.8	28.9	30.5	31.0	31.5
Total payout ratio (%)	33.8	33.3	35.3	40.4	43.2

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	5,459	2,506	3,333	(22.8)	37,191	7.6	0.7	0.5	9.4	12.0	3.9
2024	6,105	3,086	4,156	24.7	40,680	6.1	0.6	0.6	10.6	12.1	4.7
2025E	6,111	3,148	4,239	2.0	42,968	6.0	0.59	0.6	10.2	12.7	5.2
2026E	6,001	3,220	4,416	4.2	46,424	5.8	0.5	0.6	9.9	12.8	5.5
2027E	6,078	3,397	4,774	8.1	50,340	5.3	0.5	0.6	9.9	12.9	6.0

Source: Company data, Samsung Securities estimates

Industrial Bank of Korea

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	28,335	18,354	22,975	23,908	24,878
Financial instruments	84,900	93,265	98,758	102,768	106,941
Net loans & credit	316,084	344,387	358,640	377,844	398,962
Interest earning assets	**429,319**	**456,006**	**480,373**	**504,519**	**530,781**
Tangible assets	3,655	3,940	4,068	4,233	4,405
Other assets	15,454	12,274	17,507	21,164	25,585
Total assets	**448,428**	**472,220**	**501,948**	**529,916**	**560,771**
Customer deposits	154,045	158,256	167,221	176,201	186,054
Borrowing	41,239	44,777	50,265	52,306	54,430
Debentures	181,992	193,151	199,496	207,597	216,026
Interest bearing liabilities	**377,276**	**396,184**	**428,608**	**448,354**	**469,445**
Other liabilities	39,336	41,805	36,922	43,319	51,021
Total liabilities	**416,612**	**437,989**	**465,530**	**491,673**	**520,466**
Paid-in capital	4,211	4,211	4,211	4,211	4,211
Hybrid securities	4,133	4,313	4,483	4,483	4,483
Capital surplus	1,178	1,170	1,169	1,169	1,169
Retained earnings	21,890	23,593	25,422	27,247	29,310
Capital adjustment	(0)	(0)	(0)	(0)	(0)
Other accumulated earnings and comprehensive income	244	659	850	850	850
Minority interest	160	284	282	282	282
Shareholder equity	**31,817**	**34,231**	**36,417**	**38,243**	**40,305**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	18,364	18,955	17,986	18,627	19,585
Interest expense	(10,438)	(11,063)	(10,502)	(11,193)	(11,841)
Net interest income before prov.	**7,927**	**7,892**	**7,484**	**7,435**	**7,743**
Loan-loss provisioning	(2,324)	(1,832)	(1,711)	(1,437)	(1,344)
Net interest income after prov.	**5,603**	**6,059**	**5,773**	**5,998**	**6,399**
Fee income	477	472	455	473	492
Other non-interest income	38	(124)	504	445	492
Gross income	**6,118**	**6,407**	**6,732**	**6,916**	**7,383**
G&A expenses	(2,686)	(2,813)	(3,083)	(3,197)	(3,317)
Operating profit	**3,432**	**3,594**	**3,649**	**3,719**	**4,066**
Other non-operating income	61	(27)	36	15	16
Pre-tax profit	**3,493**	**3,568**	**3,685**	**3,734**	**4,082**
Taxes	818	913	921	1,027	1,123
Net profit	**2,675**	**2,654**	**2,763**	**2,707**	**2,960**
Minority interest	6	10	8	4	4
Net profit (consolidated)	**2,670**	**2,645**	**2,755**	**2,703**	**2,955**
Pre-provisioning operating profit	5,794	5,366	5,297	5,092	5,346

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	1.1	1.3	0.7	0.6	0.6
NPL ratio (below precautionary)	2.6	2.9	1.7	1.6	1.5
NPL coverage ratio (below substandard)	250.2	197.3	345.4	359.2	370.9
NPL coverage ratio (below precautionary)	102.4	90.1	139.2	144.8	149.5
Cumulative provisioning / credit	2.6	2.6	2.3	2.3	2.3
Net write-offs / NPL (below substandard)	51.6	28.6	56.2	50.5	47.2
Net write-offs / credit	0.5	0.4	0.4	0.3	0.3
Loan loss provisioning charges / credit	0.77	0.57	0.51	0.40	0.36

