COMPANY INITIATION

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Kbank (279570)

Core growth masked by excessive concerns

- Listed on Mar 5, Kbank is an internet-primary bank in its 10th year of operations and boasting KRW32t in total assets. Its future earnings growth hinges most on improving NIM, controlling credit costs, and achieving greater operating leverage.
- The stock is trading at just 1x P/B despite: 1) the prospect of sustained high growth; and 2) potential upside from the launch of stablecoins and crypto-backed ETFs in Korea, given its role as the gateway to Upbit.
- We initiate coverage of Kbank with a BUY rating and a target price of KRW9,000 (based on 1.4x 2026 P/B). Restoring market confidence through near-term earnings improvement will be critical.

WHAT'S THE STORY?

Kbank overview—Enters its 10th year: Founded in Apr 2017 as Korea's first internet-primary bank, Kbank is now entering its tenth year of operations. More digital bank than financial platform, it has demonstrated solid growth driven by product competitiveness and disciplined SG&A cost management.

Kbank vs Kakao Bank—Profitability improvement is key: Kbank has roughly 40% of Kakao Bank's assets and deposits but generates only 23.4% of its earnings, implying unusually low profitability. Looking ahead, its performance will depend on improving NIM, controlling credit costs, and driving operating leverage through economies of scale.

Investment points: We see three main investment points for Kbank.

- **Sustained high growth driven by** stronger **capital ratios**, cyclical recovery**:** Following its IPO, Kbank has secured ample capacity for asset expansion, positioning it for robust loan growth centered on SOHO lending. With SOHO loan asset quality improving meaningfully, key catalysts should include successful utilization of the SOHO loan refinancing platform launched in March and effective execution of its Banking-as-a-Service (BaaS) strategy.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW9,000	62.2%
Current price	KRW5,550	
Market cap	KRW2.3t/USD1.5b	
Shares (float)	405,695,151 (67.8%)	
52-week high/low	KRW8,330/KRW5,490	
Avg daily trading value (60-day)	KRW83.2b/ USD55.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kbank (%)	-12.5	0.0	0.0
Vs Kospi (%pts)	-34.5	0.0	0.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	9,000	9,000	0.0%
2026E EPS	352	n/a	n/a
2027E EPS	511	n/a	n/a

SAMSUNG vs THE STREET

No of estimates	2
Target price	9,000
Recommendation	3.5

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

- **The gateway to Upbit:** As regulators move toward finalizing the Digital Asset Basic Act, investors are increasingly focused on identifying potential beneficiaries of digital asset regulation. While virtual-asset exchanges are likely to be the primary beneficiaries, Kbank also stands to gain. As the exclusive banking partner of Upbit—Korea's largest cryptocurrency exchange—it is well-positioned to benefit from the legalization and growth of crypto ETFs and stablecoin-based cross-border remittances.
- **Attractive valuation—Earnings growth to drive rerating:** Global internet-primary banks often trade at a premium to traditional banks, supported by stronger ROE, sustained growth, or a larger contribution from non-interest income. While Kbank is not a full-fledged financial platform, is remains well-positioned to deliver benefit from robust loan expansion and rapid growth in net profit and ROE.

Initiating coverage at BUY: We expect Kbank's earnings to improve in earnest from 2026. We initiate coverage of the stock at BUY, with a 12-month target price of KRW9,000 (based on 1.4x 2026 P/B). Our target price is derived using a discounted-cash-flow methodology anchored to 2028 earnings and incorporates half of the P/B premium we currently assign to Kakao Bank versus traditional banks. Key near-term catalysts include earnings improvement and progress in the regulatory framework governing virtual assets and stablecoins.

Kbank overview

Enters its 10th year: From household loans to SOHO loans

Founded in Apr 2017 as Korea's first internet-primary bank, Kbank is now entering its tenth year of operations. Initially issuing household loans, in 2022 Kbank launched SOHO loans, expanding its offerings. It also provides a variety of savings products, such as "transparent accounts" (accounts that allow for the transparent handling of funds gathered from members of a group), "parking accounts" (accounts designed for short-term parking of funds), and time deposits. A key differentiator is its partnership with Upbit, Korea's largest cryptocurrency exchange, which it has supported since 2020 by offering real-name verified bank accounts for the exchange's userbase.

