COMPANY UPDATE

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Shinhan Financial Group (055550)

4Q review; achieves 50% payout ratio early

- Shinhan Financial Group (SFG) reported a 4Q net profit of KRW510.6b, up 25.7% y-y and exceeding consensus by 1.4%. Full-year net profit reached KRW4.97t, up 11.7% y-y and nearing the KRW5t mark.
- The group's 1bp q-q improvement in NIM, 4bp y-y decline in credit cost (CCR), and proactive provisioning for ELS-related fines in 4Q are all seen as positive factors enhancing earnings visibility for 2026.
- We remain positive on SFG, as it is currently trading at only 0.78x 2026 P/B. Continued earnings improvement and an acceleration in total payout ratios should support further valuation recovery.

WHAT'S THE STORY?

4Q review – Strong performance continues: Shinhan Financial Group (SFG) reported a 4Q net profit of KRW510.6b, up 25.7% y-y and exceeding consensus by 1.4%. Full-year net profit reached KRW4.97t, up 11.7% y-y and nearing the KRW5t mark. Group NIM improved by 1bp q-q, credit costs (CCR) stabilized with a 4bp y-y decline, and proactive provisioning for ELS-related fines and other regulatory penalties were made, all seen as positive for 2026 earnings visibility.

2025 total payout ratio hits 50.2% –Capital-reduction dividend plans announced: SFG achieved a total payout ratio of 50.2% in 2025, surpassing its 2027 target of 50%. This was driven by an increase in the dividend payout ratio to 25% to meet high-dividend company requirements. Additionally, the board of directors approved a capital-reduction dividend system and a share buyback program of KRW700b for 1H26 (up KRW500b y-y), with a commitment to maintain a total payout ratio above 50%.

(Continued on the next page)

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AT A GLANCE

BUY

Target price	KRW105,000	12.2%
Current price	**KRW93,600**	
Market cap	KRW45.4t/USD30.9b	
Shares (float)	474,654,361 (83.7%)	
52-week high/low	KRW93,600/KRW43,600	
Avg daily trading value (60-day)	KRW95.0b/ USD64.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinhan Financial Group (%)	16.3	36.2	87.2
Vs Kospi (%pts)	3.4	-14.4	-6.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	105,000	105,000	0.0%
2025E EPS	10,198	10,198	0.0%
2026E EPS	11,802	11,802	0.0%

SAMSUNG vs THE STREET

No of estimates	17
Target price	109,588
Recommendation	4.0

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Operating profit	1,618.8	142.3	(17.2)	43.8	-
Pre-prov op profit	2,144.2	63.9	(13.5)	18.7	-
Provisioning	508.5	(17.5)	5.8	(23.3)	-
Net profit	510.6	25.7	(64.1)	(8.7)	1.4
Major indicators (%, %pts)					
Loan growth	0.83	0.73	(1.85)		
NIM	1.58	0.06	0.02		
NPLs below subs	0.28	0.04	(0.02)		

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025P	2026E
Valuations (x)			
P/E	5.4	7.5	7.9
P/B	0.5	0.7	0.8
Div yield (%)	4.5	3.4	3.1
EPS growth (% y-y)	3.7	15.7	15.7
ROE (%)	9.0	9.7	10.4
Total payout ratio (%)	40.3	50.2	53.3
Per-share data (KRW)			
EPS	8,816	10,198	11,802
BVPS	99,328	106,440	116,168
DPS	2,160	2,590	2,948

Key focus—Enhancing shareholder return visibility: With the early achievement of the 2027 payout ratio target and the implementation of capital-reduction dividend system, the group's ability to further upgrade its shareholder return plan and enhance visibility should be key to driving valuation re-rating.

Valuation recovery expected—Positive view maintained: We maintain a positive view on SFG due to: 1) its valuation merit (trading at just 0.78x 2026 P/B); 2) the earnings recovery in non-banking segments; and 3) the projected sustained acceleration in payout ratio hikes, all supporting continued valuation recovery.

