SECTOR UPDATE

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Banking (OVERWEIGHT)

Separate taxation of dividends: Impact on payout ratios

Global Equity

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- With a bipartisan agreement reached on separate taxation of dividend income, banks are likely to raise 2025 year-end dividend payout ratios to ensure shareholders capture the tax benefits.
- This should lift year-end dividend yields and further boost full-year total payout ratios. A positive shift in shareholder ownership structure will be key to cementing banking stocks as dividend plays.
- We remain bullish on the sector. Share performance should hinge on whether banks meet investor expectations through updates to enterprise value enhancement plans in early 2026.

WHAT'S THE STORY?

Bipartisan agreement on separate taxation of dividend income: Korea's ruling and opposition parties have agreed to introduce a separate taxation regime for dividend income from qualifying high-dividend listed companies. Eligibility requires dividend income from companies that either: 1) have a dividend payout ratio of 40% or higher (dividend excellence); or 2) have a dividend payout ratio of 25% or higher and have increased dividends by at least 10% y-y (dividend effort). Implementation begins in 2026, applying to 2025 year-end dividends paid in Apr 2026.

Implications—Banks expected to hike 2025 year-end payout ratios: Banks are likely to aim for the "dividend effort" criteria, given that: 1) enterprise value enhancement programs are a priority; 2) meeting the payout threshold is not financially onerous, with the estimated average 2025 total payout ratio at 41.3%, including a dividend payout ratio of around 25%; and 3) peer pressure is a factor.

Banks grouped for analysis—2025 payout ratios set to rise further: While dividend and shareholder return policies vary across banks, modest increases in dividend payout ratios should be sufficient to meet the separate taxation requirements. This would also lift 2025 total payout ratios above current expectations.

(Continued on the next page)

▶ AT A GLANCE

KB Financial Group (105560 KS, 124,700)		
Target price	KRW150,000	20.3%
BUY		
Shinhan Financial Group (055550 KS, 76,900)		
Target price	KRW94,000	22.2%
BUY		
Hana Financial Group (086790 KS, 94,100)		
Target price	KRW119,000	26.5%
BUY		
Woori Financial Group (316140 KS, 28,000)		
Target price	KRW32,000	14.3%
HOLD		
IBK (024110 KS, 20,950)		
Target price	KRW23,000	9.8%
HOLD		
BNK Financial Group (138930 KS, 15,870)		
Target price	KRW20,000	26%
BUY		
iM Financial Group (139130 KS, 15,550)		
Target price	KRW19,000	22.2%
BUY		
JB Financial Group (175330 KS, 25,650)		
Target price	KRW28,000	9.2%
HOLD		
Kakao Bank (323410 KS, 21,600)		
Target price	KRW27,000	25.0%
HOLD		

Samsung Securities

Capital-reduction dividends in 2026 to be key for 2027 dividend payouts: Capital-reduction dividends in 2026 to be key for 2027 payouts: Korea's top-four financial groups and iM Financial Group appear eligible for capital-reduction dividends. (The threshold for eligibility is having capital reserves of at least 1.5x paid-in capital.) If they opt to pay these in early 2026, they should gain greater flexibility in calibrating the shareholder return mix (dividends and buybacks).

Dividends—Ownership structure shift underpins banking stocks as dividend plays: Dividend income has regained prominence following the move to separate taxation. Higher bank dividend payouts should catalyze a favorable shift in shareholder ownership. With DPS growth potentially exceeding 10% *pa* to meet separate-taxation eligibility thresholds—on top of progressive dividend policies—the sector's appeal as a dividend play should strengthen further.

Still bullish—Pace of payout ratio hikes in focus: We remain bullish on the sector. Near-term attention should center on dividend yields, while focus should shift in early 2026 to whether banks deliver on investor expectations via updates to enterprise value enhancement plans.

Bipartisan agreement reached on separate taxation of dividend income

Dividend income to be taxed separately in brackets

Korea's ruling and opposition parties agreed on Nov 28 to introduce a separate taxation regime for dividend income received from qualifying high-dividend listed companies. The system comprises four tax brackets: 1) 14% for amounts up to KRW20m; 2) 20% for amounts exceeding KRW20m up to KRW300m; 3) 25% for amounts exceeding KRW300m up to KRW5b; and 4) 30% for amounts exceeding KRW5b.

Qualifying companies classified into either 'dividend excellence or 'dividend effort' categories

Eligibility requires dividend income from companies that either: 1) have a dividend payout ratio of 40% or higher (dividend excellence); or 2) have a dividend payout ratio of 25% or higher and have increased dividends by at least 10% y-y (dividend effort). While the definition of "dividends" has yet to be finalized, it will likely refer to the total dividend amount paid rather than DPS.

Notably, the bar for the "effort award" has been raised from the original proposal. Initially, eligibility required: 1) a dividend payout ratio of 25% or higher; and 2) a dividend increase of at least 5% versus the three-year average. Concerns that this would provide insufficient incentives for active dividend increases led to a tightening of the criteria to a 10% increase versus the prior year.

Separate taxation of dividend income: Key terms

Category	Details	
Effective date	From 2026	
Tax brackets and rates	Under KRW20m: 14% KRW20m-300m: 20% KRW300m-5b: 25% Over KRW5b: 30%	
Eligibility	"High-dividend" companies	
High-dividend company criteria	Dividend excellence	Dividend payout ratio of at least 40%
	Dividend effort	Dividend payout ratio of 25% or higher and a dividend increase of at least 10% y-y (Latter criterion revised from original proposal of "a dividend increase of at least 5% versus the three-year average")

Source: Media reports

Implementation begins immediately in 2026 , with tax benefits realized in May 2027

The separate taxation will apply to dividends paid from 2026 (ie, 2025 year-end dividend), one year earlier than the initial 2027 proposal, suggesting an intent to accelerate policy impact.

Actual tax savings will be realized in May 2027, when comprehensive financial income tax returns are filed (May 1-31). In 2026, banks will withhold tax at source (14% dividend income tax plus 1.4% local income tax). Dividend income will then be aggregated with other income for comprehensive taxation in May 2027, at which point qualification as a high-dividend company for 2025 and 2026 will be assessed. Accordingly, banks aiming to qualify in 2026 must meet the criteria—a dividend payout ratio of at least 25% and a dividend increase of at least 10% y-y—in both 2025 and 2026.

2026 separate taxation of dividend income vs bank dividends (to be received in 2026)

	Apr 2026	May 2026	Aug 2026	Nov 2026	May 2027
Category	FY25 final dividend (4Q25 interim dividend)	1Q26 interim dividend	2Q26 interim dividend	3Q26 interim dividend	Reporting period for comprehensive taxation on financial income

Source: Samsung Securities

Treatment of quarterly or semi-annual dividends paid in 2025 remains unclear

As separate taxation applies to 2025 year-end dividends paid in 2026, questions remain over whether quarterly or semi-annual dividends paid in 2025 will receive the same treatment. Banks introduced quarterly or semi-annual dividends to provide investors with better cash flow and enhance dividend stability and predictability. Under the revised proposal, however, these efforts may be temporarily misaligned with investor interests.

Whether quarterly and semi-annual dividends already paid in 2025 are included in the separate taxation scheme will be determined through future legislation and enforcement decrees. Given the policy's stated objectives, media reports suggest a higher likelihood of special provisions.

Note: Note: Additional consideration if special provisions apply to interim dividends paid in 2025

If a special provision extends separate taxation to quarterly and semi-annual dividends paid in 2025, total dividend income recognized for 2026 could increase. For eligibility assessment, dividend income could include the 2025 year-end dividend, quarterly dividends paid in 2025, and quarterly dividends paid through 3Q26—potentially encompassing up to seven dividend payments.

