COMPANY UPDATE

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KB Financial Group (105560)

4Q review; new benchmark for earnings and payout

- KB Financial Group (KBFG) reported a 4Q net profit of KRW721.3b (up 5.4% y-y), beating consensus by 23.3%. The full-year profit grew 15.1% y-y to KRW5.84t, and its CET-1 ratio came in at 13.79%.
- Despite some provisions for fines, the company's 2025 results exceeded market expectations by a huge margin. The firm announced differentiated shareholder returns for 2025 and 2026, along with a plan for capital-reduction dividends.
- KBFG remains a sector top pick. We believe its sector-leading total payout ratio, backed by differentiated earnings generation capabilities and CET-1 ratio, will continue to support a premium valuation.

AT A GLANCE

BUY

Target price	KRW165,000	10.5%
Current price	KRW149,300	
Market cap	KRW55.7t/USD37.9b	
Shares (float)	372,850,455 (84.7%)	
52-week high/low	KRW149,300/KRW70,500	
Avg daily trading value (60-day)	KRW126.5b/ USD86.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
KB Financial Group (%)	18.1	29.2	75.9
Vs Kospi (%pts)	5.0	-18.8	-12.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	165,000	165,000	0.0%
2025E EPS	16,220	16,220	0.0%
2026E EPS	17,316	17,316	0.0%

SAMSUNG vs THE STREET

No of estimates	18
Target price	175,778
Recommendation	4.0

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

WHAT'S THE STORY?

4Q net profit of KRW721.3b beats consensus: KB Financial Group (KBFG) reported a 4Q net profit of KRW721.3b (up 5.4% y-y), beating consensus by 23.3%. The full-year profit climbed 15.1% y-y to KRW5.84t. The CET-1 ratio, which serves as the basis for shareholder return calculations, stood at 13.79%, defending capital ratios with a 4bp q-q drop despite challenging market conditions.

Better visibility for 2026 earnings—focus on non-interest and non-banking businesses: KBFG's 4Q results have enhanced visibility for 2026 earnings momentum, as: 1) it provisioned KRW333b in 4Q against potential fines related to Hong Kong H index-linked ELS sales and alleged LTV collusion—a move that partially mitigated the burden for 2026; 2) interest income showed solid growth; and 3) improved performances in non-banking segments have validated the financial group's ability to adapt to changing market dynamics.

(Continued on the next page)

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Operating profit	1,770.2	71.6	(24.2)	71.6	-
Pre-prov op profit	2,514.8	52.4	(8.8)	41.6	-
Provisioning	687.8	21.7	88.7	(0.0)	-
Net profit	721.3	5.4	(57.2)	42.9	23.3
Major indicators (%, %pts)					
Loan growth	0.53	0.04	(0.34)		
NIM	1.75	0.03	0.01		
NPLs below subs	0.68	0.19	(0.01)		

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025P	2026E
Valuations (x)			
P/E	6.1	7.7	8.6
P/B	0.6	0.8	0.9
Div yield (%)	3.8	2.9	3.0
EPS growth (% y-y)	12.0	19.3	6.8
ROE (%)	9.8	10.9	10.7
Total payout ratio (%)	39.8	52.4	56.2
Per-share data (KRW)			
EPS	13,593	16,220	17,316
BVPS	135,703	140,598	151,415
DPS	3.174	4,367	4,414

Meets high-dividend company requirements, with the sector-best total payout ratio of 52.4% in 2025: KBFG increased its year-end 2025 dividend and raised the annual dividend payout ratio to 27%, thereby satisfying the requirements to be classified as high-dividend companies. Its 2025 total payout ratio hit 52.4%, the highest in the banking industry. The financial group also announced annual dividend of KRW1.62t in 2026 and share buyback of KRW1.2t in 1H26. This means its total dividend payment will expand 2.5% y-y, and the scheduled share buybacks will be equivalent to 81.1% of its 2025 buybacks (KRW1.48t). Its 1H26 shareholder returns of KRW2.82t already represent 47% of the projected 2026 earnings of KRW6t. An additional buyback in 2H26 would drive up the total payout ratio to above the 2025 level.

To pay capital-reduction dividend—positive for share buyback capacity and subsidiary growth: The financial group announced a plan to pay capital-reduction dividends, which are treated as non-taxable (positive to shareholders) and should enhance the firm's capacity for shareholder returns and reduce dividend pressure on subsidiaries—positive for their growth potential.