One-off costs—Aggressive provisioning in 4Q25 to mitigate 2026 burden: The group's 4Q earnings were relatively weaker due to: 1) seasonal factors; 2) a decline in securities-related income due to rising interest rates; 3) one-off costs such as voluntary retirement programs; and 4) proactive provisioning for Hong Kong ELS fines and LTV-related penalties. Total one-off costs in 4Q were estimated at KRW616.9b, including: ERP (KRW236.1b), Hong Kong ELS and LTV penalties (KRW184.6b), RC value changes (KRW95.8b), real estate PF business valuation (KRW37.9b), and corporate tax rate hike impact (KRW45.8b).

While these one-off costs weighed on 4Q earnings, they should be viewed as mitigating factors for 2026 earnings. For example, the group was earlier notified of ELS- and LTV collusion-related fines of KRW370.4b (KRW306.6b and KRW63.8b, respectively) and provisioned KRW184.6b, or 50% of them, in 4Q. As the final decision on the fines is still pending at the FSC, and considering the amounts already paid by the company through voluntary compensation and recent court rulings on ELS-related lawsuits, the bank appears to have limited risk of recognizing additional losses.

Quarterly and annual net profit trend

(KRWb)	4Q24	1Q25	2Q25	3Q25	4Q25	Chg (% q-q)	Chg (% y-y)
Net profit	406.1	1,488.3	1,549.1	1,423.5	510.6	(64.1)	25.7
		2022	2023	2024	2025P		Chg (% y-y)
Annual net profit		4,665.7	4,368.0	4,450.2	4,971.6		11.7

Source: Company data, Samsung Securities

4Q25 one-off costs

4Q25	(KRWb)
ERP cost	(236.1)
Provisioning for fines related to ELT/LTV	(184.6)
Bad bank contributions	(62.5)
RC value adjustments	(95.8)
Real estate PF project assessment	(37.9)
Corporate tax rate increase	(45.8)
Total	(616.9)

Source: Company data, Samsung Securities

Interest income up 2.7% q-q and 4.1% y-y – NIM improvement deserves attention: Group interest income rose 2.7% q-q and 4.1% y-y, driven by: 1) a 0.8% q-q increase in loans (hurt by seasonal factors; full-year loan growth of 4.4%); and 2) a 1bp q-q improvement in group NIM. This supports the visibility of stronger interest income growth in 2026. The group targets a loan growth of 4–5% y-y and a flat NIM growth y-y in 2026.

4Q loan growth of 0.8% q-q – Full-year growth of 4.4%: 4Q loan growth slowed to 0.8% q-q due to: 1) seasonal factors; 2) tighter household loan controls; and 3) CET-1 ratio management amid year-end won depreciation. By segment, household loans declined 0.1% q-q, while SME loans rose 0.8% q-q and corporate loans increased 4.2% q-q. Full-year loan growth reached 4.4%. For 2026, the group targets a y-y loan growth of 4-5% (driven by corporate loans; slightly up y-y).

Interest income and key indicators

(KRWb)	4Q24	1Q25	2Q25	3Q25	4Q25	Chg (% q-q)	Chg (% y-y)
Interest income	2,909.6	2,854.9	2,864.0	2,947.6	3,028.1	2.7	4.1
NIM (bank) (%)	1.52	1.55	1.55	1.56	1.58	0.00	0.10
NIM (group) (%)	1.86	1.90	1.89	1.90	1.91	0.00	0.00
Won-denominated loans (KRWt)	320.2	321.5	322.8	331.5	334.2	0.8	4.4
Household	139.5	139.4	142.1	146.6	146.4	(0.1)	5.0
Corporate	180.7	182.1	180.7	184.9	187.8	1.6	3.9
SME	140.6	141.7	141.1	143.9	145.1	0.8	3.2
Large corporate	40.1	40.4	39.6	41.0	42.7	4.2	6.4

Source: Company data, Samsung Securities

Credit cost down 21bps y-y to 0.46% in 4Q—guidance suggests further improvement: Group credit cost fell 21bps y-y to 0.46% in 4Q, bringing full-year credit cost down 4bps to 0.45%. Group NPL ratio and bank delinquency ratio dipped a respective 4bps and 3bps q-q to 0.72% and 0.28%. While macroeconomic uncertainties remain high, it guided for a 2026 credit cost at a bps of low-to-mid forties, suggesting that it expects credit cost improvements to continue into 2026.