Implications: Banks expected to raise 2025 year-end dividend payout ratios

Banks likely to meet "dividend effort" criteria

Banks are highly likely to target the "dividend effort" threshold, given that: 1) enterprise value enhancement programs are a strategic priority; 2) meeting the dividend payout ratio requirement is not financially onerous, with the estimated average 2025 total payout ratio at 41.3%, including a dividend payout ratio of around 25%; and 3) peer pressure among banks is a contributing factor.

Banks classified into four groups

Banks face differing circumstances, warranting differentiated approaches. We classify banks into four groups: 1) banks paying equal quarterly dividends; 2) banks paying quarterly dividends, but paying a larger portion at year-end; 3) banks paying year-end dividends only; and 4) banks with dividend payout ratios exceeding 40%.

Note: 1) our analysis excludes Woori Financial Group, which plans to pay dividends out of capital reserves—treated as non-taxable—starting in 2026; and 2) actual dividend payout ratios and amounts may differ from our estimates, depending on legislative details and 4Q25 earnings.

Banks paying equal quarterly dividends: KBFG, SFG, HFG

Equal quarterly distributions: Dividend payout ratios driven by final earnings

KB Financial Group (KBFG), Shinhan Financial Group (SFG), and Hana Financial Group (HFG) commit to an annual dividend total at the start of each year and distribute it evenly across four quarters. For 2025, announced annual dividends are KRW1.34t, KRW1.1t, and KRW1t, respectively.

With annual dividend totals fixed, payout ratios are determined at fiscal year-end based on full-year earnings. Based on current estimates, projected dividend payout ratios are 23.4%, 21.3%, and 24.5%, respectively—all modestly below 25%.

2025 dividend payout ratios need to rise 2.6%pts y-y; 4Q dividends estimated to rise 46% q-q

To qualify for separate taxation, the trio would need to either: 1) materially underperform initial earnings expectations; or 2) raise annual dividend payout ratios by 2.6%pts. Assuming earnings broadly meet expectations, year-end dividends are likely to exceed quarterly payments made over 1Q-3Q. We estimate 4Q dividends of KRW370b-470b, up 46% q-q versus 3Q distributions. SFG's 4Q dividend increase is likely to be the steepest among peers.

Total payout ratios to rise in tandem

Higher 4Q dividend payouts should translate into higher total payout ratios. The banks have already announced and begun executing 2025 share buyback programs. KBFG, SFG, and HFG have announced buybacks of KRW1.67t, KRW1.25t, and KRW800b, respectively. Including higher dividends, total payout ratios could reach 54.2% for KBFG, 49% for SFG, and 46.9% for HFG—around 2.6%pts above initial projections.

Estimated incremental dividend required to qualify for separate taxation and related metric changes (KBFG, SFG, HFG)

(KRWb)		KBFG	SFG	HFG	Total
Prior dividend payout ratio assumption (%)	2024A	23.6	24.5	27.2	
	2025E	23.4	21.3	24.5	23.0
Prior total dividend assumption	2024A	1,198.3	1,088.0	1,015.9	3,302.2
	2025E	1,340.0	1,112.9	1,002.5	3,455.4
Net profit (2025E)		5,725.0	5,218.8	4,092.0	15,035.8
1. Estimated payout ratio to qualify for separate taxation					
1) Basis: 25% dividend payout ratio					
Total dividends		1,431.3	1,304.7	1,023.0	3,759.0
Dividend growth (% y-y)		19.4	19.9	0.7	13.8
2) Basis: 10%+ y-y growth in dividends					
Payout ratio to qualify for 10% dividend growth		23.0	22.9	27.3	24.2
3) If separate taxation is met under criteria 1 & 2					
Payout ratio to qualify for separate taxation		25.0	25.0	27.3	25.6
Required increase over the assumed payout ratio (%)		1.6	3.7	2.8	2.6
Annual total dividends if separate taxation criteria are met		1,431.3	1,304.7	1,117.5	3,853.5
4) Estimated 4Q25 final dividend					
1Q-3Q25 total dividends		1,004.7	835.3	750.4	2,590.4
4Q25 dividend (=Full-year dividends – 1Q-3Q25 total dividends)		426.6	469.4	367.1	1,263.1
4Q25 dividend vs 3Q25 interim dividend (%)		27.4	67.6	46.8	46.0
4Q25 dividend / Full-year net profit (%)		7.5	9.0	9.0	8.4
4Q25 dividend / Full-year dividend (%)		29.8	36.0	32.8	32.8
2. Estimated total payout ratio					
Previously announced total share buybacks		1,670.0	1,250.0	803.1	3,723.1
Estimated total dividends		1,431.3	1,304.7	1,117.5	3,853.5
Estimated total shareholder returns		3,101.3	2,554.7	1,920.6	7,576.6
Estimated total payout ratio		54.2	49.0	46.9	50.4
Diff vs prior total payout ratio assumption (%pts)		1.6	3.7	2.8	2.6
3. Estimated dividend yield					
Market cap		48,179.0	38,694.0	26,274.0	113,147.0
Full-year dividends		1,431.3	1,304.7	1,117.5	3,853.5
Full-year dividend yield (%)		3.0	3.4	4.3	3.4
4Q25 dividends		426.6	469.4	367.1	1,263.1
4Q25 dividend yield (%)		0.9	1.2	1.4	1.1
4. Total shareholder yield [=(Dividends + share buybacks) / mkt cap] (%)		6.4	6.6	7.3	6.7

Source: Samsung Securities estimates

Banks paying a large portion of dividends at year-end: BNKFG, JBFG

Quarterly dividends with a heavy year-end skew

BNK Financial Group (BNKFG) and JB Financial Group (JBFG) pay quarterly dividends but allocate a substantial portion to year-end distributions. Through 3Q, they paid dividends of KRW113.7b and KRW90.9b, respectively, accounting for roughly half of their full-year 2024 dividends of KRW207.4b and KRW189.7b. In effect, around half of annual dividends are concentrated in the year-end payment, determined by full-year earnings.

Dividend payout ratios need to rise to meet the 10%+ y-y growth requirement

We initially assumed dividend payout ratios of 26% for BNKFG and 28% for JBFG, the latter aligning with the target disclosed in JBFG's enterprise value enhancement plan. Under these assumptions, however, 2025 dividends would total KRW219.8b and KRW192b, implying y-y growth of 6% and 1.2%, respectively—below the 10% threshold for separate taxation. To qualify, BNKFG and JBFG would need to lift dividend payout ratios by 1%pt and 2.4%pts, respectively, to 26.9% and 30.3%.

This adjustment would also raise total payout ratios. Including buybacks, total payout ratios would increase to 40.3% for BNKFG and 47.4% for JBFG.

Year-end dividend yields also quite attractive

With roughly half of annual dividends paid at year-end, year-end dividend yields are particularly appealing. With an annual dividend yield of 4.8% and a total shareholder yield of 7.1%, both banks offer compelling returns. The year-end dividend accounts for 54.8% of annual dividends, translating into a year-end dividend yield of 2.6%—above those of the three major financial groups and comparable to the 2.6% time-deposit rate announced by the Bank of Korea in October.