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.6	0.6	0.6	0.5	0.5
Return on avg equity	10.2	9.3	9.1	8.4	8.6
Loan growth (bank basis)	2.5	8.9	3.9	5.4	5.6
Deposit growth (bank basis)	(0.6)	2.7	5.7	5.4	5.6
Asset growth (bank basis)	4.0	5.3	6.3	5.6	5.8
Loans-to-deposit (bank basis)	2.4	2.4	2.5	2.5	2.5
Net interest margin (bank basis)	1.79	1.70	1.56	1.49	1.47
Net interest spread (bank basis)	1.70	1.61	1.51	1.44	1.42
Cost-to-income	31.8	34.1	36.5	38.3	38.0
BIS CAR, total	14.6	14.1	15.2	15.1	15.1
BIS CAR, Tier 1	13.2	12.9	12.9	12.9	12.9
BIS CAR, Tier 2	1.4	1.2	2.3	2.2	2.2
BIS CAR, CET-1	11.3	11.3	11.8	11.9	11.9
Equity-to-assets	7.1	7.2	7.3	7.2	7.2

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	3,098	3,106	3,224	3,143	3,421
BVPS (KRW)	32,097	34,537	36,608	38,600	40,804
DPS (KRW)	984	1,065	1,110	1,130	1,270
Dividend payout ratio (%)	29.4	32.1	32.0	33.2	34.4
Total payout ratio (%)	29.4	32.1	32.0	33.2	34.4

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	5,794	2,670	3,098	(5.9)	32,097	3.8	0.4	0.6	10.2	11.3	8.3
2024	5,366	2,645	3,106	0.2	34,537	4.6	0.4	0.6	9.3	11.3	7.4
2025E	5,297	2,755	3,224	3.8	36,608	6.2	0.55	0.6	9.1	11.8	5.5
2026E	5,092	2,703	3,143	(2.5)	38,600	6.4	0.5	0.5	8.4	11.9	5.6
2027E	5,346	2,955	3,421	8.8	40,804	5.9	0.5	0.5	8.6	11.9	6.3

Source: Company data, Samsung Securities estimates

BNK Financial Group

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	5,359	5,818	5,244	5,517	5,805
Financial instruments	23,766	26,356	28,371	29,906	31,535
Net loans & credit	109,214	112,081	115,659	120,733	126,664
Interest earning assets	**138,339**	**144,256**	**149,274**	**156,156**	**164,003**
Tangible assets	2,126	2,127	1,403	1,479	1,561
Other assets	5,319	6,087	7,968	8,004	7,998
Total assets	**145,784**	**152,470**	**158,645**	**165,640**	**173,562**
Customer deposits	106,761	107,855	111,376	115,985	121,409
Borrowing	8,816	11,302	11,857	12,584	13,362
Debentures	13,035	14,122	15,227	16,255	17,358
Interest bearing liabilities	**128,613**	**133,279**	**138,460**	**144,825**	**152,129**
Other liabilities	120,391	125,526	8,852	9,009	9,154
Total liabilities	**135,110**	**141,323**	**147,428**	**153,955**	**161,411**
Paid-in capital	1,630	1,630	1,630	1,630	1,630
Hybrid securities	728	728	449	449	449
Capital surplus	785	791	791	791	791
Retained earnings	7,122	7,605	8,020	8,488	8,956
Capital adjustment	(0)	(20)	(40)	(40)	(40)
Other accumulated earnings and comprehensive income	(39)	(34)	(82)	(82)	(82)
Minority interest	449	449	449	449	449
Shareholder equity	**10,674**	**11,148**	**11,216**	**11,684**	**12,151**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	6,692	6,949	6,603	6,822	7,137
Interest expense	(3,786)	(3,972)	(3,634)	(3,724)	(3,951)
Net interest income before prov.	**2,905**	**2,977**	**2,969**	**3,099**	**3,186**
Loan-loss provisioning	(951)	(895)	(865)	(706)	(662)
Net interest income after prov.	**1,954**	**2,082**	**2,104**	**2,393**	**2,524**
Fee income	241	220	168	166	177
Other non-interest income	81	140	223	170	177
Gross income	**2,277**	**2,443**	**2,494**	**2,728**	**2,878**
G&A expenses	(1,476)	(1,567)	(1,599)	(1,648)	(1,706)
Operating profit	**801**	**876**	**895**	**1,081**	**1,172**
Other non-operating income	75	116	230	136	141
Pre-tax profit	**876**	**992**	**1,125**	**1,217**	**1,313**
Taxes	197	242	271	335	361
Net profit	**679**	**750**	**854**	**882**	**952**
Minority interest	39	21	21	23	25
Net profit (consolidated)	**640**	**729**	**833**	**859**	**927**
Pre-provisioning operating profit	1,805	1,826	1,822	1,849	1,898

