COMPANY UPDATE

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IBK (024110)

4Q review; needs to prepare for radical changes

- Industrial Bank of Korea (IBK) reported a 4Q consolidated net profit of KRW462.5b, up a modest 1.8% y-y. Full-year net profit came to KRW2.7t, up a modest 2.5%.
- Loans grew 0.4% q-q in 4Q (and 5% for the full year) while NIM held steady q-q. Full-year credit cost was largely flat y-y (up 1bp y-y) at 0.47%.
- IBK is currently trading at 0.6x 2026 P/B, but lacks momentum relative to peers in the areas of dividend income separate taxation and capital-reduction dividends. Re-rating for the stock should require faster earnings growth and stronger shareholder returns.

WHAT'S THE STORY?

Net profit inches up 1.8% y-y to KRW462.5b in 4Q: Industrial Bank of Korea (IBK) reported a 4Q net profit of KRW462.5b, up a modest 1.8% y-y. Full-year net profit came to KRW2.7t, up a modest 2.5%. A closer look shows that loans grew 0.4% q-q in 4Q (and 5% for the full year) while NIM held steady q-q. Full-year credit cost was largely flat y-y (up 1bp y-y) at 0.47%.

ROE on a slide, and shareholder return momentum lacking compared to peers: IBK is currently trading at an attractive valuation of 0.6x 2026 P/B, but it appears to lack momentum compared to its peers: 1) its annual ROE has been on a slide for three consecutive years since 2022; 2) its shareholder return policy is restricted to dividend payments, with no share buybacks; and 3) it does not qualify as a 'high-dividend company'—meaning its shareholders will not benefit from the separate taxation of dividend income applicable to dividends paid from 2026—and capital-reduction dividends are not feasible.

(Continued on the next page)

AT A GLANCE

HOLD

Target price	KRW24,600	4.7%
Current price	**KRW23,500**	
Market cap	KRW18.7t/USD12.7b	
Shares (float)	797,425,869 (31.2%)	
52-week high/low	KRW23,500/KRW13,600	
Avg daily trading value (60-day)	KRW23.1b/ USD15.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
IBK (%)	15.2	21.1	55.1
Vs Kospi (%pts)	-0.3	-26.6	-26.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	24,600	24,600	0.0%
2025P EPS	3,179	3,179	0.0%
2026E EPS	3,219	3,219	0.0%

SAMSUNG vs THE STREET

No of estimates	14
Target price	24,623
Recommendation	3.6

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Operating profit	727.4	19.1	(25.5)	9.4	-
Pre-prov op profit	1,368.4	22.5	(4.4)	17.1	-
Provisioning	645.5	26.4	39.7	27.0	-
Net profit	462.5	1.8	(38.1)	(6.7)	1.2
Major indicators (%, %pts)					
Loan growth	0.4	(0.8)	(0.3)		
NIM	1.57	(0.10)	0.00		
NPLs below subs	0.68	(0.04)	(0.01)		

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025P	2026E
Valuations (x)			
P/E	4.6	6.6	7.3
P/B	0.4	0.6	0.6
Div yield (%)	7.4	5.6	5.5
EPS growth (% y-y)	0.2	2.4	1.2
ROE (%)	9.3	8.9	8.6
Total payout ratio (%)	32.1	34.5	37.1
Per-share data (KRW)			
EPS	3,106	3,179	3,219
BVPS	34,537	36,773	38,637
DPS	1,065	1,170	1,290

Stable earnings improvement, higher CET-1 ratio, and greater shareholder returns key to re-rating: IBK offers an estimated 2026 dividend yield of 5.6%, but this has become less appealing than in the past. To re-rate, the bank will need to: 1) demonstrate stable earnings improvement, despite intensifying competition in the corporate loan market due to productive finance initiatives by major financial groups; 2) achieve a higher CET-1 ratio, creating more room to return to shareholders; and 3) provide a more robust and predictable shareholder return policy.

Interest income up 0.5% y-y and 2.1% q-q in 4Q, but down 1.8% for full year: Interest income rose 0.5% y-y and 2.1% q-q in 4Q. Won-denominated loans grew 0.4% q-q, while NIM held steady q-q. For the full year, however, interest income shrank 1.8%, despite a 5% loan growth, as NIM tightened 12bps y-y to 1.58%. On a side note, the bank mentioned that it will keep loan growth in 2026 similar to last year while defending NIM at around the mid-1.5% level seen last year.