Kbank: Major milestones

Date	Milestone	Strategic significance
Apr 2017	Official founding	Korea's first internet-primary bank
Jun 2020	Alliance with Upbit	Provided real-name verified accounts
Aug 2020	100% digital mortgages	Industry-first non-face-to-face apartment mortgage & refinancing
Aug 2021	Unlisted-stock inquiry service	Partnered with securities brokers to provide price quotes and investment links for unlisted stocks within the app
Aug 2021	*Saitdol* loans	Strengthened loan lineup for mid- to low-credit customers
May 2022	*Sajangnim* SOHO loans	Digitized credit lending for individual business owners
Aug 2024	SOHO real estate loans	100% digital mortgages for business owners' properties
2026 ~	SME corporate loans	Planning entry into the fully digital SME market

Source: Company data, Samsung Securities

Kbank: Major businesses

Category	Major products	Service details
Deposits	Living accounts	A deposit/withdrawal account offering various fee benefits
	Transparent accounts	Service for group organizers and members to collect and manage funds
	Plus Box	"Parking account" (high-yield savings) where surplus funds can be kept separately and divided into up to 10 sub-accounts based on purpose
	Challenge Box	Automatically saves money every week based on pre-set goals and periods
Loans	Credit loans	Loan product based on individual income and credit ratings
	Apartment mortgages	Housing mortgages accessible with easy limit and interest rate inquiries
	Jeonse loans	*Jeonse* loan product with no complex preferential interest rate conditions
Platform	Securities-linked accounts	Service linking brokerage accounts for mobile investment product trading
Services	Stock Gathering	Investment service facilitating regular purchase of stocks at a chosen frequency and amount
Other	ONE debit card	Offers customized benefits based on individual spending patterns
	MY debit card	Provides cashback benefits whenever used across 10 different categories

Source: Company data, Samsung Securities

More digital bank than financial platform, but growth potential clearly tied to product competitiveness

Low MAU: More digital bank than financial platform, but…

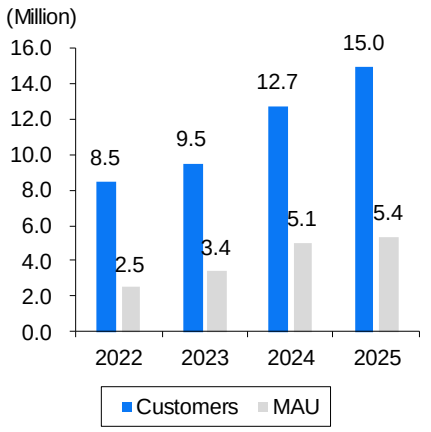
Unlike Kakao Bank, Kakao Pay, KB Financial Group, or Shinhan Financial Group, which are aspiring to become financial platforms, Kbank remains focused on being a digital bank. In 3Q25, it had 5.4m monthly active users (MAU): just 27% of Kakao Bank's 20m, and 36% of Kbank's own 15m total customers. This suggests most users do not use the app for multiple financial services—just for basic banking.

…MAU jumps following advent of loan refinancing platforms—growth potential clearly tied to loan and deposit competitiveness

One positive sign is that Kbank's MAU has grown quickly over the past three years, more than doubling from 2.5m in 2022 to 5.4m in late-2025.

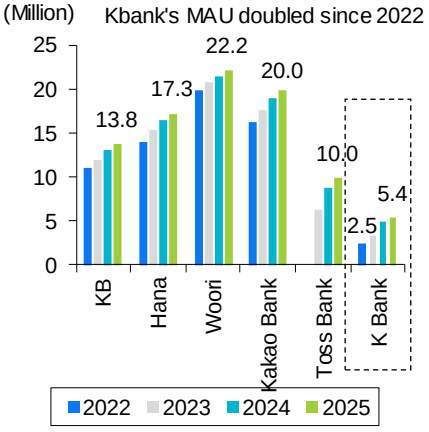
As we will discuss later in this report, one reason for this is the advent of loan refinancing platforms in early 2023. These platforms allow users to compare loans and switch easily through their phones—making it simpler to move to Kbank if its loans or deposits are more attractive. If the platforms expand to cover more loan types—such as SOHO loans—Kbank could boost MAU and drive growth in both lending and deposit volumes.

Kbank: Customers vs MAU



Note: As of 3Q25
Source: Company data, Samsung Securities

Banks: MAU



Note: As of 3Q25; based on banking apps
Source: Company data, Samsung Securities

Loan refinancing platform timeline

Loan type	Service launch date
Unsecured loans	May 31, 2023
Mortgages	Jan 9, 2024
Jeonse deposit loans	Jan 31, 2024
SOHO loans	Mar 18, 2026

Source: FSC, Samsung Securities

Sustaining double-digit loan growth: Expanding beyond household loans to SOHO loans

Sustaining double-digit loan growth

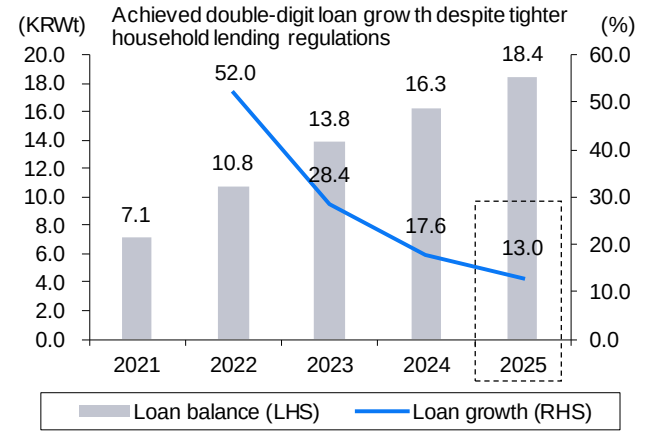
Kbank has maintained double-digit loan growth through 2025. Its won-denominated loan growth reached 13% in 2025, well above the banking industry average of 4.1% and higher than Kakao Bank's 8.6%.