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.4	0.7	1.1	1.1	1.0
NPL ratio (below precautionary)	0.9	1.7	2.7	2.6	2.5
NPL coverage ratio (below substandard)	364.7	218.5	123.1	126.5	135.3
NPL coverage ratio (below precautionary)	165.1	94.5	50.7	52.0	55.7
Cumulative provisioning / credit	1.5	1.6	1.3	1.4	1.4
Net write-offs / NPL (below substandard)	52.9	59.7	66.9	29.8	27.4
Net write-offs / credit	0.2	0.4	0.7	0.3	0.3
Loan loss provisioning charges / credit	0.22	0.43	0.73	0.32	0.28

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.8	0.8	0.9	1.0	1.0
Return on avg equity	6.9	7.5	8.2	8.1	8.4
Loan growth (bank basis)	5.7	2.1	2.5	4.1	4.6
Deposit growth (bank basis)	4.5	0.3	3.1	4.1	4.6
Asset growth (bank basis)	5.5	2.7	3.5	4.0	4.5
Loans-to-deposit (bank basis)	94.1	95.0	94.7	94.7	94.7
Net interest margin (bank basis)	1.93	1.89	1.88	1.84	1.79
Net interest spread (bank basis)	2.24	2.19	2.14	2.10	2.05
Cost-to-income	45.1	47.8	46.4	47.6	48.4
BIS CAR, total	13.5	14.1	15.8	15.8	15.6
BIS CAR, Tier 1	12.7	13.6	13.9	13.9	13.9
BIS CAR, Tier 2	0.8	0.6	1.9	1.9	1.8
BIS CAR, CET-1	11.8	12.3	12.5	12.6	12.6
Equity-to-assets	7.3	7.3	7.1	7.1	7.0

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	1,963	2,274	2,594	2,787	3,173
BVPS (KRW)	29,139	31,117	32,132	34,989	38,512
DPS (KRW)	510	650	670	750	890
Dividend payout ratio (%)	26.0	28.5	26.0	27.0	28.0
Total payout ratio (%)	28.5	33.0	38.0	45.6	49.6

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	1,805	640	1,963	(18.5)	29,139	3.6	0.2	0.8	6.9	11.8	7.1
2024	1,826	729	2,274	15.8	31,117	4.5	0.3	0.8	7.5	12.3	6.3
2025E	1,822	833	2,594	14.1	32,132	5.6	0.5	0.9	8.2	12.5	4.6
2026E	1,849	859	2,787	7.5	34,989	5.2	0.4	1.0	8.1	12.6	5.1
2027E	1,898	927	3,173	13.8	38,512	4.6	0.4	1.0	8.4	12.6	6.1

Source: Company data, Samsung Securities estimates

iM Financial Group

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	5,068	4,473	5,502	5,819	6,157
Financial instruments	22,434	20,561	24,226	25,395	26,626
Net loans & credit	63,907	67,697	69,208	72,533	76,214
Interest earning assets	**91,506**	**92,786**	**98,991**	**103,806**	**109,061**
Tangible assets	1,351	1,405	1,447	1,524	1,604
Other assets	503	(43)	2,094	2,174	2,257
Total assets	**93,360**	**94,149**	**102,532**	**107,504**	**112,922**
Customer deposits	57,288	59,807	60,297	62,950	65,893
Borrowing	12,034	9,701	12,874	13,668	14,520
Debentures	8,243	7,827	9,138	9,762	10,432
Interest bearing liabilities	**82,940**	**83,410**	**88,717**	**93,047**	**97,784**
Other liabilities	4,136	4,533	7,391	7,749	8,159
Total liabilities	87,076	87,943	96,108	100,797	105,943
Paid-in capital	846	846	846	846	846
Hybrid securities	614	813	813	813	813
Capital surplus	1,562	1,563	1,563	1,563	1,563
Retained earnings	3,289	3,385	3,724	4,062	4,394
Capital adjustment	(21)	(20)	(40)	(40)	(40)
Other accumulated earnings and comprehensive income	(342)	(595)	(701)	(756)	(816)
Minority interest	335	215	220	220	220
Shareholder equity	**6,284**	**6,206**	**6,424**	**6,707**	**6,979**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	4,027	4,175	3,856	3,960	4,107
Interest expense	(2,392)	(2,489)	(2,221)	(2,274)	(2,358)
Net interest income before prov.	**1,636**	**1,686**	**1,635**	**1,685**	**1,750**
Loan-loss provisioning	(587)	(749)	(370)	(267)	(247)
Net interest income after prov.	**1,048**	**937**	**1,265**	**1,418**	**1,503**
Fee income	230	191	206	202	200
Other non-interest income	292	213	293	270	283
Gross income	**1,570**	**1,341**	**1,765**	**1,890**	**1,985**
G&A expenses	(1,036)	(1,078)	(1,121)	(1,157)	(1,193)
Operating profit	**534**	**263**	**644**	**733**	**792**
Other non-operating income	(2)	(11)	2	12	15
Pre-tax profit	**532**	**253**	**646**	**746**	**806**
Taxes	120	51	150	205	222
Net profit	**412**	**202**	**496**	**541**	**585**
Minority interest	24	(13)	18	19	21
Net profit (consolidated)	**388**	**215**	**479**	**522**	**564**
Pre-provisioning operating profit	1,155	1,048	1,052	1,039	1,078