Estimated incremental dividend required to qualify for separate taxation and related metric changes (BNKFG, JBFG)

(KRWb)		BNKFG	JBFG	Total
Prior dividend payout ratio assumption (%)	2024A	28.5	28.0	
	2025E	26.0	28.0	
Prior total dividend assumption	2024A	207.4	189.7	397.1
	2025E	219.8	192.0	411.9
Net profit (2025E)		848.2	688.7	1,536.9
1. Estimated payout ratio to qualify for separate taxation				
1) Basis: 10%+ y-y growth in dividends		26.9	30.3	28.4
Required increase over assumed payout ratio (%pts)		1.0	2.4	1.6
Full-year dividends		241.8	211.2	453.1
2) Estimated 4Q25 final dividend				
1Q-3Q25 total dividends		113.7	90.9	204.6
4Q25 dividend (=Full-year dividends – 1Q-3Q25 total dividends)		128.2	120.3	248.5
4Q25 dividend vs 3Q25 interim dividend (%)		237.8	298.5	264.7
4Q25 dividend / Full-year net profit (%)		15.1	17.5	16.2
4Q25 dividend / Full-year dividend (%)		53.0	57.0	54.8
2. Estimated total payout ratio				
Previously announced total share buybacks		100.0	115.0	215.0
Estimated total dividends		241.8	211.2	453.1
Estimated total shareholder returns		341.8	326.2	668.1
Estimated total payout ratio		40.3	47.4	43.5
Diff vs prior total payout ratio assumption (%pts)		2.6	2.8	2.7
3. Estimated dividend yield				
Market cap		4,811.0	4,605.0	9,416.0
Full-year dividends		241.8	211.2	453.1
Full-year dividend yield (%)		5.0	4.6	4.8
4Q25 dividends		128.2	120.3	248.5
4Q25 dividend yield (%)		2.7	2.6	2.6
4. Total shareholder yield [=(Dividends + share buybacks) / mkt cap] (%)		7.1	7.1	7.1

Source: Samsung Securities estimates

Banks paying annual dividends: IBK, iMFG

Single annual dividend payments

Industrial Bank of Korea (IBK) and iM Financial Group (iMFG) pay dividends once a year and can meet the separate taxation requirements by adjusting year-end payout ratios.

IBK does not conduct share buybacks and already offers a dividend payout ratio above 30%. A 10% y-y dividend increase would lift its payout ratio by 1.7%pts to 33.7% in 2025, qualifying it for the "dividend effort" designation.

iMFG has seen a sharp earnings turnaround this year, making a 10%+ y-y dividend increase likely. However, to qualify for separate taxation, it would need to raise its dividend payout ratio to at least 25%.

Both offer attractive year-end dividend yields

Since neither bank pays interim dividends, their year-end dividend yields are meaningfully higher than peers'. IBK offers the highest year-end dividend yield at 5.7%, while iMFG also provides a competitive 5.1%.

iMFG's total payout ratio likely to rise meaningfully

While IBK does not engage in buybacks, iMFG has announced and executed a KRW60b share buyback program in 2025. We now estimate iMFG's 2025 total payout ratio, including buybacks and cancellations, at 37.7%, up 2.1%pts from prior forecasts.

Estimated incremental dividend required to qualify for separate taxation and related metric changes (IBK, iM)

(KRWb)		IBK	iMFG	Total
Prior dividend payout ratio assumption (%)	2024A	32.1	38.5	
	2025E	32.0	23.0	30.7
Prior total dividend assumption	2024A	849.3	82.7	932.5
	2025E	888.3	108.3	996.5
Net profit (2025E)		2,775.9	472.1	3,248.0
1. Estimated payout ratio to qualify for separate taxation				
1) Basis: 10%+ y-y growth in dividends and 25% dividend payout ratio		33.7	25.0	32.4
Required increase over assumed payout ratio (%pts)		1.7	2.0	1.7
Annual total dividends = 4Q25 dividend		934.2	118.0	1,052.3
2. Estimated total payout ratio				
Previously announced total share buybacks		0.0	60.0	60.0
Estimated total dividends		934.2	118.0	1,052.3
Estimated total shareholder returns		934.2	178.0	1,112.3
Estimated total payout ratio		33.7	37.7	34.2
Diff vs prior total payout ratio assumption (%pts)		1.7	2.1	1.7
3. Estimated dividend yield				
Market cap		16,507.0	2,334.0	18,841.0
Full-year yield = 4Q25 final dividend yield (%)		5.7	5.1	5.6
4. Total shareholder yield[=(Dividends + share buybacks) / mkt cap] (%)		5.7	7.6	5.9

Source: Samsung Securities estimates

Banks with 40%+ dividend payout ratio, qualifying for "dividend excellence": Kakao Bank

Dividend payout ratio comfortably above 40%

Kakao Bank can meet the requirements for separate taxation without changes to its current policy stance. Under its enterprise value enhancement plan, the bank has outlined its intention to raise its total payout ratio to 50% over 2024-2026. In 2024, it reported a dividend payout ratio of 39%, already near the 40% threshold for the "dividend excellence" designation. Assuming its total payout ratio reaches 50% by 2026, the dividend payout ratio should rise to around 45% in 2025, comfortably meeting the criterion.

Dividends to grow in line with earnings: Qualification maintained

With solid earnings growth and a rising payout ratio, Kakao Bank should maintain its status as a qualifying high-dividend company. We forecast net profit of KRW462.8b in 2025 and KRW515.2b in 2026, implying earnings growth of 11.3%. Assuming a 50% dividend payout ratio in 2026, total dividends would rise 22.9% y-y to KRW257.6b. Based on the current market cap of KRW10.3t, this implies improvement in dividend yield to 2.5%.

Valuation premium driven by growth, not dividends

Kakao Bank's dividend yield, which remains slightly below time-deposit rates, may appear underwhelming. However, its valuation premium is not underpinned by dividends or shareholder returns, but by expectations of strong earnings growth driven by the scalability of its platform-based business model.

Key investment considerations, therefore, remain: 1) recovery in asset growth; 2) profitability management—*eg*, NIM, credit costs, and cost-to-income ratio; and 3) the growth trajectory of platform-generated fee income.

Dividend growth stock over the long term

From a long-term perspective, Kakao Bank can be viewed as a dividend growth stock, with dividends rising faster than those of many peers. While the current yield is not particularly compelling, under a more optimistic scenario—assuming 15% *pa* earnings growth and a 50% payout ratio—earnings could reach KRW700b by 2028, with KRW350b paid out as dividends. On the current market cap, this would translate into a more competitive dividend yield of 3.4%.

In sum, assuming interest rates remain near current levels, Kakao Bank's dividends should: 1) provide downside support for the share price; and 2) contribute to long-term enterprise value enhancement. Dividend growth could pick up pace further if earnings growth accelerates.

Estimated incremental dividend required to qualify for separate taxation and related metric changes (Kakao Bank)

(KRWb)		Kakao Bank
Dividend payout ratio assumption (%)	2024A	39.0
	2025E	45.0
Total dividends	2024A	171.5
	2025E	209.6
1. 2025 dividend preview		
Dividend growth (%)		22.2
Net profit (2025E)		462.8
Market cap		10,327.0
Dividend yield		2.0
2. 2026 dividend preview		
Net profit (2026E)		515.2
Net profit growth (%)		11.3
Dividend payout ratio assumption (%)		50.0
Total dividends		257.6
Dividend growth		22.9
Dividend yield		2.5

Source: Samsung Securities estimates

Kakao Bank: Dividend growth sensitivity analysis

(KRWb)	Net profit	Dividend payout ratio (%)	Total dividends	Dividend growth (%)	Dividend yield (%)
2025E	462.8	45.0	208.3		2.0
2026E	532.2	50.0	266.1	27.8	2.6
2027E	612.1	50.0	306.0	15.0	3.0
2028E	703.9	50.0	351.9	15.0	3.4

Note: Assumes average annual earnings growth of 15% from 2026;
Payout ratio assumption follows company's "value-up" plan, targeting 50% in 2026

Source: Samsung Securities estimates

Decision on capital-reduction dividends in 2026 to shape 2027 dividend payouts

WFG to be Korea's first bank to pay capital-reduction dividends

Woori Financial Group is set to be Korea's first bank to pay capital-reduction dividends—distributions made from capital reserves following a capital reduction. Having approved the plan at a shareholders' meeting in March, it should commence capital-reduction dividends with the 2026 payout.