Amid tightening regulations on household lending, Kbank turns to SOHO loans

In 2025, one of the biggest challenges for banks was tighter rules on household loans, which pushed the industry's average household loan growth down to 2.9% and Kbank's down to 6.3%.

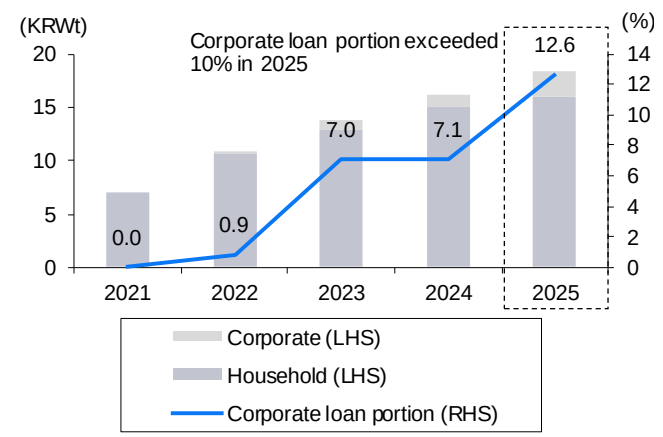
Nevertheless, Kbank managed to sustain overall loan growth in the double-digits by aggressively expanding SOHO lending. Although SOHO loans accounted for only 12.6% of its total loans (KRW2.3t) as of end-2025, they posted a remarkable 100.7% y-y increase, substantially contributing to overall loan growth. Notably, loans classified under "corporate loans" in Kbank's reporting are predominantly SOHO loans.

Kbank: Loan balance vs growth



Source: Company data, Samsung Securities

Kbank: Loan breakdown



Source: Company data, Samsung Securities

Deposits heavily weighted toward demand deposits; funding base robust even after excluding Upbit deposits

Deposits at KRW28.4t: LDR of 64.6% indicates ample funding base

As of end-2025, Kbank's total deposits stood at KRW28.4t, a 0.5% y-y decline, effectively signaling a pause in deposit growth. However, the real story lies in its loan-to-deposit ratio (LDR), which at just 64.6% is much lower than that of traditional banks. Notably, Kbank calculates LDR using total credit exposure (not just loans receivable on its balance sheet) as the numerator. If we exclude Upbit-related deposits as of 1H25, its LDR rises to 77.4%. Even then, this is still much lower than conventional banks'. In other words, Kbank has ample deposits to support lending growth. The slowdown in deposit growth last year resulted from the bank's deliberate choice to focus on profitability.

72.4% of deposits are demand deposits

Kbank's deposits are heavily weighted toward demand deposits, which, as of end-2025, reached KRW20.6t and accounted for 72.4% of its total deposits.

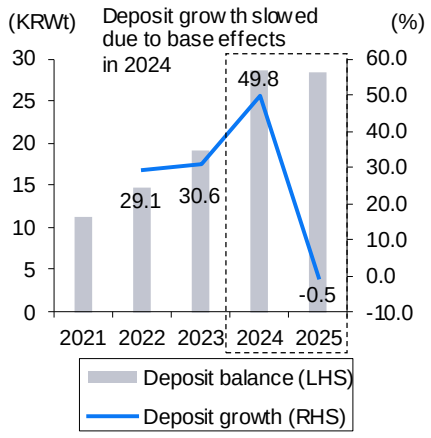
Concerns over Upbit deposit outflows overblown

Some are concerned that Upbit deposit outflows might weaken the bank's funding structure, but we believe this risk is overstated. At end-2025, Upbit-related deposits accounted for KRW5.8t or 20.4% of Kbank's total deposits. Excluding Upbit deposits, Kbank still holds KRW22.6t in deposits, which is 23.1% higher than its total credit of KRW18.4t. In other words, even if all Upbit deposits were lost, Kbank's LDR would remain comfortably below 100%, indicating no significant liquidity risk.

Moreover, the contribution of Upbit deposits to the bank's profitability has materially diminished. Kbank does not use these deposits for lending. Rather, it invests them in RPs, MMFs, and securities. It pays a 2.1% interest rate on Upbit deposits, while the average 2025 repo rate was 2.72%, yielding a net spread of 0.62%—far below the bank's overall NIS of 1.91%.