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.6	0.7	0.9	0.9	0.9
NPL ratio (below precautionary)	1.6	1.8	1.9	1.9	1.8
NPL coverage ratio (below substandard)	246.8	222.8	178.3	181.4	183.0
NPL coverage ratio (below precautionary)	101.9	91.1	86.4	87.8	88.6
Cumulative provisioning / credit	1.6	1.6	1.7	1.6	1.6
Net write-offs / NPL (below substandard)	77.0	63.2	37.2	23.9	20.6
Net write-offs / credit	0.5	0.5	0.3	0.2	0.2
Loan loss provisioning charges / credit	0.6	0.6	0.4	0.3	0.2

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.4	0.2	0.5	0.5	0.5
Return on avg equity	7.4	4.1	9.1	9.4	9.7
Loan growth (bank basis)	7.1	6.0	1.8	4.4	4.6
Deposit growth (bank basis)	(2.1)	0.7	8.9	4.4	4.6
Asset growth (bank basis)	3.8	0.8	8.9	4.8	5.0
Loans-to-deposit (bank basis)	99.0	101.5	103.7	103.7	103.7
Net interest margin (bank basis)	2.04	1.91	1.76	1.74	1.74
Net interest spread (bank basis)	2.44	2.25	2.01	1.98	1.98
Cost-to-income	50.6	50.1	50.0	50.5	50.0
BIS CAR, total	16.5	16.6	17.6	18.1	18.5
BIS CAR, Tier 1	14.2	14.6	15.9	16.4	16.8
BIS CAR, Tier 2	2.3	2.0	1.7	1.7	1.7
BIS CAR, CET-1	11.2	11.7	12.2	12.4	12.5
Equity-to-assets	15.0	14.9	14.4	14.0	13.5

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	2,293	1,270	2,831	3,084	3,335
BVPS (KRW)	31,541	30,612	31,873	33,547	35,155
DPS (KRW)	550	500	710	770	870
Dividend payout ratio (%)	24.0	38.7	25.0	25.0	26.0
Total payout ratio (%)	29.1	38.7	37.5	41.1	45.1

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	1,155	388	2,293	(5.5)	31,541	3.7	0.3	0.4	7.4	11.2	6.5
2024	1,048	215	1,270	(44.6)	30,612	6.4	0.3	0.2	4.1	11.7	6.1
2025E	1,052	479	2,831	122.8	31,873	5.1	0.46	0.5	9.1	12.2	4.9
2026E	1,039	522	3,084	8.9	33,547	4.7	0.4	0.5	9.4	12.4	5.3
2027E	1,078	564	3,335	8.1	35,155	4.4	0.4	0.5	9.7	12.5	6.0

Source: Company data, Samsung Securities estimates

JB Financial Group

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	1,903	1,622	1,403	1,491	1,584
Financial instruments	9,061	10,070	10,657	11,143	11,653
Net loans & credit	49,219	52,050	55,598	58,433	61,425
Interest earning assets	**60,183**	**63,741**	**67,659**	**71,067**	**74,662**
Tangible assets	1,264	1,350	1,658	1,733	1,813
Other assets	1,957	1,631	3,068	2,836	2,587
Total assets	**63,404**	**66,722**	**72,385**	**75,636**	**79,062**
Customer deposits	42,958	44,141	47,504	49,853	52,325
Borrowing	2,748	2,655	2,566	2,692	2,825
Debentures	10,617	12,213	13,508	14,457	15,478
Interest bearing liabilities	**56,322**	**59,008**	**63,578**	**67,002**	**70,628**
Other liabilities	1,966	1,989	2,790	2,216	1,596
Total liabilities	**58,288**	**60,997**	**66,368**	**69,219**	**72,224**
Paid-in capital	985	985	985	985	985
Hybrid securities	405	520	520	520	520
Capital surplus	704	703	709	709	709
Retained earnings	2,983	3,425	3,732	4,132	4,552
Capital adjustment	(46)	(56)	(78)	(78)	(78)
Other accumulated earnings and comprehensive income	(29)	4	6	7	7
Minority interest	113	144	143	143	143
Shareholder equity	**5,116**	**5,725**	**6,017**	**6,417**	**6,838**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	3,396	3,636	3,580	3,745	3,920
Interest expense	(1,489)	(1,660)	(1,567)	(1,652)	(1,760)
Net interest income before prov.	**1,907**	**1,976**	**2,014**	**2,093**	**2,160**
Loan-loss provisioning	(495)	(480)	(493)	(454)	(428)
Net interest income after prov.	**1,412**	**1,496**	**1,520**	**1,639**	**1,733**
Fee income	79	79	39	47	48
Other non-interest income	81	161	264	254	237
Gross income	1,572	1,736	1,824	1,940	2,017
G&A expenses	(772)	(830)	(887)	(920)	(943)
Operating profit	**800**	**906**	**937**	**1,020**	**1,075**
Other non-operating income	(0)	2	15	15	16
Pre-tax profit	**799**	**908**	**951**	**1,035**	**1,090**
Taxes	196	215	237	285	300
Net profit	**604**	**693**	**714**	**750**	**790**
Minority interest	18	15	22	24	24
Net profit (consolidated)	**586**	**677**	**692**	**726**	**766**
Pre-provisioning operating profit	1,295	1,386	1,430	1,474	1,502