4Q earnings significantly top consensus despite one-offs: KBFG's 4Q net profit rose 5.4% y-y to KRW721.3b, despite several headwinds: 1) a drop in securities gains amid rising market interest rates; 2) the provisions (KRW333.3b) related to Hong Kong H index-linked ELS sales and alleged LTV collusion; 3) the costs for voluntary retirement program (KRW182b); and 4) KRW41b in bad-bank contributions.

The financial group's voluntary compensation for Hong Kong ELS products (KRW741.6b previously) and the current provision of KRW263.3b totals around KRW1t, similar to the fines (KRW1t) initially reported by the media. Given recent court rulings in favor of KB Kookmin Bank in ELS-related lawsuits, we believe concerns about additional ELS-related burden in 2026 could ease.

Quarterly and annual net profit trend

(KRWb)	4Q24	1Q25	2Q25	3Q25	4Q25	Chg (% q-q)	Chg (% y-y)
Net profit	684.1	1,697.3	1,738.4	1,686.0	721.3	(57.2)	5.4
		2022	2023	2024	2025P		Chg (% y-y)
Annual net profit		4,153.0	4,594.8	5,078.2	5,843.0		15.1

Source: Company data, Samsung Securities

4Q25 one-off costs

4Q25	(KRWb)
ERP cost	(182.0)
Provisioning for fines related to Hong Kong ELS	(333.0)
Bad bank contributions	(41.0)
Total	(556.0)

Source: Company data, Samsung Securities

Group interest income up 1% q-q and 3.9% y-y—growth solid and likely to continue in 2026: Group interest income rose 1% q-q and 3.9% y-y. Bank loans grew only 0.5% q-q while group NIM edged down 1bp q-q to 1.95%. The interest income growth was driven by a rise in average loan balance (after 0.9% q-q loan growth in 3Q).

We forecast group interest income will keep growing this year, as: 1) the group anticipates a gradual drop in bank NIM to a low-to-mid single digit; 2) loan growth should remain around 5%; and 3) non-banking earnings are likely to improve.

Won-denominated loan grows 0.5% q-q—focus on RWA and profitability management: Won-denominated bank loans grew 0.5% q-q in 4Q and 3.8% in 2025, with lending to households, SMEs, and large companies up a respective 0.8%, 0.4%, and 0.2% q-q. While 4Q loan growth was relatively subdued, the full-year growth remains solid. Moreover, despite the pressure from rising interest rates in 4Q, risk-weighted assets (RWA) declined 0.1% q-q and expanded 3.3% y-y, indicating stable management. This contributed significantly to maintaining the CET-1 ratio.

Interest income and key indicators

(KRWb)	4Q24	1Q25	2Q25	3Q25	4Q25	Chg (% q-q)	Chg (% y-y)
Interest income	3242.9	3262.2	3106.5	3336.2	3368.2	1.0	3.9
NIM (Bank) (%)	1.7	1.8	1.7	1.7	1.8	0.01	0.03
NIM (Group) (%)	1.98	2.01	1.96	1.96	1.95	(0.01)	(0.03)
Won-denominated loans (KRWt)	363.6	367	372.2	375.5	377.5	0.5	3.8
Household	176.8	179.1	180.8	182	183.40	0.8	3.8
Corporate	186.8	187.90	191.4	193.4	194	0.3	3.9
SME	145.1	146.40	148.5	149.2	149.7	0.4	3.2
Large corporate	41.8	41.60	42.9	44.2	44.3	0.2	6.1

Source: Company data, Samsung Securities

Credit cost stabilizes lower to 0.48% in 2H from 0.54% in 1H—likely to fall further in 2026: Group credit cost came to 0.48% in 2025, up 5bps from 0.43% in 2024, but this was largely due to preemptive and conservative provisioning in 1H. Actually, its credit cost improved by a solid 6bps from 0.54% in 1H to 0.48% in 2H.

KBFG expects further improvement in credit cost this year, driven by anticipated economic recovery and aggressive efforts to enhance asset quality until last year. Group NPL and delinquency ratios not only declined 7bps and 6bps q-q to 0.28% and 0.28% respectively, but also remained below end-2024 levels. It expects credit cost to fall further to the low 40bps range in 2026.