These dividends primarily benefit retail investors, as they are exempt from dividend tax, while corporate investors (both Korean and foreign) derive limited benefit due to corporate tax exemptions and deferral effects.

Other financial groups may follow suit

Other financial groups indicated during 3Q earnings calls that they are considering similar moves from 2026. For example, KBFG noted that it is reviewing and preparing measures related to capital-reduction dividends, although no final decision has been made. We view this as a meaningful shift from the previously conservative stance toward such payouts.

Top-four financial groups and iM Financial Group likely eligible for capital-reduction dividends

We believe that Korea's top-four financial groups and iM Financial Group are eligible for capital-reduction dividends. As of end-2024, the five companies' capital reserves topped their paid-in capital by 1.5x, a threshold that must be met before capital-reduction dividends can be paid.

For reference, not all capital reserves at banks can be used as dividend resources. WFG decided to use only KRW3t (out of its total capital reserves of about KRW5.4t) for dividends, or 55.4%.

When applying the same rate (55.4%) to other banks, the top-three financial groups can pay more than KRW3t in capital-reduction dividends. As the top-four financial groups have paid an average annual cash dividend of KRW1t each, this shows that banks can provide tax benefits to investors by offering tax-free dividends for the next 2-3 years.

Capital-reduction dividends more advantageous than separate taxation of dividend income

Unlike the separate taxation of dividend income, capital-reduction dividends are non-taxable, making them more advantageous for investors. Retail investors in banks that adopt capital-reduction dividends in 2026 should therefore begin receiving tax-free benefits from 2027.

Implication 1: Greater flexibility in shareholder-return mix

Banks implementing capital-reduction dividends would no longer need to meet the criteria for "high-dividend companies" from 2027. With less constraint on dividend payout ratios, they should gain greater flexibility in calibrating the mix between dividends and share buybacks, particularly in response to P/B levels.

Banks and financial holding groups: Estimated capacity to pay capital-reduction dividends

(KRWb)	WFG	KBFG	SFG	HFG	iMFG	IBK	BNKFG	JBFG	Kakao Bank
Paid-in capital	3,802.7	2,090.6	2,969.6	1,501.2	845.7	4,211.4	1,629.7	984.9	2,384.8
Paid-in capital x 1.5 (A)	5,704.0	3,135.8	4,454.5	2,251.8	1,268.6	6,317.0	2,444.5	1,477.4	3,577.3
Capital surplus (B)	11,120.2	14,754.5	11,350.7	8,310.6	1,560.6	1,161.6	2,256.4	476.7	2,988.2
(C = B-A)	**5,416.2**	**11,618.6**	**6,896.3**	**6,058.8**	**292.0**	**(5,155.5)**	**(188.1)**	**(1,000.7)**	**(589.1)**
Capital-reduction dividend capacity at WFG (D)	**3,000.0**								
(E = D/C) (%)	**55.4**								
Estimated capital-reduction dividend capacity (F = C x E)	**3,000.0**	**6,435.5**	**3,819.8**	**3,355.9**	**161.8**				
2025 cash dividend (G)	**976.2**	**1,340.0**	**1,112.9**	**1,002.5**	**108.3**				
(F/G) (x)	**3.1**	**4.8**	**3.4**	**3.3**	**1.5**				

Note: WFG announced a maximum capital-reduction dividend capacity of KRW3t;
Based on 2024 balance sheets

Source: Company data, Samsung Securities estimates

Implication 2: Banks unable to adopt capital-reduction dividends may target 10%+ DPS growth

Banks for which capital-reduction dividends are difficult to implement—such as BNKFG, JBFG, and Kakao Bank—are likely to focus on meeting the requirements for separate taxation of dividend income. From an investor perspective, this implies potential annual dividend growth of 10% or more.

For banks that also reduce outstanding shares through buybacks and cancellations, DPS growth could exceed the 10% threshold. As a result, their appeal as dividend investments could increase further if market yields remain at current levels or decline.

Shareholder base shift is key to banks as major dividend stocks

As dividends regain prominence following the introduction of separate taxation, the key for bank stocks lies in achieving a favorable shift in shareholder composition.

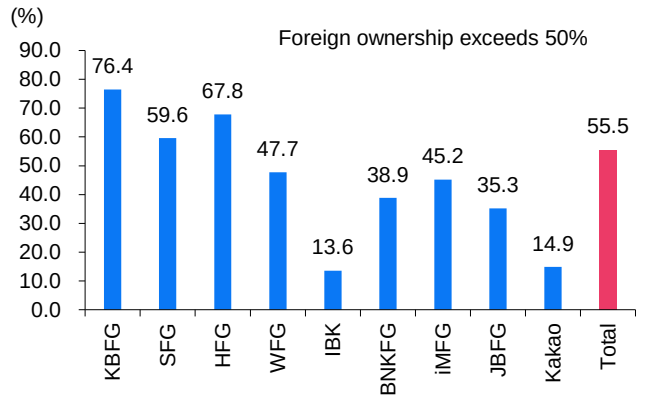
Foreign investors own 55.5% of domestic banks and 67.2% (weighted average) of the top-3 financial groups. As the National Pension Service (NPS) has a nearly a 10% stake in each of the top-three banks, and regional financial groups' largest shareholders have at least a 10% stake in all three, retail investors have limited exposure to banks.

Considering the bank ownership structure, banks' response to the capital-reduction dividends and separate taxation of dividend income should not benefit existing shareholders much, but can still have positive effects on banking shares. Given retail investors' low exposure to banks, any hike in the retail investor portion of total ownership (driven by capital-reduction dividends and separate taxation) should improve sector share supply-demand dynamics. For example, Korean bank stocks often exhibit high price volatility due to change in foreign supply-demand dynamics. The inflow of retail investors can act as a stabilizing factor, helping to reduce this volatility.

In particular, retail investors' buying of banking shares (driven by increased benefits as dividend stocks) should boost banks' share-price stability. As Korea's population rapidly ages, and the country's economy suffers a structural slowdown in growth and persistent low interest rates over the longer term, retail and institutional investors' interest in dividend stocks should rise. Amid this, banks' investment merit should draw further attention for their progressive dividend policies—they keep dividends flat y-y and are pursuing a steady y-y hike in DPS.

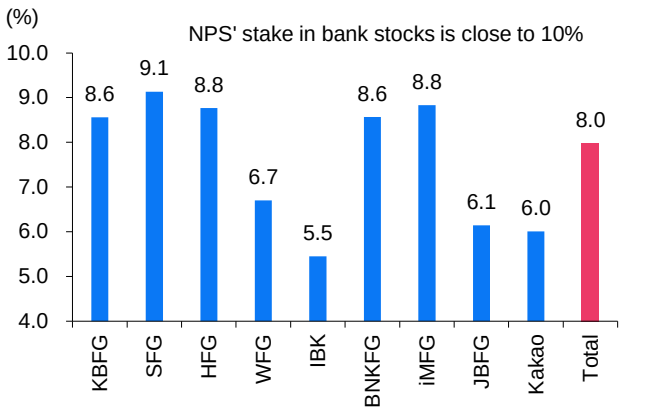
For reference, when a bank's P/B tops 1x, banks are advised to boost their dividend yield by raising the dividend portion of their total shareholder returns (dividends + buybacks). In 2025, banks should offer a dividend yield of 4% (a level deemed somewhat low) but should offer a total shareholder yield of 6.1%. If their total payout ratio rises above 50%, the yield can rise further.