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.9	0.9	0.8	0.8	0.8
NPL ratio (below precautionary)	2.3	2.5	2.0	2.0	2.0
NPL coverage ratio (below substandard)	159.2	152.2	99.9	102.2	103.8
NPL coverage ratio (below precautionary)	48.5	40.9	29.2	29.9	30.3
Cumulative provisioning / credit	1.2	1.1	0.9	0.9	0.9
Net write-offs / NPL (below substandard)	89.3	96.8	81.1	111.7	153.1
Net write-offs / credit	0.7	0.7	0.7	1.0	1.4
Loan loss provisioning charges / credit	0.75	0.80	0.80	1.11	1.52

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	1.0	1.0	1.0	1.0	1.0
Return on avg equity	13.4	14.0	13.3	13.1	12.8
Loan growth (bank basis)	4.5	5.8	6.8	5.1	5.1
Deposit growth (bank basis)	2.6	2.8	7.6	4.9	5.0
Asset growth (bank basis)	6.0	5.2	8.5	4.5	4.5
Loans-to-deposit (bank basis)	98.6	101.0	99.6	99.6	99.6
Net interest margin (bank basis)	2.81	2.68	2.60	2.56	2.52
Net interest spread (bank basis)	3.28	3.15	3.02	2.97	2.93
Cost-to-income	37.4	37.5	38.3	38.4	38.6
BIS CAR, total	14.1	14.3	15.6	15.6	15.6
BIS CAR, Tier 1	13.4	13.6	13.5	13.6	13.7
BIS CAR, Tier 2	0.7	0.7	2.1	2.0	1.8
BIS CAR, CET-1	12.2	12.2	12.3	12.5	12.6
Equity-to-assets	8.1	8.6	8.3	8.5	8.6

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	2,975	3,483	3,664	3,965	4,308
BVPS (KRW)	23,341	26,019	28,351	31,409	34,712
DPS (KRW)	855	995	1,030	1,110	1,210
Dividend payout ratio (%)	28.0	28.0	28.0	28.0	28.0
Total payout ratio (%)	33.1	32.4	44.6	45.1	45.2

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	1,295	586	2,975	(2.5)	23,341	3.8	0.5	1.0	13.4	12.2	7.5
2024	1,386	677	3,483	17.1	26,019	4.7	0.6	1.0	14.0	12.2	6.1
2025E	1,430	692	3,664	5.2	28,351	6.6	0.9	1.0	13.3	12.3	4.3
2026E	1,474	726	3,965	8.2	31,409	6.1	0.8	1.0	13.1	12.5	4.6
2027E	1,502	766	4,308	8.7	34,712	5.6	0.7	1.0	12.8	12.6	5.0