Credit cost and asset quality

(%)	4Q24	1Q25	2Q25	3Q25	4Q25	Growth (%, %p q-q)	Growth (%, %p y-y)
Total credits (KRWt)	404.7	405.8	408.5	412.7	416.4	0.9	2.9
Loan loss provision (KRWb)	564.2	625.0	645.4	365.7	633.8	73.3	12.3
Credit cost (Quarterly)	0.56	0.62	0.63	0.35	0.61	0.25	0.05
Credit cost (Cumulative)	0.43	0.54	0.54	0.46	0.48	0.02	0.05
NPL ratio	0.32	0.4	0.35	0.35	0.28	(0.07)	(0.04)
Delinquency ratio	0.29	0.35	0.31	0.34	0.28	(0.06)	(0.01)
		2022A	2023A	2024A	2025P		% y-y
Credit cost		0.43	0.67	0.43	0.48		0.05

Source: Company data, Samsung Securities

Non-banking contributes 36.9% to earning—demonstrating differentiated earnings-generating capabilities: Non-banking affiliates contributed KRW2.3t or 36.9% of earnings in 2025 (up 4.5%), the highest in the industry. The group has a full range of non-banking subsidiaries and holds leading positions in key non-banking segments, benefiting from economies of scale. In the medium to long term, KBFG could take advantage of its low debt ratio for non-banking expansion, reinforcing the competitive advantages.

Non-banking earnings

(KRWb)	4Q24	1Q25	2Q25	3Q25	4Q25	Chg (% q-q)	Chg (% y-y)	2024	2025P	Chg (% y-y)
Card	32.3	84.5	96.8	99.3	49.6	(50.1)	53.6	402.7	330.2	(18.0)
Securities	38.9	179.9	159.0	157.8	177.2	12.3	355.5	585.7	673.9	15.1
Life insurance	8.6	86.9	102.2	65.7	(10.8)	(116.4)	(225.6)	164.3	244.0	48.5
Insurance	99.3	313.5	244.6	208.8	11.3	(94.6)	(88.6)	839.5	778.2	(7.3)
Capital	26.3	69.4	54.7	70.4	40.7	(42.2)	54.8	222.0	235.2	5.9
Others	(74.4)	13.0	(27.5)	24.8	(12.8)	(151.6)	(82.8)	(51.8)	(2.5)	(95.2)
Total	131.0	747.2	629.8	626.8	255.2	(59.3)	n/a	2,162.4	2,259.0	4.5
Non-banking portion (%, %p)	17.1	42.1	35.2	34.8	33.9	(0.8)	16.8	39.9	36.9	(3.0)

Source: Company data, Samsung Securities

Sector-high CET-1 ratio to allow for industry-leading total payout ratio: As of end-4Q, its CET-1 ratio was down 4bps q-q at 13.79%. Given KBFG's potential for improved earnings this year and its demonstrated ability to manage RWA growth last year, it should be able to sustain its differentiated CET-1 ratio—which ultimately supports the continuation of its differentiated total payout ratio.

Total payout ratio exceeds 50%—visibility on further increases is key to re-rating: Better visibility on further rises in the total payout ratio will be the most critical catalyst for further valuation rerating. KBFG's total payout ratio exceeded 50% for 2025 and, based solely on yesterday's announcement for annual dividend and 1H buyback, already amounts to 47% for 2026. Notably, though, global banks have already surpassed 60% last year, with major Western banks approaching 80-100% total payout ratios. Given elevated global investor expectations, the speed and visibility of KBFG's 2026 total payout ratio enhancements—which has led the domestic banking sector—will be critical for normalizing its valuation.

For reference, KBFG determines its shareholder returns based on a formula that considers RWA growth and ROE, with no upper limit to the total payout ratios. For example, if it achieves an 11% ROE and a 4.5% RWA growth this year, while maintaining the same CET-1 ratio, the total payout ratio could theoretically approach 60%. Furthermore, if capital-reduction dividends are approved at the shareholders' meeting, shareholders would get additional returns, which would be viewed positively.