Financial groups: Foreign ownership



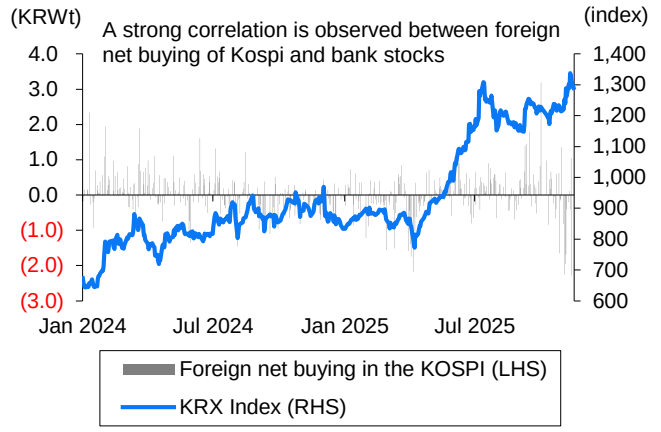
Note: As of Nov 17, 2025
Source: QuantiWise, Samsung Securities

NPS stakes in Korean financial groups



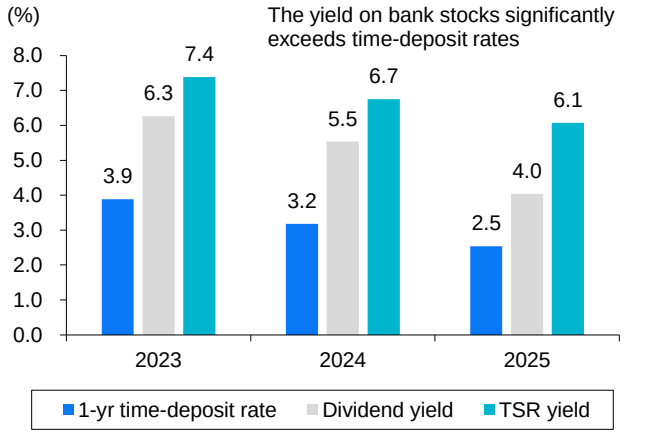
Note: Based on latest filings
Source: DART, QuantiWise, Samsung Securities

Foreign net buying of Kospi vs KRX Bank Sector Index



Source: KRX, Samsung Securities

1-yr time-deposit rate, dividend yield, total shareholder yield



Note: Year-end for 2023 and 2024; as of Nov 17 for 2025
Source: BOK, Samsung Securities

Korean banks' dividend payout ratio: An appropriate level? (Compare with overseas peers)

Overseas banks' average dividend payout ratio stands at 30-40%

US, European, and Japanese banks (based on five key US banks, five key European banks, and three key Japanese banks) typically have dividend payout ratios of 30-40% (in 2024, their total payout ratios ranged from 60% to 70%, with dividends and share buybacks accounting for a respective 58% and 42% of total shareholder returns). We roughly estimate their share buyback and dividend mix at 50:50.

Overseas banks: Shareholder returns (dividends vs share buybacks)

Region	(USDm)	Total shareholder returns	Dividends	Share buybacks	Net profit	Total payout ratio (%)	Dividend payout ratio (%)	Share buyback ratio (%)
US	JP Morgan	32,627.0	13,786.0	18,841.0	58,471.0	55.8	23.6	32.2
	Bank of America	21,448.1	7,855.5	13,592.6	27,132.0	79.1	29.0	50.1
	Citi Group	6,718.0	4,218.0	2,500.0	12,682.0	53.0	33.3	19.7
	Wells Fargo	24,739.2	5,139.2	19,600.0	19,722.0	125.4	26.1	99.4
	PNC Financial	3,179.2	2,513.7	665.5	5,889.0	54.0	42.7	11.3
	Total	88,711.5	33,512.4	55,199.1	123,896.0	71.6	27.0	44.6
Europe	Banco Santander	6,151.9	2,785.4	3,366.5	13,602.3	45.2	20.5	24.7
	UniCredit	10,353.9	4,002.8	6,351.1	10,513.8	98.5	38.1	60.4
	BBVA	4,375.8	3,530.9	844.9	10,876.2	40.2	32.5	7.8
	ING Group	3,541.7	3,541.7	0.0	6,914.7	51.2	51.2	0.0
	Barclays	3,797.3	1,548.0	2,249.3	8,060.3	47.1	19.2	27.9
	Total	28,220.6	15,408.8	12,811.7	49,967.3	56.5	30.8	25.6
Japan	MUFG	7,618.0	4,871.1	2,746.9	12,230.0	62.3	39.8	22.5
	SMFG	4,770.6	3,118.7	1,651.9	7,733.4	61.7	40.3	21.4
	MFG	2,996.0	2,320.4	675.7	5,812.7	51.5	39.9	11.6
	Total	15,384.6	10,310.1	5,074.5	25,776.1	59.7	40.0	19.7

Note: As of 2024
Source: Bloomberg, Samsung Securities

No DPS cuts even when earnings decline

Overseas banks—considered as dividend stocks—do not cut their DPS even when their earnings decline, as dividend cuts can signal that they face severe financial difficulties (a factor that can fuel concerns over their financials) and undermine their status as dividend stocks.

For instance, the five key US banks kept their DPS steady during COVID-19 (a time of earnings decline) by raising their dividend payout ratios. In contrast, New York Community Bank (NYCB; a small US bank) cut its dividend following a heavy CRE-related loss in early 2024, suffering a 73.7% plunge in its share price in the wake.

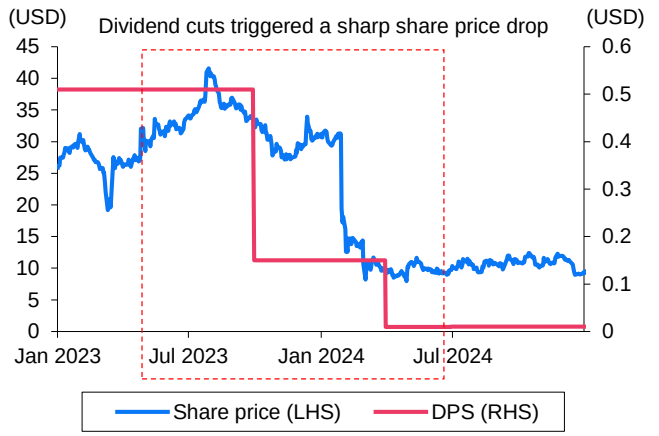
Mindful of this, when announcing their shareholder return policies, most domestic banks set up the structure of: 1) pursuing progressive dividend policies (raising DPS in a stable way); and 2) speeding up total payout ratio hikes via utilization of capital reserves for share buybacks.

