COMPANY UPDATE

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IBK (024110)

Pace at which shareholder returns hiked is key

- Industrial Bank of Korea (IBK) reported a 3Q consolidated net profit of KRW746.6b, down 6.8% y-y but up 7.7% q-q. Its CET-1 ratio fell 2bps q-q to 11.71%.
- Its loans expanded 0.7% q-q and 4.5% ytd, and NIM rose 2bps q-q. But its credit cost climbed 3bps q-q to 0.44%.
- While it is trading at 0.5x 2026 P/B, re-rating for the stock should require earnings-led capital ratio improvement and a speedier rise in dividend payout ratio.

▶ AT A GLANCE

HOLD

Target price	KRW21,000	9.9%
Current price	**KRW19,110**	
Market cap	KRW15.2t/USD10.6b	
Shares (float)	797,425,869 (31.2%)	
52-week high/low	KRW22,000/KRW13,600	
Avg daily trading value (60-day)	KRW15.8b/ USD11.1m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
IBK (%)	-1.2	25.6	33.1
Vs Kospi (%pts)	-17.0	-23.9	-19.9

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	21,000	21,000	0.0%
2025E EPS	3,224	3,224	0.0%
2026E EPS	3,143	3,143	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	11
Target price	23,450
Recommendation	3.7

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

WHAT'S THE STORY?

Net profit hits KRW746.6b in 3Q, down 6.8% y-y but up 7.7% q-q: Industrial Bank of Korea (IBK) reported a 3Q net profit of KRW746.6b, down 6.8% y-y but up 7.7% q-q. A closer look shows that: 1) interest income rebounded 2.7% y-y; 2) non-interest income decreased 58.5% q-q on a high base of 2Q; and 3) credit cost climbed 3bps q-q to 0.44%. Its CET-1 ratio fell 2bps q-q to 11.71%. IBK only pays a year-end dividend, which should be taken into account.

Stable earnings, higher CET-1 ratio, and speedier rise in dividend payout ratio key to re-rating: IBK is trading at 0.5x 2026 P/B, one of the lowest valuation in the sector. However, re-rating for the stock should require: 1) stable earnings growth; 2) higher CET-1 ratio; and 3) a speedier rise in dividend payout ratio.

(Continued on the next page)

IBK 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Operating profit	976.7	927.5	5.3	1,126.1	(13.3)		-	928.3	5.2
Pre-prov op profit	1,383.7	1,358.6	1.8	1,569.7	(11.8)		-	1,344.6	2.9
Provisioning	425.2	458.7	(7.3)	461.7	(7.9)		-	434.5	(2.1)
Net profit	746.6	693.5	7.7	801.4	(6.8)	677.7	10.2	684.9	9.0
Major indicators (%, %pts)									
Loan growth	0.7	1.5	(0.8)	1.2	(0.4)				
NIM	1.57	1.55	0.02	1.67	(0.10)				
NPLs below subs	0.69	0.70	(0.01)	0.73	(0.04)				

Source: Company data, Samsung Securities estimates

Valuation

(KRWb)	Pre-prov op profit	Net profit	P/E (x)	P/B (x)	CET-1 Ratio (%)	Div yield (%)	EPS growth (% y-y)	ROE (%)	EPS (KRW)	BVPS (KRW)	DPS (KRW)
2023	5,794	2,670	3.8	0.4	11.3	8.3	(5.9)	10.2	3,098	32,097	984
2024	5,366	2,645	4.6	0.4	11.3	7.4	0.2	9.3	3,106	34,537	1,065
2025E	5,297	2,755	5.9	0.5	11.8	5.8	3.8	9.1	3,224	36,608	1,110
2026E	5,092	2,703	6.1	0.5	11.9	5.9	(2.5)	8.4	3,143	38,600	1,130
2027E	5,346	2,955	5.6	0.5	11.9	6.6	8.8	8.6	3,421	40,804	1,270

Source: Company data, Samsung Securities estimates

Interest income down 0.2% y-y but up 3.7% q-q: Interest income fell 0.2% y-y but rebounded 3.7% q-q. While won-denominated loan growth slowed to 0.7% q-q, NIM rose 2bps q-q. On a side note, it recorded KRW9b in interest revenue related to a lawsuit that it won against Moneual.

Banks expanding productive finance initiatives—challenge that needs to be addressed: A key driver of IBK's fundamentals will be its ability to manage SME loan growth. With banks planning to expand productive finance initiatives next year, competition to attract quality SME assets is likely to intensify.

Credit cost up 3bps q-q at 0.44%: IBK's credit cost came in at 0.44%, up 3bps q-q. While the bank's NPL ratio fell 2bps q-q to 1.3%, delinquency ratio rose 9bps q-q to 1%. On a side note: 1) the rise in the delinquency ratio was driven by PF delinquencies; and 2) loan sales and write-offs totaled KRW796b in 3Q, up 17.8% y-y.