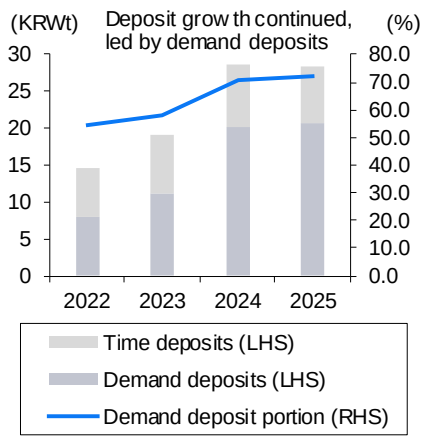
The spike in interest rates paid on Upbit deposits from 0.1% to 2.1% is the culprit behind the decline in Kbank's NIM from 2.4% in 2023 to 1.4% in 2025, as well as the 1.4% contraction in its interest income over the same period.

Kbank: Deposit balance vs growth



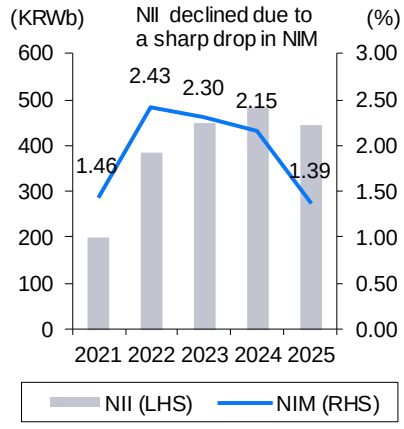
Source: Company data, Samsung Securities

Kbank: Deposit breakdown



Source: Company data, Samsung Securities

Kbank: NII vs NIM



Source: Company data, Samsung Securities

Low headcount: Strong SG&A edge

The smallest workforce among the three internet-primary banks

Kbank has the smallest workforce among Korea's three internet-primary banks. In 2025, it has only 646 employees—just 35.6% of Kakao Bank's 1,815 and 19.9% lower than TossBank's 806.

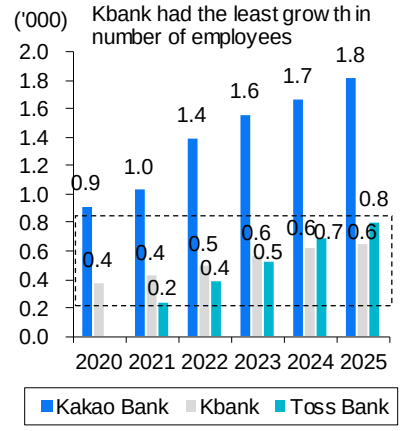
Kbank appears to be managing its workforce more efficiently than its peers are. From 2021 to 2025, its headcount rose 52.4%, well below Kakao Bank's 76% and TossBank's 248.9%.

Low employee growth results from being a bank rather than a platform

A low employee growth rate can be both an advantage and a drawback. While process digitization helps keep staffing lean, Kbank's smaller headcount may also reflect its smaller asset base compared to Kakao Bank—and its more limited range of financial services beyond basic banking.

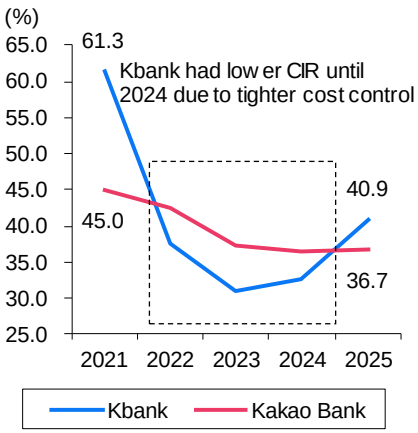
If Kbank is truly aiming to be a digital bank, its profitability can grow much more quickly as it scales, because: 1) employee growth is likely to be kept below asset growth; 2) this dynamic will amplify operating leverage as assets grow; and 3) Kbank's cost-to-income ratio (CIR) was among the lowest in the industry—even lower than Kakao Bank's—between 2022 and 2024, and even as profitability dipped y-y in 2025, its CIR remained competitive at 40.9%.

Internet-primary banks: Employees



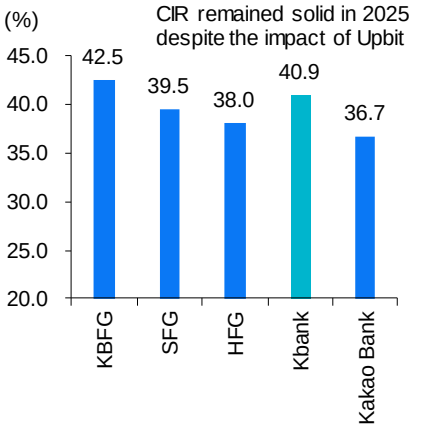
Source: FISIS, Samsung Securities

CIR: Kbank vs Kakao Bank



Source: Company data, Samsung Securities

Banks: CIR (2025)



Source: Company data, Samsung Securities

Shareholder structure: Share unlocks may exert downward pressure on share price

KT owns BC Card, which owns Kbank

BC Card, 69.5% owned by KT, is Kbank's largest shareholder, with a 31.2% stake. Regulations cap BC Card's stake in Kbank at 34%.