Full-year credit cost down 1bp at 0.47%—asset quality slightly improves on increased NPL sales/write-offs: The bank's cumulative 1Q-4Q credit cost stood at 0.47%, up 3bps q-q but down 1bps y-y, remaining roughly in line with previous levels. Its NPL and delinquency ratios declined a respective 7bps and 11bps q-q to 1.28% and 0.89%. But much of this improvement was driven by aggressive NPL sales/write-offs at year-end. For example, the bank's: 1) NPL sales/write-offs jumped 55.9% q-q and 35.3% y-y to KRW1.2t in 4Q; and 2) substandard and below loans decreased by only KRW0.2t to KRW4.3t in 4Q. Guidance has 2026 credit cost at around 50bps, consistent with the levels seen in 2025.

CET-1 ratio improvements, essential to higher dividend payout ratio, remain slow: IBK's shareholder return policy currently consists solely of year-end dividends, with no share buybacks or cancellations. The bank has established tiered dividend payout ratio targets based on its CET-1 capital levels. To increase the parent-based dividend payout ratio above 35%, its CET-1 ratio must be at least 12%. However, the CET-1 ratio dipped 22bps q-q to 11.5% in 4Q, and the y-y improvement was limited to 18bps. During yesterday's earnings call, the bank mentioned the possibility of introducing quarterly dividends in the future.

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & equivalents	28,335	18,354	24,259	18,266	19,007
Financial securities	84,900	93,265	101,226	103,330	107,525
Net loans & credits	316,084	344,387	357,806	377,648	399,953
Interest-earning assets	**429,319**	**456,006**	**483,291**	**499,244**	**526,486**
Fixed assets	3,655	3,940	4,080	4,246	4,418
Other assets	15,454	12,274	16,515	17,186	17,884
Total assets	**448,428**	**472,220**	**500,725**	**520,675**	**548,787**
Customer deposits	154,045	158,256	168,163	173,138	183,357
Borrowings	41,239	44,777	48,551	50,523	52,574
Debentures	181,992	193,151	203,390	209,512	218,019
Interest-bearing liabilities	**377,276**	**396,184**	**431,528**	**445,281**	**466,774**
Other liabilities	39,336	41,805	32,319	37,313	42,090
Total liabilities	**416,612**	**437,989**	**463,846**	**482,595**	**508,864**
Paid-in capital	4,211	4,211	4,211	4,211	4,211
Hybrid securities	4,133	4,313	4,683	4,283	4,283
Capital surplus	1,178	1,170	1,179	1,179	1,179
Retained earnings	21,890	23,593	25,396	27,248	29,091
Capital adjustment	(0)	(0)	(1)	(1)	(1)
Other accumulated earnings and comprehensive income	244	659	873	873	873
Minority interest	160	284	401	286	286
Shareholder equity	**31,817**	**34,231**	**36,879**	**38,081**	**39,924**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	18,364	18,955	17,798	18,137	19,130
Interest expenses	(10,438)	(11,063)	(10,123)	(10,591)	(11,469)
Net interest income before provisioning	**7,927**	**7,892**	**7,749**	**7,546**	**7,662**
Provisioning for loan losses	(2,324)	(1,832)	(1,890)	(1,341)	(1,283)
Net interest income after provisioning	**5,603**	**6,059**	**5,860**	**6,206**	**6,379**
Fee income	477	472	479	452	457
Other non-interest income	38	(124)	448	431	481
Gross profit	**6,118**	**6,407**	**6,787**	**7,088**	**7,316**
G&A expenses	(2,686)	(2,813)	(3,202)	(3,306)	(3,426)
Operating profit	**3,432**	**3,594**	**3,656**	**3,782**	**3,891**
Other non-operating income	61	(27)	78	64	69
Pre-tax profit	**3,493**	**3,568**	**3,665**	**3,846**	**3,960**
Taxes	818	913	946	1,058	1,089
Net profit	**2,675**	**2,654**	**2,719**	**2,788**	**2,871**
Minority interest	6	10	8	20	21
Consolidated net profit	**2,670**	**2,645**	**2,711**	**2,769**	**2,849**
Pre-provisioning operating profit	5,794	5,366	5,493	5,070	5,121