Credit cost and asset quality

(%)	4Q24	1Q25	2Q25	3Q25	4Q25	Growth (%, %p q-q)	Growth (%, %p y-y)
Total credits (KRWt)	427.5	427.5	428.8	436.9	445.1	1.9	4.1
Loan loss provision (KRWb)	708.7	436.1	628.6	439.6	508.5	15.7	(28.2)
Credit cost (quarterly)	0.66	0.41	0.59	0.40	0.46	0.05	(0.21)
Credit cost (cumulative)	0.49	0.41	0.50	0.46	0.45	(0.01)	(0.04)
NPL ratio	0.71	0.81	0.80	0.76	0.72	(0.04)	0.01
Delinquency ratio	0.27	0.34	0.32	0.31	0.28	(0.03)	0.01
		2022A	2023A	2024A	2025P		% y-y
Credit cost		0.34	0.57	0.49	0.45		(0.04)

Source: Company data, Samsung Securities

Non-banking earnings normalization key to achieving 10% ROE target: Non-bank operations contributed a net profit of KRW154.8b in 4Q (turning around y-y) and KRW1.6t for the full year (up 25.2%). The non-bank portion of earnings expanded 4%pts to 29.3%. With non-banking businesses key to attaining the group's 10% ROE target, the normalization of non-bank earnings will need to be confirmed. For reference, conditions for non-bank profit growth have improved, as: 1) non-bank affiliates have preemptively recognized losses and provisions related to real estate finance over a considerable period; and 2) recent stock market gains and economic recovery could lead to an improvement in the credit cycle. The group suggested related gradual improvements through 2027.

Non-banking earnings

(KRWb)	4Q24	1Q25	2Q25	3Q25	4Q25	Chg (% q-q)	Chg (% y-y)	2024	2025P	Chg (% y-y)
Card	19.4	135.7	110.9	133.8	96.3	(28.0)	396.2	572.1	476.7	(16.7)
Securities	(69.7)	107.9	151.0	100.5	22.3	(77.9)	n/a	179.2	381.6	113.0
Life insurance	61.3	165.2	179.2	170.2	(6.8)	(104.0)	n/a	528.4	507.7	(3.9)
Capital	(35.7)	31.3	32.6	28.0	16.3	(41.9)	n/a	116.9	108.3	(7.4)
Asset trust	(142.1)	5.4	6.8	7.2	0.2	(96.7)	n/a	(320.6)	19.6	n/a
Others	139.5	16.6	17.3	16.5	26.5	60.1	(81.0)	178.8	76.9	(57.0)
Total	(27.2)	462.1	497.8	456.2	154.8	(66.1)	n/a	1,254.9	1,570.9	25.2
Non-banking portion (%, %p)	(4.8)	29.0	30.3	29.4	26.9	(2.5)	31.7	25.3	29.3	4.0

Source: Company data, Samsung Securities

CET-1 ratio down 23bps q-q but up 32bps y-y to 13.33%--comfortably above 13%, suggesting ample room for higher shareholder returns: SFG's CET-1 ratio fell 23bps q-q but rose 32bps y-y to 13.33%. Despite a significant increase in shareholder returns in 2025, it maintained a strong capital position, supported by solid earnings growth and controlled RWA growth of 3.2% y-y. Comfortably above its target CET-1 ratio of 13.1%, it has ample capacity to continue enhancing shareholder returns in 2026.