US banks: DPS vs dividend payout ratio

(USD)	2019		2020		2021		2022	
	DPS	Payout ratio (%)	DPS	Payout ratio (%)	DPS	Payout ratio (%)	DPS	Payout ratio (%)
JPM	3.4	31.7	3.6	40.5	3.8	24.7	4.0	33.1
BofA	0.7	24.0	0.7	38.5	0.8	21.8	0.9	27.0
Citi	1.9	23.9	2.0	43.2	2.0	20.1	2.0	29.1
WFC	1.9	46.9	1.2	283.7	0.6	12.1	1.1	33.6
PNC	4.2	43.9	4.6	72.3	4.8	37.8	5.8	41.5
Total	12.1	34.4	12.2	54.7	12.0	25.7	13.8	34.9

Source: Bloomberg, Samsung Securities

NYCB: Share price vs DPS

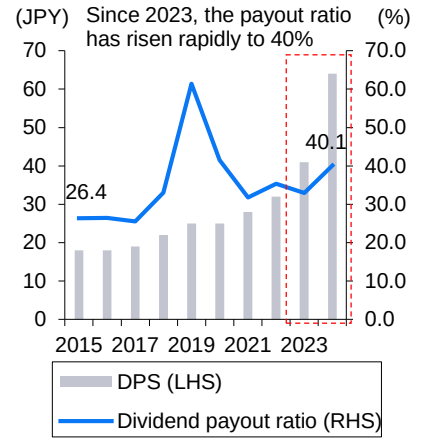


Source: Bloomberg, Samsung Securities

Japanese banks have dividend payout ratios of around 40%

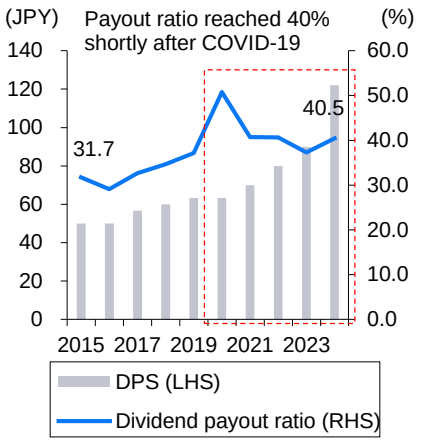
Meanwhile, Japan's three major banks—MUFG, SMFG, and Mizuho—have all raised dividend payout ratios to 40%. Their shareholder return frameworks combine a 40% payout ratio with share buybacks funded from capital reserves. As a result, payout ratios rose rapidly to 40% and have remained at that level since 2023.

MUFG: DPS vs dividend payout ratio



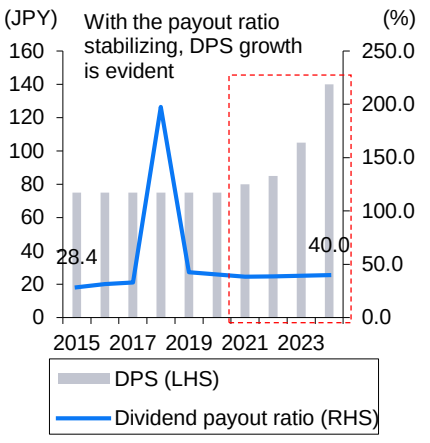
Source: Bloomberg, Samsung Securities

SMFG: DPS vs dividend payout ratio



Source: Bloomberg, Samsung Securities

Mizuho: DPS vs dividend payout ratio



Source: Bloomberg, Samsung Securities

Korean banks need higher dividend payout ratios over long term, but discussion required

Korean banks have incentives to raise dividend payout ratios, given that: 1) the top-three financial groups' payout ratios average just 25%, well below global peers; and 2) dividend yields have declined following recent share-price gains.

That said, any sustained increase in payout ratios requires longer-term deliberation. Share buybacks and cancellations are often more accretive to shareholder value than cash dividends when banks' P/Bs are below 1x, particularly given ownership structures with sizable foreign investor stakes. In addition, higher payout ratios can raise forex-related concerns.

Still bullish on sector: Pace of payout ratio hikes is key

We remain bullish on the sector for three reasons: 1) improving industry conditions should support earnings growth; 2) banks have articulated credible enterprise value enhancement plans, with some progressing ahead of schedule; and 3) valuations remain attractive from a longer-term perspective.

Dividend yields in focus in near term

In the near term, amid the introduction of separate taxation of dividend income, attention is centered on year-end dividend yields. IBK and iMFG have shown differentiated share-price performance, reflecting their annual dividend payments. WFG, BNKFG, and JBFG—with relatively high year-end dividend concentrations—are expected to offer year-end dividend yields in the mid-to-high 2% range.

Total shareholder yield still attractive at 5-7%

On an annual basis, domestic banks' total shareholder yield—*ie*, (dividends + share buybacks) / market cap—should reach 5-7%, which remains compelling.

Sensitivity analysis: 2025 shareholder returns and yield

(KRWb, %)	KBFG	SFG	HFG	WFG	IBK	BNKFG	iMFG	JBFG	Kakao Bank
Market cap	48,179.0	38,694.0	26,274.0	20,150.0	16,507.0	4,811.0	2,334.0	4,605.0	10,327.0
Full-year 2025 dividends	1,431.3	1,304.7	1,117.5	976.2	934.2	241.8	118.0	211.2	209.6
4Q25 dividends	426.6	469.4	367.1	534.9	934.2	128.2	118.0	120.3	209.6
2025 shareholder returns	3,101.3	2,554.7	1,920.6	1,126.2	934.2	341.8	178.0	326.2	209.6
2025 dividend yield	3.0	3.4	4.3	4.8	5.7	5.0	5.1	4.6	2.0
4Q25 dividend yield	0.9	1.2	1.4	2.7	5.7	2.7	5.1	2.6	2.0
2025 total shareholder yield	6.4	6.6	7.3	5.6	5.7	7.1	7.6	7.1	2.0

Source: Samsung Securities estimates

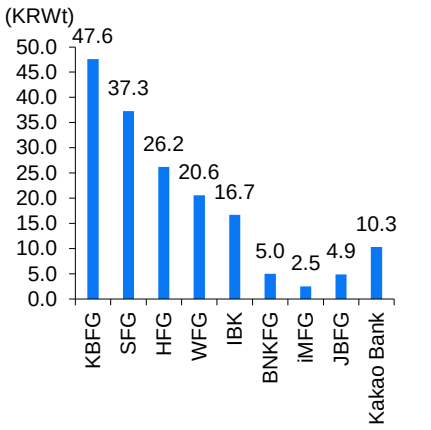
Updates to enterprise value enhancement plans in early 2026 are critical

The central issue for Korean banks remains resolving undervaluation, as P/B ratios continue to sit well below 1x. Despite strong share-price gains in 2025, the P/B discount versus global peers still exceeds 50%, with only modest narrowing over the past two years. That said, Japanese and European banks—previously trading at similar P/B levels—have seen valuations recover above 1x following enhanced shareholder returns. This suggests domestic banks also have scope to rerate through improvements in ROE and higher total payout ratios.

From this perspective, updates to shareholder return policies and enterprise value guidance for 2026, to be disclosed early in the year, should be pivotal for share performance. Market focus is increasingly on how far total payout ratios can rise beyond 50%. Global major banks have lifted total payout ratios from around 50% two to three years ago to 70-80% today, and Korean banks could reach the 50% threshold sooner than initially planned if dividend payout ratios rise further.

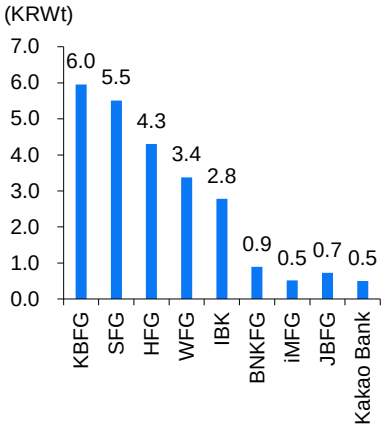
We therefore prioritize the top-three financial groups, which have strong capital bases and greater scope for differentiated increases in total payout ratios. We also remain positive on BNKFG and iMFG for their valuation merit (with shares trading at around 0.4x P/B), improving earnings momentum, and rising capacity to enhance payout ratios.