BC Card serves as the financial anchor within the KT Group, directly operating a card network and holding stakes in fintech and security solutions provider VP Inc and payment processor Smartro, as well as in Kbank.

Upcoming share unlocks may exert downward pressure on share price

During Kbank's IPO, four financial investors (FIs) collectively sold 30m shares, or 29.3% of their original stake. They retain 72,476,156 shares, representing 17.9% of the company's total listed shares. This 17.9% stake is likely to create short-term selling pressure, as: 1) 21,238,077 shares have no lock-up period and can be sold anytime; and 2) half of the remaining 51,238,079 shares can be sold 3 months after the IPO, and half 6 months after the IPO.

The IPO brought 60m shares to market—comprising 30m new shares and 30m secondary shares—making up 14.8% of the company's total listed shares (406m). Thus, 17.9% of total listed shares is slightly more than the IPO volume, and these could be sold on the market over the next six months.

Selling pressure could also come from other shareholders. Strategic investors such as Woori Bank and NH Investment & Securities may choose to sell portions of their holdings, following KBFG's precedent in partially divesting Kakao Bank shares. Other minority shareholders, too, may offload shares.

But excessive concerns about overhang are unwarranted

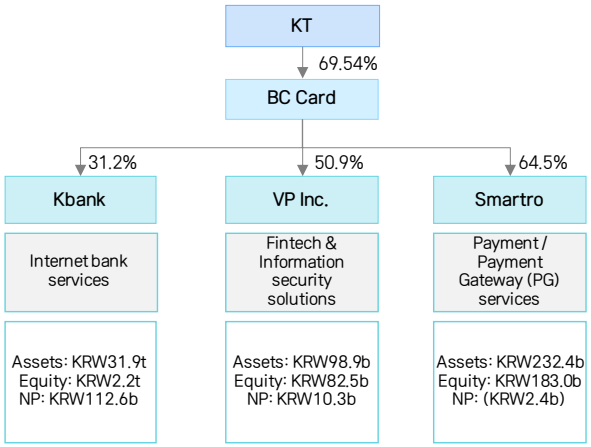
That said, we believe concerns about overhang are excessive.

First, the four FIs want to maximize their returns by selling shares, but the stock is currently trading below its IPO level—which means have little incentive to sell at this point.

Second, several of these FIs own less than 5% of the shares, so they do not have to publicly announce their sales. As a result, they are more likely to sell quietly—small amounts at a time—to avoid shaking the stock price.

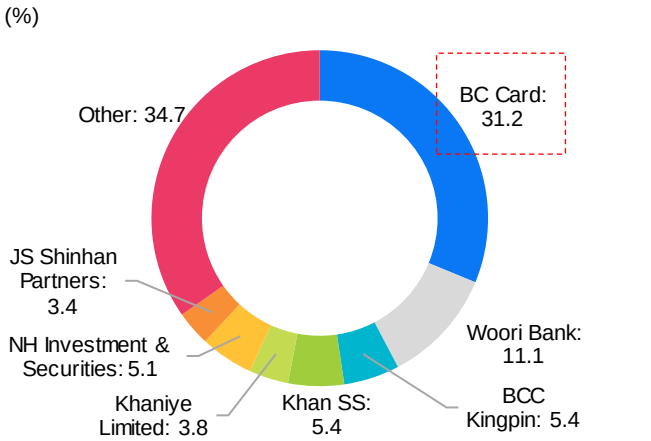
Of course, as Kbank's stock price rises toward its IPO price of KRW8,300, selling pressure may rebuild, with that level serving as psychological resistance. However, with the current price 23.6% below the IPO level—and given that trading volume reached six times the total number of shares offered in the IPO (60m) during the first week after listing—overhang may not last long (depending on market conditions).