Source: Company data, Samsung Securities estimates

Kakao Bank

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & dues	2,733.2	1,855.4	1,229.2	1,467.8	1,673.1
Financial instruments	11,729.3	15,277.8	23,761.6	28,375.4	32,343.2
Net loans	38,649.0	44,503.8	51,399.8	59,552.4	66,376.0
Interest earning assets	**53,111.5**	**61,636.9**	**76,390.6**	**89,395.6**	**100,392.2**
Other assets	1,376.6	1,168.4	1,284.6	1,336.7	1,391.0
Total assets	**54,488.2**	**62,805.3**	**77,675.1**	**90,732.3**	**101,783.3**
Deposits	47,142.8	54,971.0	68,786.2	80,854.3	91,086.7
Borrowings /debentures / other	0.0	0.0	0.0	0.0	0.0
Interest bearing liabilities	**47,142.8**	**54,971.0**	**68,786.2**	**80,854.3**	**91,086.7**
Other liabilities	1,227.6	1,294.1	2,040.4	2,472.5	2,616.9
Total liabilities	**48,370.5**	**56,265.2**	**70,826.6**	**83,326.8**	**93,703.5**
Paid-in capital	2,384.4	2,384.8	2,384.8	2,384.8	2,384.8
Capital surplus	2,987.5	2,988.2	2,988.2	2,988.2	2,988.2
Retained earnings	754.6	1,123.2	1,428.2	1,985.2	2,659.4
Capital adjustment	0.9	0.2	1.4	1.4	1.4
Other	(9.7)	43.7	45.9	45.9	45.9
Total shareholder equity	**6,117.7**	**6,540.1**	**6,848.5**	**7,405.5**	**8,079.7**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Net interest income before prov.	**1,116.0**	**1,269.4**	**1,305.8**	**1,444.0**	**1,602.8**
Loan—loss provisioning	(248.4)	(270.5)	(296.3)	(329.7)	(340.0)
Net interest income after prov.	**867.6**	**998.9**	**1,009.5**	**1,114.3**	**1,262.8**
Fee income	(2.0)	22.6	27.0	41.1	64.0
Other non-interest income	48.4	78.6	153.3	190.5	222.3
Gross income	**914.0**	**1,100.1**	**1,189.8**	**1,345.9**	**1,549.0**
SG&A expenses	(435.5)	(493.2)	(549.0)	(582.5)	(626.1)
Operating profit	**478.5**	**606.9**	**640.8**	**763.4**	**922.9**
Other non-operating income	(9.3)	(18.0)	(6.5)	(6.7)	(6.9)
Pre-tax profit	**469.2**	**588.9**	**634.3**	**756.8**	**916.0**
Taxes	114.3	148.8	157.8	199.8	241.8
Net profit	**354.9**	**440.1**	**476.6**	**557.0**	**674.2**
Pre-provisioning operating profit	726.8	877.4	937.1	1,093.1	1,262.9

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS (KRW)	744	923	999	1,168	1,413
BVPS (KRW)	12,680	13,352	13,908	14,946	16,229
DPS (KRW)	150	360	450	580	710
Dividend payout ratio (%)	20.2	39.0	45.0	50.0	50.0
Total payout ratio (%)	23.8	39.0	45.0	50.0	50.0

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.8	0.8	0.7	0.7	0.7
Return on avg equity	6.0	7.0	7.1	7.8	8.7
Loan growth	37.8	15.1	15.5	15.9	11.5
Deposit growth	42.6	16.6	25.1	17.5	12.7
Asset growth	37.9	15.3	23.7	16.8	12.2
Loans-to-deposit (KRW-denominated)	82.0	81.0	74.7	73.7	72.9
Net interest margin	2.4	2.2	1.9	1.8	1.8
Cost-to-income	59.9	56.2	58.6	53.3	49.6
BIS CAR, total	30.3	27.2	24.4	23.1	22.8
BIS CAR, Tier 1	29.1	26.1	23.4	22.2	21.9
BIS CAR, CET-1	29.1	26.1	23.4	22.2	21.9
Equity-to-assets	11.2	10.4	8.8	8.2	7.9

Source: Company data, Samsung Securities estimates

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROA (%)	ROE (%)	CET-1 (%)	Div. yield (%)
2023	726.8	354.9	744	34.9	12,680	38.3	2.2	0.8	6.0	29.1	0.5
2024	877.4	440.1	923	24.0	13,352	22.8	1.6	0.8	7.0	26.1	1.7
2025E	937.1	476.6	999	8.3	13,908	27.2	2.0	0.7	7.1	23.4	1.6
2026E	1,093.1	557.0	1,168	16.9	14,946	23.3	1.8	0.7	7.8	22.2	2.0
2027E	1,262.9	674.2	1,413	21.0	16,229	19.2	1.7	0.7	8.7	21.9	2.3