Shareholder returns and CET-1 ratio

(KRWb)	4Q24	1Q25	2Q25	3Q25	4Q25	Growth (%, %p q-q)	Growth (%, %p y-y)	2024	2025P	Growth (%, %p y-y)
CET-1 ratio (%)	13.53	13.69	13.77	13.83	13.79	(0.04)	(0.27)	13.53	13.79	0.27
RWA (KRWt)	346.0	347.9	353.5	358.0	357.5	(0.1)	3.3	346.0	357.5	3.3
Total shareholder returns	400.0	854.9	634.9	784.9	785.3	0.1	96.3	2,020.0	3,060.0	51.5
Share repurchases	100.0	520.0	300.0	450.0	210.0	(53.3)	110.0	820.0	1,480.0	80.5
Dividends	300.0	334.9	334.9	334.9	575.3	71.8	91.8	1,200.0	1,580.0	31.7
Total payout ratio (%, %p)	58.5	50.4	36.5	46.6	108.9			39.8	52.4	12.6

Source: Company data, Samsung Securities

Differentiated earnings and shareholder returns to continue into 2026—still a sector top pick: We keep KBFG among our sector top picks, as it should keep driving sector-wide valuation rerating. It is likely to restore its distinctive valuation, on: 1) the continuation of solid earnings improvement this year; 2) its strengthening non-bank capabilities, backed by differentiated capital power; and 3) sector-leading total payout ratio, supported by differentiated earnings and capital ratio.

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & equivalents	29,917	29,930	25,648	26,937	28,299
Financial securities	203,951	218,720	231,888	244,074	256,982
Net loans & credits	445,790	474,706	491,978	515,765	539,278
Interest-earning assets	**679,658**	**723,356**	**749,209**	**786,445**	**824,202**
Fixed assets	9,637	10,516	5,199	5,456	5,728
Other assets	26,431	23,974	48,874	51,716	54,744
Total assets	**715,726**	**757,847**	**803,282**	**843,618**	**884,674**
Customer deposits	401,290	429,357	443,192	465,881	488,313
Borrowings	69,578	68,077	70,729	74,029	78,547
Debentures	69,182	76,171	80,049	82,075	86,260
Interest-bearing liabilities	**595,927**	**635,856**	**661,755**	**692,523**	**726,521**
Other liabilities	61,164	62,175	80,245	87,408	91,879
Total liabilities	**657,090**	**698,031**	**742,001**	**779,931**	**818,400**
Paid-in capital	2,091	2,091	2,091	2,091	2,091
Hybrid securities	5,033	5,083	4,359	4,793	4,793
Capital surplus	17,129	17,124	17,101	17,101	17,101
Retained earnings	31,935	34,808	38,344	40,308	42,895
Capital adjustment	(1,647)	(1,713)	(1,944)	(1,944)	(1,944)
Other accumulated earnings and comprehensive income	2,153	497	(451)	(451)	(451)
Minority interest	1,944	1,926	1,782	1,789	1,789
Shareholder equity	**58,636**	**59,815**	**61,282**	**63,687**	**66,274**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	29,142	30,491	29,098	30,045	31,540
Interest expenses	(16,961)	(17,665)	(16,050)	(16,190)	(17,114)
Net interest income before provisioning	**12,181**	**12,827**	**13,048**	**13,855**	**14,426**
Provisioning for loan losses	(3,146)	(2,044)	(2,363)	(2,132)	(1,979)
Net interest income after provisioning	**9,034**	**10,782**	**10,685**	**11,723**	**12,447**
Fee income	3,674	3,850	4,098	3,924	3,975
Other non-interest income	324	352	774	94	41
Gross profit	**13,032**	**14,984**	**15,582**	**15,741**	**16,463**
G&A expenses	(6,647)	(6,939)	(7,051)	(7,381)	(7,599)
Operating profit	**6,385**	**8,045**	**8,531**	**8,360**	**8,864**
Other non-operating income	(265)	(1,060)	(335)	(348)	(375)
Pre-tax profit	**6,120**	**6,985**	**8,197**	**8,011**	**8,489**
Taxes	1,594	1,957	2,346	2,180	2,311
Net profit	**4,526**	**5,029**	**5,851**	**5,831**	**6,178**
Minority interest	(69)	(50)	8	(132)	(143)
Consolidated net profit	**4,595**	**5,078**	**5,843**	**5,964**	**6,321**
Pre-provisioning operating profit	9,719	10,301	11,121	10,726	11,089

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.6	0.6	0.6	0.5	0.5
NPL ratio (below precautionary)	1.6	1.6	1.5	1.2	1.2
Cumulative provisioning /NPL below substandard	279.0	134.3	147.2	211.4	214.2
Cumulative provisioning /NPL below precautionary	99.6	54.4	62.4	79.5	80.8
Cumulative provisioning/credit	1.6	0.9	0.9	1.0	1.0
Net write-offs /NPL below substandard	42.4	44.5	46.1	52.6	50.0
Net write-offs/credit	0.2	0.3	0.3	0.2	0.2
Loan loss provisioning charges /total credit	0.72	0.44	0.49	0.42	0.37