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	1.1	1.3	1.3	0.6	0.6
NPL ratio (below precautionary)	2.6	2.9	3.0	1.6	1.5
Cumulative provisioning /NPL below substandard	250.2	197.3	183.9	359.0	369.2
Cumulative provisioning /NPL below precautionary	102.4	90.1	79.2	144.7	148.8
Cumulative provisioning/credit	2.6	2.6	2.4	2.3	2.2
Net write-offs /NPL below substandard	51.6	28.6	29.1	47.2	45.1
Net write-offs/credit	0.5	0.4	0.4	0.3	0.3
Loan loss provisioning charges /total credit	0.77	0.57	0.57	0.38	0.34

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	8.9	8.6	8.3
Loan growth* (% y-y)	2.5	8.9	3.2	5.9	5.9
Deposit growth* (% y-y)	(0.6)	2.7	6.3	5.9	5.9
Asset growth (% y-y)	4.0	5.3	6.0	5.4	5.4
Loan/deposit ratio*	2.4	2.4	2.5	2.5	2.5
Net interest margin**	1.79	1.70	1.58	1.50	1.42
Net interest spread**	1.70	1.61	1.51	1.42	1.34
Cost-to-income ratio	31.8	34.1	36.9	39.2	39.8
BIS CAR**	14.6	14.1	14.1	15.1	15.1
Tier-1 ratio**	13.2	12.9	13.0	12.9	12.9
Tier-2 ratio**	1.4	1.2	1.1	2.2	2.2
Common Equity Capital Ratio	11.3	11.3	11.5	11.9	11.9
Equity/assets	7.1	7.2	7.4	7.3	7.3

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS	3,098	3,106	3,179	3,219	3,298
BVPS	32,097	34,537	36,773	38,637	40,588
DPS	984	1,065	1,170	1,290	1,420
Dividend payout ratio	29.4	32.1	34.5	37.1	39.7
Total Shareholder Payout Ratio	29.4	32.1	34.5	37.1	39.7

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	(5.7)	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	5,493	2,711	3,179	2.4	36,773	6.6	0.6	0.6	8.9	11.5	5.6
2026E	5,070	2,769	3,219	1.2	38,637	7.3	0.6	0.5	8.6	11.9	5.5
2027E	5,121	2,849	3,298	2.4	40,588	7.1	0.6	0.5	8.3	11.9	6.0

Source: Company data, Samsung Securities estimates

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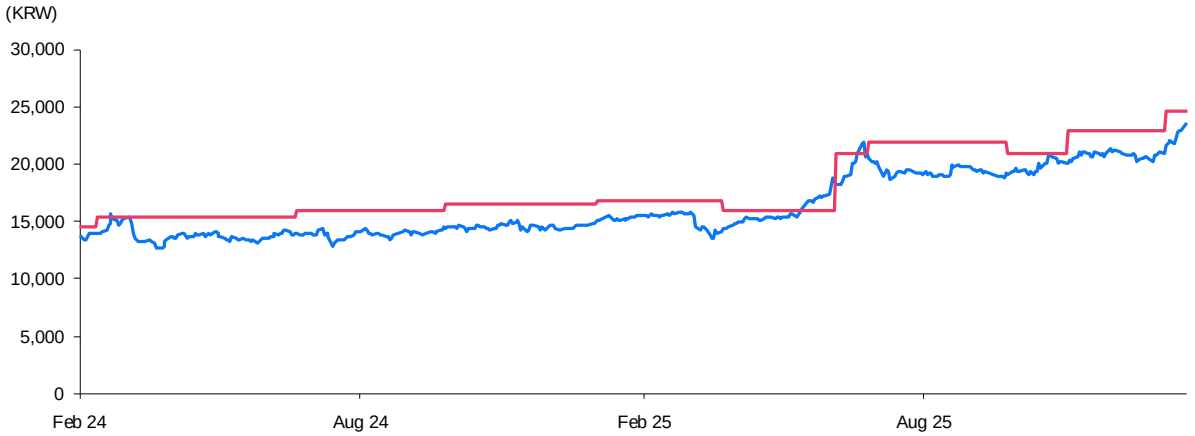
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/8	3/5	7/12	10/17	2025/1/23	4/15	6/27	7/18	10/17	11/25	2026/1/27
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	14600	15400	16000	16500	16800	16000	21000	22000	21000	23000	24600
Gap* (average)	-6.50	-10.19	-13.03	-11.68	-9.61	-0.86	-5.01	-11.84	-5.60	-9.51	
(max or min)**	-3.84	1.95	-9.25	-8.06	-5.95	17.44	4.76	-7.95	-1.19	-7.17	

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 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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