Source: Company data, Samsung Securities estimates

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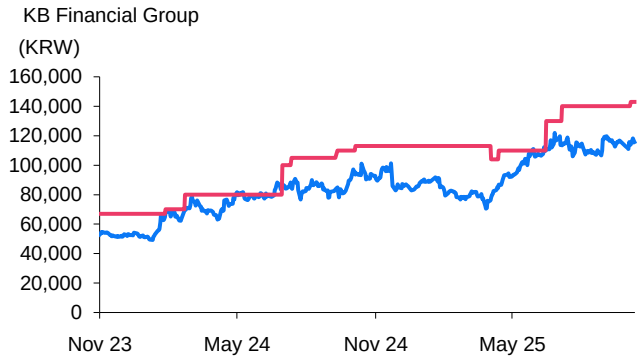
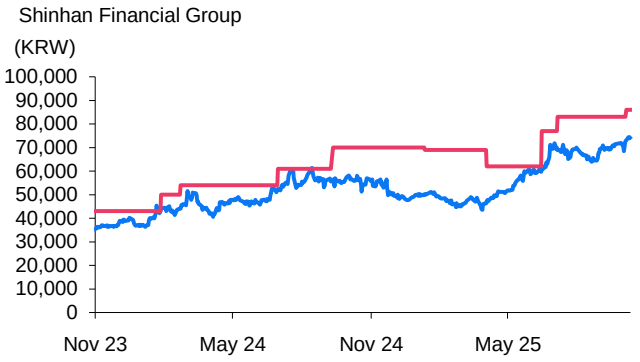
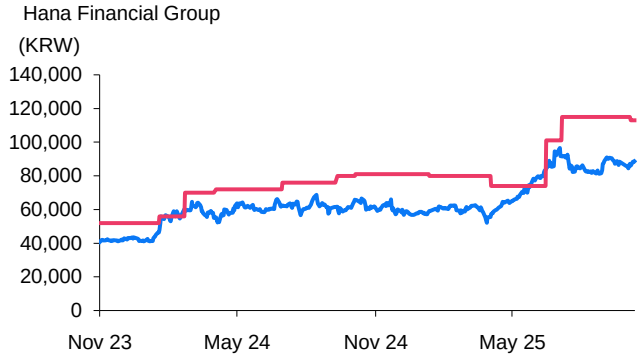
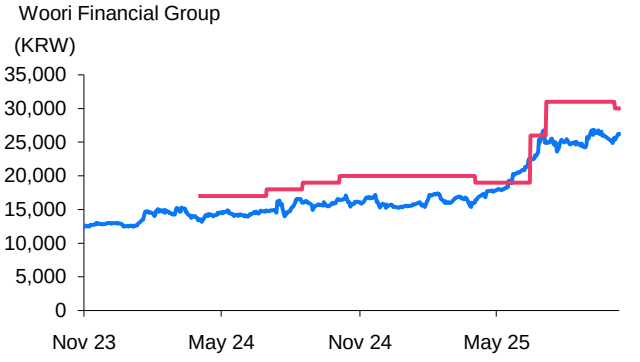
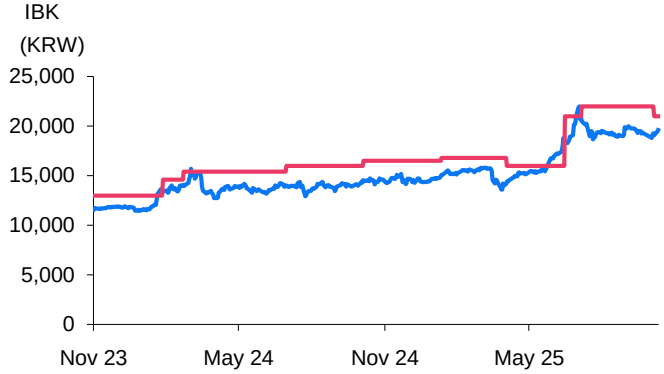
Target price changes in past two years