Kbank: Corporate governance (2025)



Source: DART, Samsung Securities

Kbank: Ownership structure post-IPO



Source: DART, Samsung Securities

Sale of secondary shares: Details

(Shares)	Balance before IPO	Shares sold since IPO	Shares remaining	Stake remaining (%)	Locked up shares*
BCC Kingpin	30,769,231	9,007,724	21,761,507	5.36	15,384,616
Khan SS	30,769,231	9,007,724	21,761,507	5.36	15,384,616
Khaniye Limited	21,706,924	6,354,724	15,352,200	3.78	10,853,462
JS Shinhan Partners	19,230,770	5,629,828	13,600,942	3.35	9,615,385
Total	102,476,156	30,000,000	72,476,156	17.86	51,238,079

Note: *Lock-up expires for 50% three months after IPO, and the remaining 50% six months after IPO

Source: DART, Samsung Securities

FI overhang: Share unlock schedule

Timeline	Immediately after listing	After 3 months	After 6 months	Total
Key highlight	Immediately tradable	1st lock-up expiration	2nd lock-up expiration	
Portion of listed shares (%)	5.23	6.31	6.31	17.86
Shares	21,238,077	25,619,039	25,619,039	72,476,155

Note: As of Mar 5, 2026

Source: DART, Samsung Securities

Kbank vs Kakao Bank: Profitability is key

Kbank is 40% the size of Kakao Bank

At end-2025, Kbank was operating at approximately 40% the scale of Kakao Bank. Its total assets stood at KRW31.9t (or 41.7% of Kakao Bank's KRW76.4t), total credit at KRW18.4t (39.2% of Kakao Bank's KRW46.9t), and total deposits at KRW28.4t (41.7% of Kakao Bank's KRW68.1t). After adjusting for post-IPO equity issuances, Kbank's shareholders' equity stands at roughly 35.9% of Kakao Bank's.

Small profits relative to asset size point to low profitability

However, Kbank's 2025 net profit of KRW112.6b is only 23.4% of Kakao Bank's KRW480.3b—significantly lower than what is expected given Kbank's asset base, which is around 40% the size of Kakao Bank's. Typically, banks exhibit similar ROA levels, so their profits scale closely with asset size. When two banks have similar asset sizes but differ significantly in profits, the gap is often explained by contributions from non-banking businesses—such as securities or non-life insurance—that generate higher ROE. KBFG is a classic example: its stronger profitability stems largely from its non-banking subsidiaries, which generate high ROE. Kbank and Kakao Bank, however, do not own any non-banking financial affiliates.

This profit gap, therefore, suggests Kbank's ROA—a measure of profitability—is unusually low. In fact, as of 2025, Kbank's ROA was 34bps lower than Kakao Bank's.

Scale: Kbank vs Kakao Bank

(KRWb)	Kbank	Kakao Bank	Kbank / Kakao Bank (%)
Net income	112.6	480.3	23.4
Total assets	31,864.3	76,386.1	41.7
Total credit	18,378.7	46,907.4	39.2
Total deposits	28,431.9	68,131.8	41.7
Total capital after IPO	2,420.8	6,749.9	35.9
Average			36.4

Note: As of 2025
Source: Company data, Samsung Securities

Low profitability attributable to NIM and credit costs

Kbank's low profitability is primarily attributable to its NIM and credit costs. Looking at the two banks' 2025 income statements relative to their average total assets using a DuPont analysis, we found that: 1) Kbank's net interest income equates to 1.41% of its total assets—49bps below Kakao Bank's; and 2) Kbank's loan loss provisions equate to 0.68% of its total assets—33bps higher than Kakao Bank's. As a result, Kbank's operating profit equates to 0.37% of its total assets, 56bps lower than Kakao Bank's.

However, Kbank's unusually low profitability is likely to improve gradually as: 1) its NIM likely bottomed in 2025 and should soon begin to recover; 2) credit costs should decline rapidly as asset quality improves; and 3) as its asset base expands, economies of scale should build, increasing profitability upside.

Dupont analysis: Kbank vs Kakao Bank

(%)	Kbank	Kakao Bank
Interest income	3.42	3.53
Interest expenses	(2.02)	(1.64)
Net interest income	**1.41**	**1.89**
Fee income	0.19	0.45
Fee expenses	(0.20)	(0.41)
Net fee income	**(0.01)**	**0.03**
Other non-interest income	0.37	0.10
Operating revenue	**1.77**	**2.03**
SG&A expenses	**(0.72)**	**(0.74)**
PPOP	1.05	1.28
Provisioning expenses	**(0.68)**	**(0.35)**
Operating profit	**0.37**	**0.93**
Non-operating profit	(0.01)	(0.01)
Tax	(0.00)	(0.23)
ROA	**0.35**	**0.69**
Leverage ratio (x)	15.13	10.47
ROE	**5.37**	**7.23**