Banks: Market cap



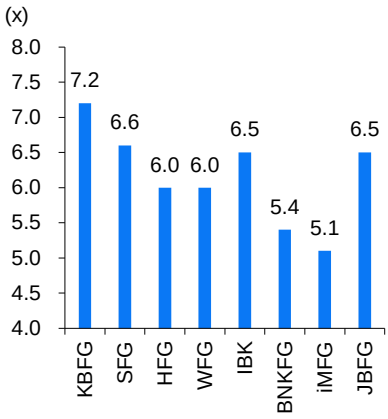
Note: As of Dec 30
Source: QuantiWise, Samsung Securities

Banks: 2026E net income



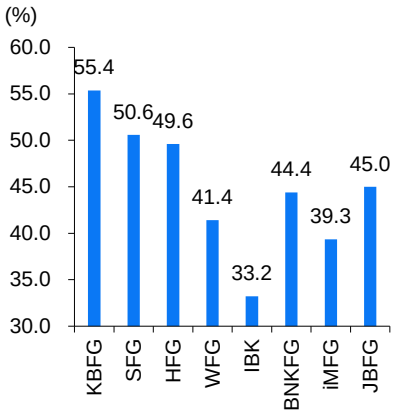
Source: Samsung Securities estimates

Banks: 2026E P/E



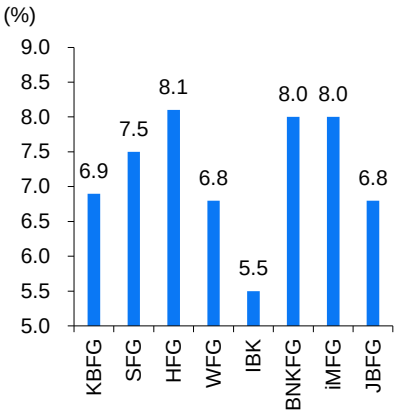
Note: As of Dec 30
Source: QuantiWise, Samsung Securities

Banks: 2026E total payout ratio*



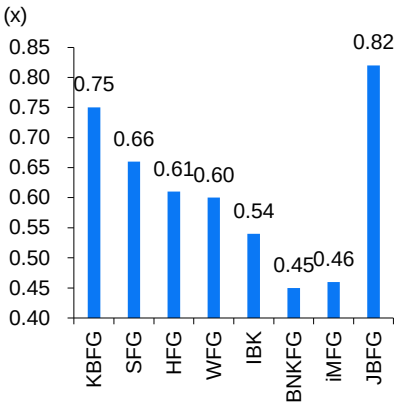
Note: *(Dividends + share buybacks) / net profit
Source: Samsung Securities estimates

Banks: 2026E total shareholder yield*



Note: As of Dec 30;
*(Dividends + share buybacks) / mkt cap
Source: QuantiWise, Samsung Securities estimates

Banks: 2026E P/B



Note: As of Dec 30
Source: QuantiWise, Samsung Securities

Valuation matrix

(KRWb)		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)		124,700	76,900	94,100	28,000	20,950	15,870	15,550	25,650	21,600	
Target price (KRW)		150,000	94,000	119,000	32,000	23,000	20,000	19,000	28,000	27,000	
Upside (%)		20.3	22.2	26.5	14.3	9.8	26.0	22.2	9.2	25.0	
Target P/B (x)		0.98	0.88	0.84	0.74	0.63	0.61	0.60	0.99	1.89	
Target P/E (x)		9.4	8.8	8.2	7.3	7.1	7.4	6.8	7.7	27.6	
Market cap (KRWt)		47.6	37.3	26.2	20.6	16.7	5.0	2.5	4.9	10.3	171.0
P/E (x)	2024A	6.1	5.4	4.4	3.7	4.6	4.5	6.4	4.7	22.8	5.4
	2025E	7.8	7.2	6.5	6.4	6.4	5.9	5.6	7.0	22.1	7.3
	2026E	7.2	6.6	6.0	6.0	6.5	5.4	5.1	6.5	20.5	7.0
P/B (x)	2024A	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.6	1.5	0.5
	2025E	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.9	1.5	0.7
	2026E	0.8	0.7	0.6	0.6	0.5	0.4	0.5	0.8	1.4	0.7
EPS (KRW)	2024A	13,593	8,816	13,017	4,156	3,106	2,274	1,270	3,483	923	
	2025E	16,028	10,661	14,469	4,370	3,249	2,701	2,791	3,643	976	
	2026E	17,307	11,672	15,647	4,646	3,230	2,946	3,038	3,970	1,052	
BVPS (KRW)	2024A	140,598	99,328	133,682	40,680	34,537	31,117	30,612	26,019	13,712	
	2025E	152,605	106,435	141,257	43,081	36,633	32,887	31,833	28,316	14,268	
	2026E	166,262	116,167	153,231	46,766	38,702	35,659	33,532	31,301	15,320	
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
	2026E	0.7	0.7	0.6	0.6	0.5	1.0	0.5	1.0	0.6	0.7
ROE (%)	2024A	9.8	9.0	10.1	10.6	9.3	7.5	4.1	14.0	7.0	9.5
	2025E	10.7	10.2	10.4	10.5	9.1	8.4	8.9	13.2	7.0	10.1
	2026E	10.7	10.3	10.4	10.4	8.6	8.5	9.3	13.1	7.1	10.1
DPS (KRW)	2026E	4,302	2,920	3,900	1,460	1,160	780	700	1,120	530	
Div. yield (%)	2026E	3.4	3.8	4.1	5.2	5.5	4.9	4.5	4.4	2.5	
Total payout ratio (%)	2026E	55.4	50.6	49.6	41.4	33.2	44.4	39.3	45.0	50.0	
Total shareholder yield (%)	2026E	6.9	7.5	8.1	6.8	5.5	8.0	8.0	6.8	2.4	

Note: As of Dec 30

Source: QuantiWise, Samsung Securities estimates

Compliance notice

- As of 12/31 2025, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 12/31 2025, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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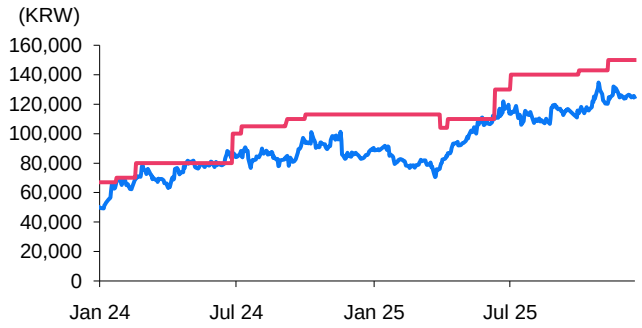
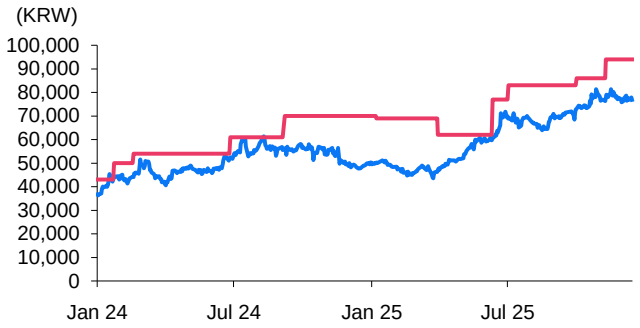
Target price changes in past two years