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	10.9	10.7	10.9
Loan growth* (% y-y)	4.0	6.4	3.8	4.8	4.7
Deposit growth* (% y-y)	3.0	7.1	2.5	4.8	4.7
Asset growth (% y-y)	2.4	6.2	4.4	4.6	4.5
Loan/deposit ratio*	98.5	97.8	99.0	99.0	99.0
Net interest margin**	1.83	1.78	1.74	1.70	1.66
Net interest spread**	1.76	1.72	1.69	1.64	1.60
Cost-to-income ratio	41.1	40.7	39.3	41.3	41.2
BIS CAR**	16.7	16.4	16.2	16.4	16.5
Tier-1 ratio**	15.4	15.2	15.2	15.5	15.6
Tier-2 ratio**	1.4	1.3	1.0	0.9	0.9
Common Equity Capital Ratio	13.6	13.5	13.8	13.7	13.6
Equity/assets	8.2	7.9	7.6	7.5	7.5

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS	12,134	13,593	16,220	17,316	19,163
BVPS	135,703	140,598	152,524	165,231	180,346
DPS	3,060	3,174	4,367	4,414	5,063
Dividend payout ratio	25.4	23.6	27.0	25.9	26.9
Total Shareholder Payout Ratio	37.8	39.8	52.4	56.2	59.1

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	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	6.1	0.6	0.7	9.8	13.5	3.8
2025E	11,121	5,843	16,220	19.3	152,524	7.7	0.8	0.8	10.9	13.8	2.9
2026E	10,726	5,964	17,316	6.8	165,231	8.6	0.9	0.7	10.7	13.7	3.0
2027E	11,089	6,321	19,163	10.7	180,346	7.8	0.8	0.7	10.9	13.6	3.4

Source: Company data, Samsung Securities estimates

Compliance notice

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- As of 2/6 2026, 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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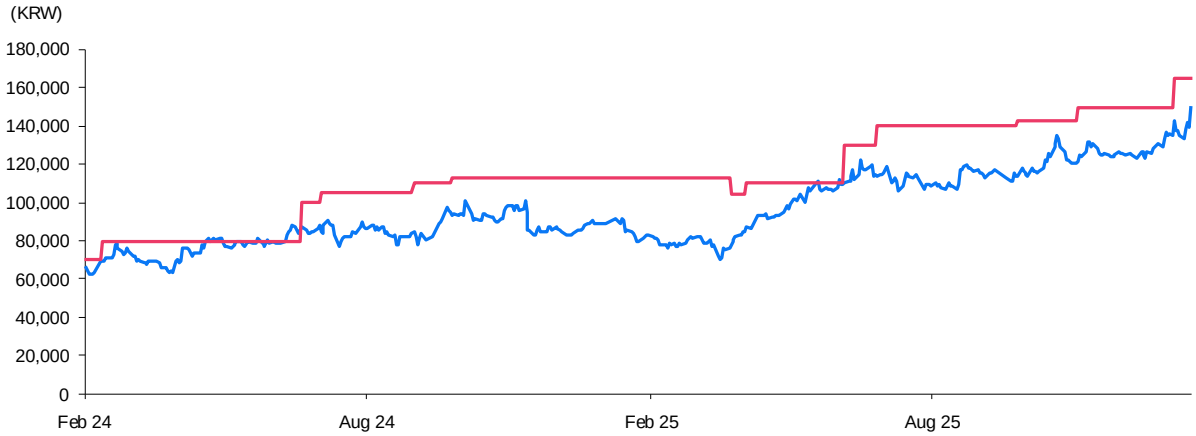
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/8	3/5	7/12	7/24	9/23	10/17	2025/4/15	4/25	6/27	7/18	10/17	11/25
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	70000	80000	100000	105000	110000	113000	104000	110000	130000	140000	143000	150000
Gap* (average)	-5.92	-5.45	-14.59	-19.39	-21.04	-23.75	-20.54	-8.40	-11.01	-19.36	-14.92	-14.99
(max or min)**	-0.43	10.25	-11.70	-13.52	-11.64	-10.44	-18.27	2.09	-6.15	-14.57	-5.80	-8.80

Date	2026/1/27
Recommendation	BUY
Target price (KRW)	165000
Gap* (average)	
(max or min)**	

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

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

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

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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