Note: As of 2025
Source: Company data, Samsung Securities

NIM bottoms out, set to rebound

NIM gap widens thanks to higher Upbit deposit rates and shift in loan portfolio

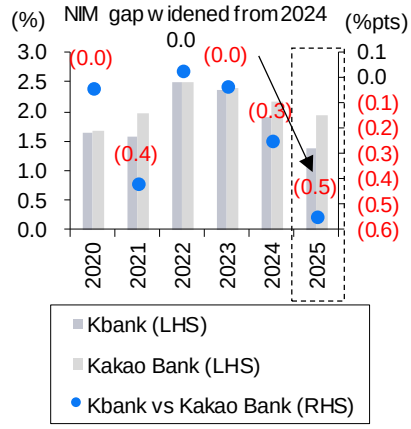
In 4Q25, Kbank's NIM stood at 1.40%, 54bps lower than Kakao Bank's. However, this was not always the case. Back in 2023, Kbank's full-year NIM was 2.35%, very close to Kakao Bank's 2.38%. The main reason for the sharp decline in NIM relative to Kakao Bank was Kbank's Aug 2024 decision to raise the interest rate paid on deposits from Upbit (a cryptocurrency exchange) from 0.1% to 2.1%. As of 4Q25, Kbank's lending rate was 3bps lower, while its funding rate was 40bps higher than Kakao Bank's.

Another factor behind the NIM gap is Kbank's shift in loan portfolio. To reduce risk, the bank increased its share of secured and guaranteed loans—which, ironically, lowered its average lending rate. However, it is important to note that Kbank's credit costs improved more than its NIM declined.

NIM to recover gradually from 2025 trough

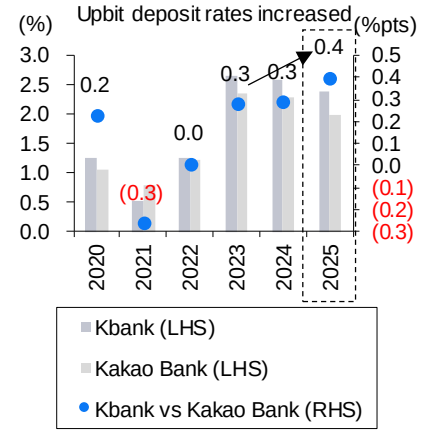
Looking ahead, Kbank's NIM should gradually recover from its 2025 trough, as: 1) the full impact of the Upbit deposit rate hike was fully absorbed throughout 2025; 2) recent market interest rate increases are likely to benefit Kbank disproportionately given its higher share of variable-rate loans; and 3) rising rates on assets funded by Upbit deposits—such as RPs, MMFs, and government bonds—are likely to improve asset yield.

NIM: Kbank vs Kakao Bank



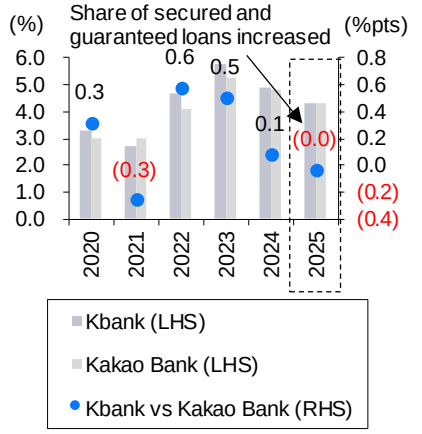
Source: Company data, Samsung Securities

Funding rate: Kbank vs Kakao Bank



Source: Company data, Samsung Securities

Lending rate: Kbank vs Kakao Bank



Source: Company data, Samsung Securities

Credit costs to decline as asset quality improves

Kbank's credit-cost gap with Kakao Bank returns to pre-rate hike levels, but…

Kbank's annual credit costs in 2025 reached 1.2%, or 0.7%pts higher than Kakao Bank's 0.5%. Some might argue there is not much room left for improvement given that: 1) the gap was as wide as 1.5%pts in 2023, and has since narrowed significantly; and 2) over 2020-2022—*ie*, before interest rates spiked—Kbank's credit costs were consistently 0.5%pts higher than Kakao Bank's, suggesting its baseline may be higher.

…three reasons it can narrow further

We see three reasons Kbank's credit-cost gap with Kakao Bank can improve.

- **Asset quality gap between two banks narrowing rapidly**

  Kbank's asset quality metrics improved sharply in 2025, bringing them almost in line with Kakao Bank's. By end-2025, Kbank's delinquency and NPL ratios came to 0.60% and 0.57%, respectively—marking a dramatic improvement from 2023 and substantially closing the gap with Kakao Bank's 0.51% and 0.53%.

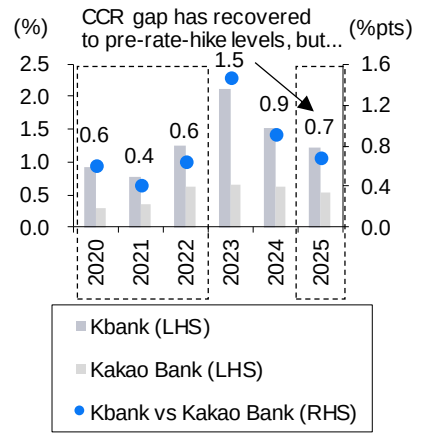
- **Kbank's credit cost excessively high in absolute terms**

  Moreover, Kbank's absolute credit costs are excessive by traditional banking standards: 1) the average among our covered banks in 2025 was 0.54%, well below Kbank's; and 2) even JB Financial Group, with the second highest credit costs in the sector, generates roughly one-third of its profits from consumer finance—a business inherently exposed to higher credit costs—yet its figure (0.87%) remains substantially lower than Kbank's. We see clear potential for Kbank's credit cost to stabilize lower, supported by improvements in asset quality and a shift in loan portfolio.