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 (%)	13.02	13.26	13.62	13.56	13.33	(0.23)	0.32	13.02	13.33	0.32
RWA (KRWt)	342.4	345.0	340.0	348.2	353.3	1.5	3.2	342.4	353.3	3.2
Total shareholder returns	517.8	428.5	776.7	545.7	745.5	36.6	44.0	1,791.3	2,496.5	39.4
Share repurchases	250.0	150.0	500.0	278.0	322.0	15.8	28.8	700.0	1,250.0	78.6
Dividends	267.8	278.5	276.7	267.7	423.5	58.2	58.2	1,091.3	1,246.5	14.2
Total payout ratio (%, %p)	127.5	28.8	50.1	38.3	146.0			40.3	50.2	10.0

Source: Company data, Samsung Securities

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & equivalents	34,764	40,689	39,783	49,788	51,915
Financial securities	199,781	206,801	218,913	224,214	234,255
Net loans & credits	413,015	450,560	466,189	485,444	509,747
Interest-earning assets	**647,560**	**698,050**	**724,859**	**759,418**	**795,888**
Fixed assets	7,139	7,544	4,038	4,278	4,528
Other assets	37,097	34,170	59,927	62,183	64,531
Total assets	**691,795**	**739,764**	**786,013**	**825,879**	**864,947**
Customer deposits	381,932	423,378	447,649	462,910	484,497
Borrowings	56,901	49,920	55,395	53,644	55,041
Debentures	81,817	94,027	92,991	94,948	97,427
Interest-bearing liabilities	**570,649**	**619,713**	**649,445**	**665,448**	**691,452**
Other liabilities	64,824	61,230	76,196	97,333	107,677
Total liabilities	**635,473**	**680,943**	**725,641**	**762,781**	**799,129**
Paid-in capital	2,970	2,970	2,970	2,970	2,970
Hybrid securities	4,002	4,600	4,750	4,750	4,750
Capital surplus	12,095	12,095	12,099	12,102	12,102
Retained earnings	36,387	39,021	41,796	43,994	46,597
Capital adjustment	(659)	(807)	(1,180)	(843)	(843)
Other accumulated earnings and comprehensive income	(1,074)	(1,824)	(2,475)	(2,723)	(2,723)
Minority interest	2,601	2,767	2,413	2,850	2,965
Shareholder equity	**56,322**	**58,821**	**60,372**	**63,099**	**65,817**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	27,579	29,209	27,883	28,996	30,220
Interest expenses	(16,761)	(17,807)	(16,178)	(16,720)	(17,346)
Net interest income before provisioning	**10,818**	**11,402**	**11,694**	**12,276**	**12,874**
Provisioning for loan losses	(2,130)	(1,960)	(2,076)	(1,842)	(1,613)
Net interest income after provisioning	**8,688**	**9,442**	**9,619**	**10,434**	**11,261**
Fee income	2,647	2,715	2,921	2,964	3,058
Other non-interest income	661	418	1,394	775	739
Gross profit	**11,996**	**12,575**	**13,483**	**14,173**	**15,058**
G&A expenses	(5,895)	(6,116)	(6,402)	(6,492)	(6,725)
Operating profit	**6,101**	**6,459**	**7,532**	**7,681**	**8,333**
Other non-operating income	(136)	(430)	(603)	68	63
Pre-tax profit	**5,965**	**6,029**	**6,929**	**7,749**	**8,396**
Taxes	(1,487)	(1,471)	(1,844)	(2,131)	(2,309)
Net profit	**4,478**	**4,558**	**5,085**	**5,618**	**6,087**
Minority interest	(110)	(108)	(113)	(115)	(115)
Consolidated net profit	**4,368**	**4,450**	**4,972**	**5,503**	**5,972**
Pre-provisioning operating profit	8,376	8,572	9,762	9,692	10,128

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.6	0.7	0.7	0.8	0.8
NPL ratio (below precautionary)	1.7	1.6	1.6	1.6	1.6
Cumulative provisioning /NPL below substandard	198.4	149.8	174.0	162.7	151.5
Cumulative provisioning /NPL below precautionary	65.7	65.9	80.0	76.3	71.0
Cumulative provisioning/credit	1.1	1.1	1.3	1.2	1.2
Net write-offs /NPL below substandard	66.5	56.6	33.2	49.7	45.5
Net write-offs/credit	1.1	1.1	1.3	1.2	1.2
Loan loss provisioning charges /total credit	0.54	0.46	0.47	0.40	0.33