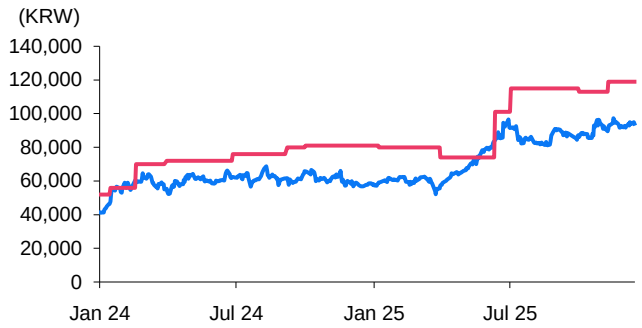
KB Financial Group



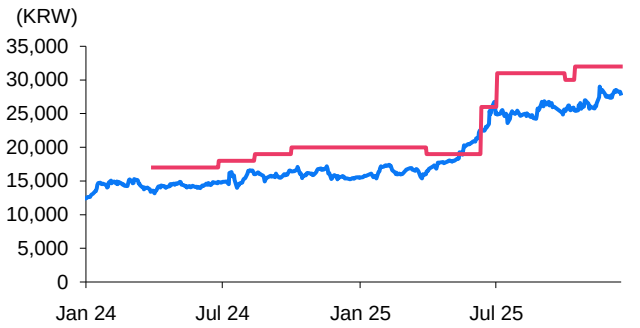
Shinhan Financial Group



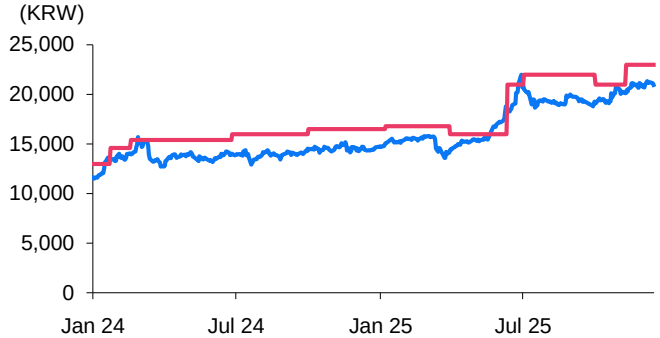
Hana Financial Group



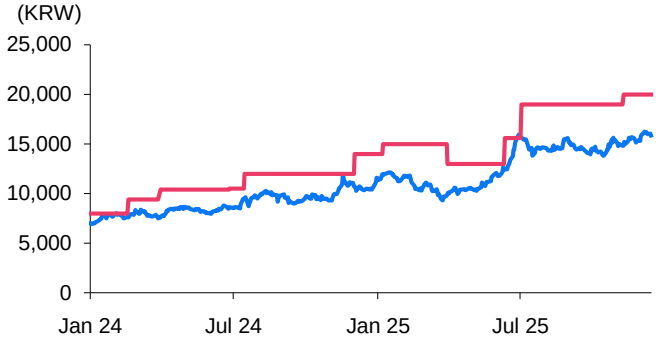
Woori Financial Group



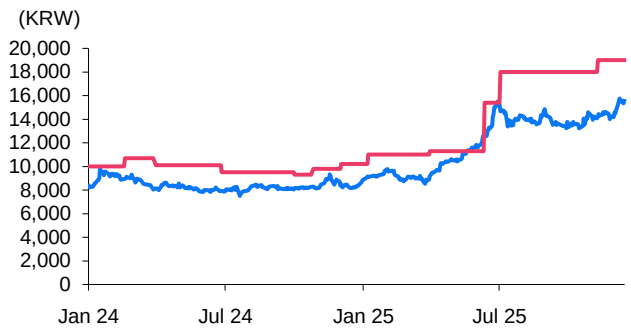
IBK



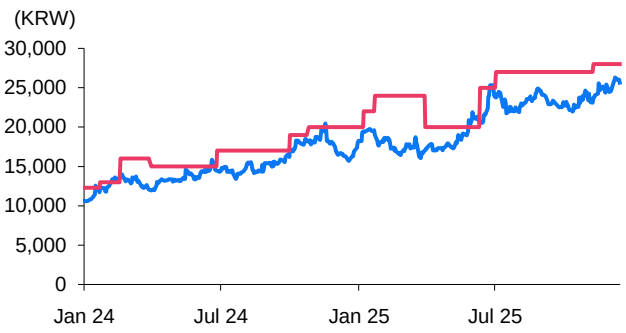
BNK Financial Group



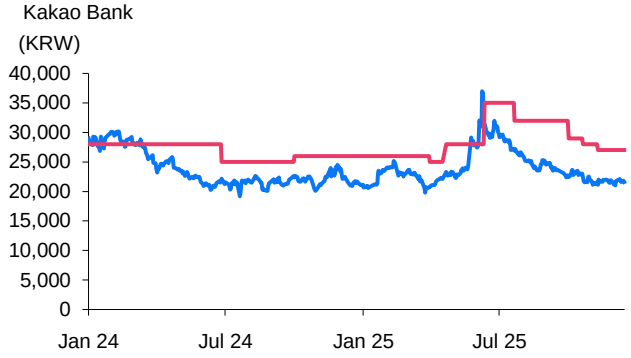
iM Financial Group



JB Financial Group



Kakao Bank



Rating changes over past two years (adjusted share prices)

KB Financial Group												
Date	2023/10/17	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	-14.92
(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	-5.80
Date	11/25											
Recommendation	BUY											
Target price (KRW)	150000											
Gap* (average)												
(max or min)**												

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	11/25
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	43000	50000	54000	61000	70000	69000	62000	77000	83000	86000	94000
Gap* (average)	-14.89	-13.28	-13.16	-7.88	-24.09	-31.23	-11.85	-12.80	-17.74	-11.41	
(max or min)**	5.35	-9.90	-0.93	0.66	-17.00	-25.94	-1.61	-6.75	-12.41	-5.35	

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	-20.20
(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	-14.69
Date	11/25											
Recommendation	BUY											
Target price (KRW)	119000											
Gap* (average)												
(max or min)**												

Woori Financial Group									
Date	2024/4/15	7/12	8/29	10/17	2025/4/15	6/27	7/18	10/17	10/30
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	17000	18000	19000	20000	19000	26000	31000	30000	32000
Gap* (average)	-15.86	-14.71	-16.59	-19.10	-0.72	-6.09	-18.43	-13.88	
(max or min)**	-12.47	-7.78	-12.79	-12.90	18.68	2.88	-13.39	-12.67	

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	11/25
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	13000	14600	15400	16000	16500	16800	16000	21000	22000	21000	23000
Gap* (average)	-9.25	-6.50	-10.19	-13.03	-11.68	-9.61	-0.86	-5.01	-11.84	-5.60	
(max or min)**	4.85	-3.84	1.95	-9.25	-8.06	-5.95	17.44	4.76	-7.95	-1.19	

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	11/25
Recommendation	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	8000	9400	10400	10500	12000	14000	15000	13000	15600	19000	20000
Gap* (average)	-9.77	-15.65	-19.85	-16.59	-18.16	-22.55	-27.38	-16.06	-8.05	-22.78	
(max or min)**	0.25	-11.06	-15.38	-9.43	-1.00	-14.57	-18.93	-2.23	2.24	-17.79	

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	11/25
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY	BUY
Target price (KRW)	10000	10700	10100	9500	9300	9800	10200	11000	11300	15400	18000	19000
Gap* (average)	-14.77	-18.37	-19.25	-14.48	-11.94	-12.15	-16.48	-16.85	-4.73	-7.91	-22.67	
(max or min)**	-2.00	-13.08	-14.46	-11.05	-11.08	-4.80	-10.29	-11.18	11.33	0.71	-17.44	

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	11/25
Recommendation	HOLD	HOLD
Target price (KRW)	27000	28000
Gap* (average)	-14.05	
(max or min)**	-7.78	

Kakao Bank											
Date	2023/10/17	2024/1/17	7/12	10/17	2025/4/15	5/7	6/27	8/6	10/17	11/5	11/25
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	24000	28000	25000	26000	25000	28000	35000	32000	29000	28000	27000
Gap* (average)	3.86	-9.02	-14.31	-14.15	-13.63	-6.99	-16.34	-23.19	-20.16	-22.51	
(max or min)**	31.04	-27.68	-9.40	-3.27	-10.80	32.14	-8.57	-15.00	-18.45	-19.46	

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

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Percentage of ratings in 12 months prior to 2025.09.30

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