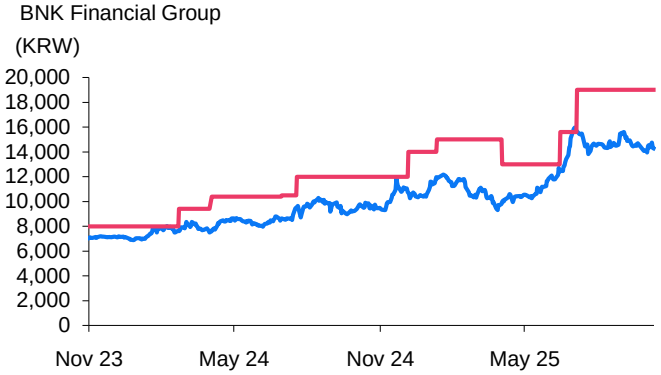




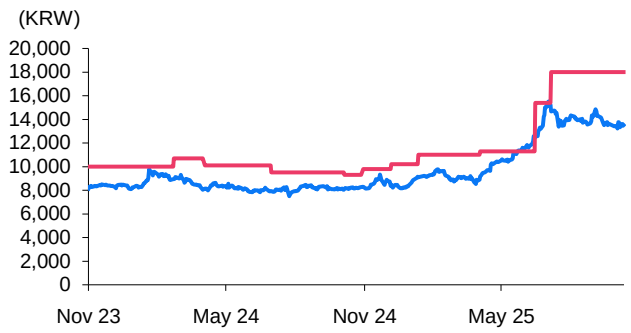




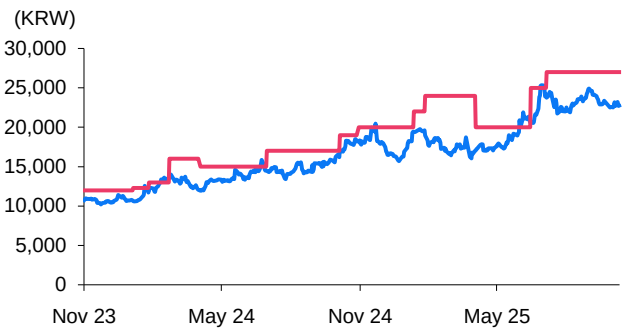




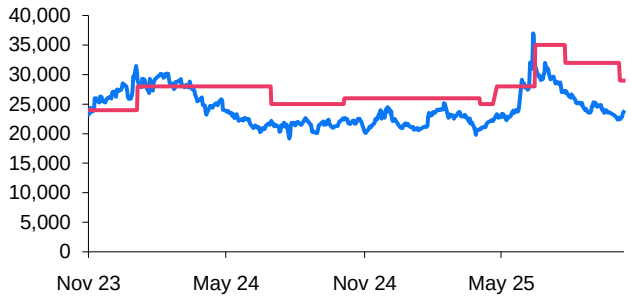
iM Financial Group



JB Financial Group



Kakao Bank



Rating changes over past two years (adjusted share prices)

KB Financial Group												
Date	2023/10/17	2024/2/8	3/5	7/12	7/24	9/23	10/17	2025/4/15	4/25	6/27	7/18	10/17
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	67000	70000	80000	100000	105000	110000	113000	104000	110000	130000	140000	143000
Gap* (average)	-20.14	-5.92	-5.45	-14.59	-19.39	-21.04	-23.75	-20.54	-8.40	-11.01	-19.36	
(max or min)**	-1.04	-0.43	10.25	-11.70	-13.52	-11.64	-10.44	-18.27	2.09	-6.15	-14.57	

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	10/17		
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY		
Target price (KRW)	43000	50000	54000	61000	70000	69000	62000	77000	83000	86000		
Gap* (average)	-14.89	-13.28	-13.16	-7.88	-24.09	-31.23	-11.85	-12.80	-17.74			
(max or min)**	5.35	-9.90	-0.93	0.66	-17.00	-25.94	-1.61	-6.75	-12.41			

Hana Financial Group												
Date	2023/10/17	2024/1/31	3/5	4/15	7/12	9/23	10/17	2025/1/23	4/15	6/27	7/18	10/17
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	52000	56000	70000	72000	76000	80000	81000	80000	74000	101000	115000	113000
Gap* (average)	-19.31	-0.29	-14.66	-16.33	-17.99	-23.57	-25.40	-24.86	-5.81	-10.23	-25.24	
(max or min)**	-10.77	7.50	-7.71	-8.06	-9.47	-17.75	-17.90	-21.75	12.84	-4.46	-19.57	

Woori Financial Group												
Date	2024/4/15	7/12	8/29	10/17	2025/4/15	6/27	7/18	10/17				
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD				
Target price (KRW)	17000	18000	19000	20000	19000	26000	31000	30000				
Gap* (average)	-15.86	-14.71	-16.59	-19.10	-0.72	-6.09	-18.43					
(max or min)**	-12.47	-7.78	-12.79	-12.90	18.68	2.88	-13.39					

IBK												
Date	2023/10/17	2024/2/8	3/5	7/12	10/17	2025/1/23	4/15	6/27	7/18	10/17		
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD		
Target price (KRW)	13000	14600	15400	16000	16500	16800	16000	21000	22000	21000		
Gap* (average)	-9.25	-6.50	-10.19	-13.03	-11.68	-9.61	-0.86	-5.01	-11.84			
(max or min)**	4.85	-3.84	1.95	-9.25	-8.06	-5.95	17.44	4.76	-7.95			

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

iM Financial Group												
Date	2023/10/17	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	BUY	BUY	
Target price (KRW)	10000	10700	10100	9500	9300	9800	10200	11000	11300	15400	18000	
Gap* (average)	-14.77	-18.37	-19.25	-14.48	-11.94	-12.15	-16.48	-16.85	-4.73	-7.91		
(max or min)**	-2.00	-13.08	-14.46	-11.05	-11.08	-4.80	-10.29	-11.18	11.33	0.71		

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

Kakao Bank									
Date	2023/10/17	2024/1/17	7/12	10/17	2025/4/15	5/7	6/27	8/6	10/17
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	24000	28000	25000	26000	25000	28000	35000	32000	29000
Gap* (average)	3.86	-9.02	-14.31	-14.15	-13.63	-6.99	-16.34	-23.19	
(max or min)**	31.04	-27.68	-9.40	-3.27	-10.80	32.14	-8.57	-15.00	

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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Industry

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