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	9.7	10.4	10.8
Loan growth* (% y-y)	3.2	10.3	4.4	4.8	4.8
Deposit growth* (% y-y)	(0.6)	11.1	4.2	4.8	4.8
Asset growth (% y-y)	4.1	6.9	6.3	4.7	4.7
Loan/deposit ratio*	118.4	118.2	117.6	117.6	117.6
Net interest margin**	1.62	1.58	1.56	1.52	1.49
Net interest spread**	2.02	1.88	1.77	1.71	1.68
Cost-to-income ratio	43.1	41.7	39.5	41.2	41.5
BIS CAR**	16.0	15.7	15.9	15.7	15.7
Tier-1 ratio**	14.8	14.7	15.0	14.9	14.9
Tier-2 ratio**	1.2	1.0	0.9	0.8	0.7
Common Equity Capital Ratio	13.2	13.0	13.3	13.3	13.3
Equity/assets	8.1	8.0	7.7	7.6	7.6

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS	8,500	8,816	10,198	11,802	13,405
BVPS	94,294	99,328	106,440	116,168	127,398
DPS	2,100	2,160	2,590	2,948	3,397
Dividend payout ratio	24.7	24.5	25.1	25.1	25.4
Total Shareholder Payout Ratio	35.8	40.3	50.2	53.3	56.4

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	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	13.0	4.5
2025E	9,762	4,972	10,198	15.7	106,440	7.5	0.7	0.7	9.7	13.3	3.4
2026E	9,692	5,503	11,802	15.7	116,168	7.9	0.8	0.7	10.4	13.3	3.1
2027E	10,128	5,972	13,405	13.6	127,398	7.0	0.7	0.7	10.8	13.3	3.6

Source: Company data, Samsung Securities estimates

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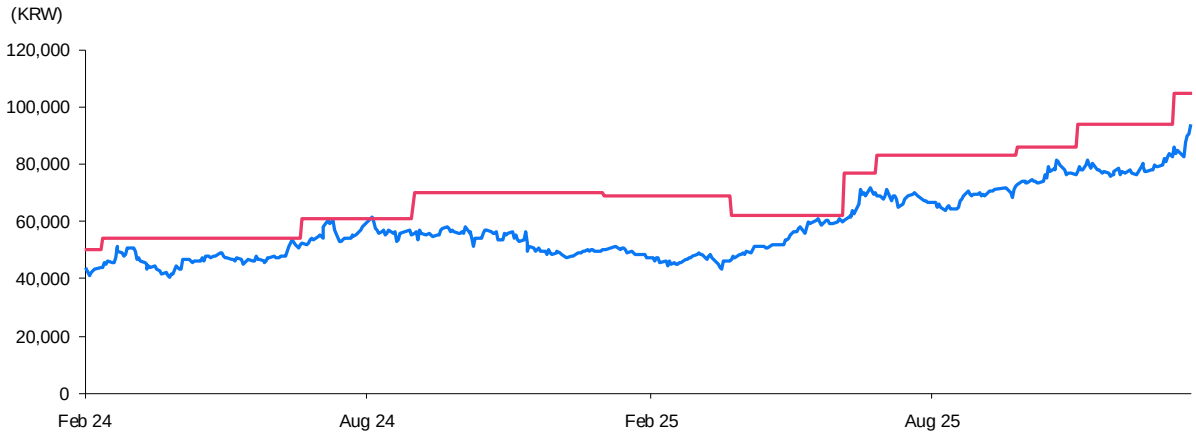
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/8	3/5	7/12	9/23	2025/1/23	4/15	6/27	7/18	10/17	11/25	2026/1/27
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	50000	54000	61000	70000	69000	62000	77000	83000	86000	94000	105000
Gap* (average)	-13.28	-13.16	-7.88	-24.09	-31.23	-11.85	-12.80	-17.74	-11.41	-16.22	
(max or min)**	-9.90	-0.93	0.66	-17.00	-25.94	-1.61	-6.75	-12.41	-5.35	-10.74	

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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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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