Raising CET-1 ratio and thereby accelerating shareholder returns to be key: IBK's shareholder return policy is centered solely on year-end dividends, without share buybacks or cancellations. Given that peers' total payout ratios are rapidly approaching 50%, a speedier rise in its dividend payout ratio looks critical to its valuation rerating. On a side note, IBK has set dividend payout ratio targets by CET-1 capital tier. To achieve a parent-based dividend payout ratio exceeding 35%, its CET-1 ratio must be at least 12% (vs 11.7% in 3Q25).

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & equivalents	28,335	18,354	22,975	23,908	24,878
Financial securities	84,900	93,265	98,758	102,768	106,941
Net loans & credits	316,084	344,387	358,640	377,844	398,962
Interest-earning assets	**429,319**	**456,006**	**480,373**	**504,519**	**530,781**
Fixed 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
Borrowings	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 expenses	(10,438)	(11,063)	(10,502)	(11,193)	(11,841)
Net interest income before provisioning	**7,927**	**7,892**	**7,484**	**7,435**	**7,743**
Provisioning for loan losses	(2,324)	(1,832)	(1,711)	(1,437)	(1,344)
Net interest income after provisioning	**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 profit	**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
Consolidated net profit	**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
Cumulative provisioning /NPL below substandard	250.2	197.3	345.4	359.2	370.9
Cumulative provisioning /NPL 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 /total 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* (% y-y)	2.5	8.9	3.9	5.4	5.6
Deposit growth* (% y-y)	(0.6)	2.7	5.7	5.4	5.6
Asset growth (% y-y)	4.0	5.3	6.3	5.6	5.8
Loan/deposit ratio*	2.4	2.4	2.5	2.5	2.5
Net interest margin**	1.79	1.70	1.56	1.49	1.47
Net interest spread**	1.70	1.61	1.51	1.44	1.42
Cost-to-income ratio	31.8	34.1	36.5	38.3	38.0
BIS CAR**	14.6	14.1	15.2	15.1	15.1
Tier-1 ratio**	13.2	12.9	12.9	12.9	12.9
Tier-2 ratio**	1.4	1.2	2.3	2.2	2.2
Common Equity Capital Ratio	11.3	11.3	11.8	11.9	11.9
Equity/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	3,098	3,106	3,224	3,143	3,421
BVPS	32,097	34,537	36,608	38,600	40,804
DPS	984	1,065	1,110	1,130	1,270
Dividend payout ratio	29.4	32.1	32.0	33.2	34.4
Total Shareholder Payout Ratio	29.4	32.1	32.0	33.2	34.4

Year-end Dec 31	Pre-prov op prof (KRWb)	Net prof (KRWb)	EPS (KRW)	Chg (%)	BVPS (KRW)	P/E (x)	P/B (x)	ROAA (%)	ROAE (%)	CET-1 Ratio (%)	Div yield (%)
2023	5,794	2,670	3,098	(5.9)	32,097	3.8	0.4	0.6	10.2	11.3	8.3
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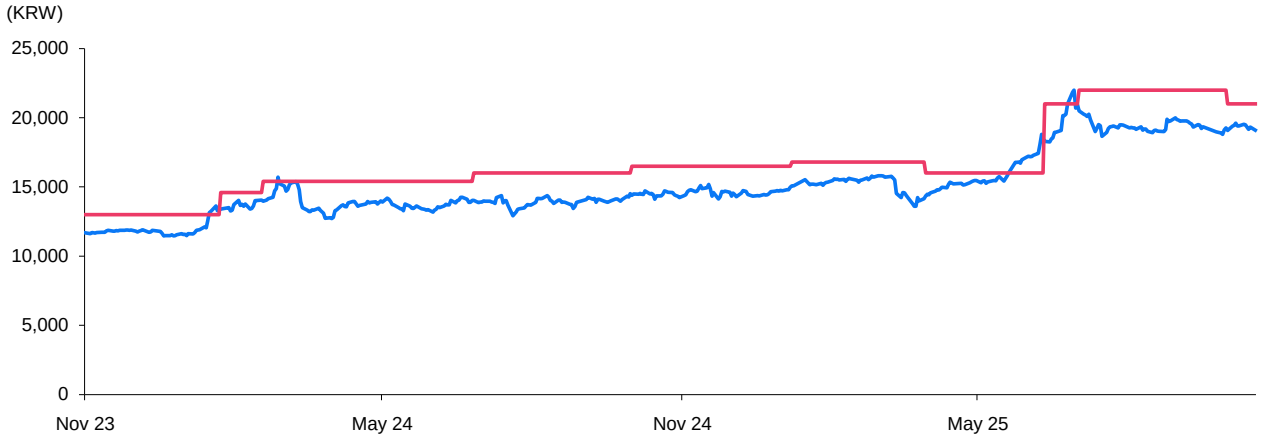
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

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	

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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Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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