- **Banking industry in cycle of improving credit costs**

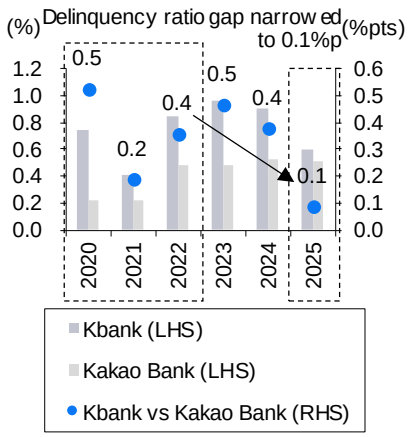
  The overall banking industry is in a cycle of credit cost improvement. Banks are expecting lower credit costs in 2026 than last year, as: 1) they largely wrote down real estate loans that went bad during surges in interest rates; 2) economic growth is recovering from last year's low; and 3) banks' productive finance initiatives should support corporate liquidity in the short term and corporate earnings in the longer term. Given this broader environment, Kbank also has significant room to reduce its credit costs.

Credit costs: Kbank vs Kakao Bank



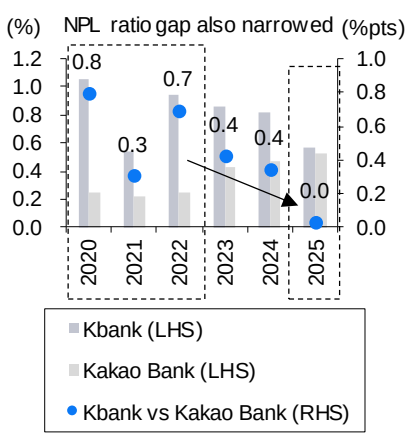
Source: Company data, Samsung Securities

Delinquency ratio: Kbank vs Kakao Bank



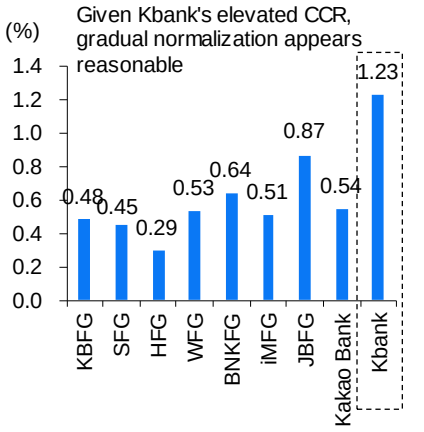
Source: Company data, Samsung Securities

NPL ratio: Kbank vs Kakao Bank



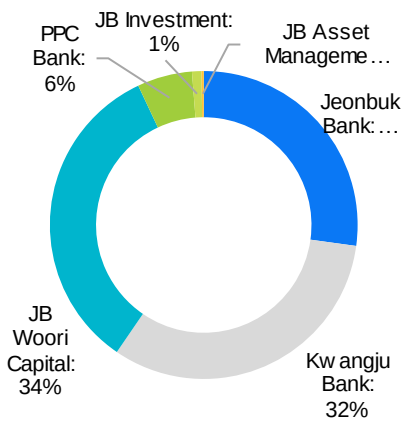
Source: Company data, Samsung Securities

Banks: CCR (2025)



Source: Company data, Samsung Securities

JBFG: Earnings contribution from non-banking businesses (2025)



Source: Company data, Samsung Securities

Banks: 2026 CCR guidance

Company	2026 guidance
KBFG	Low-to-mid 40bp range
SFG	Low-to-mid 40bp range
HFG	Within the mid-30bp range
WFG	40bps
BNKFG	High-50bp range
iMFG	Within the mid-40bp range
JBFG	0.86%

Source: Company data, Samsung Securities

Economies of scale: Earnings improvement to accelerate as bank grows

Banking: A classic economies-of-scale industry

Banking is a classic economies-of-scale industry. Most bank revenues come from interest income. Once a bank's loan assets reach sufficient scale, its interest income can cover costs such as provisioning, G&A expenses, and deposit insurance premiums. Beyond this threshold, further asset growth generates incremental interest income that drives a disproportionately larger increase in net profit.

Internet-primary banks historically break even at KRW14t-15t in total credit

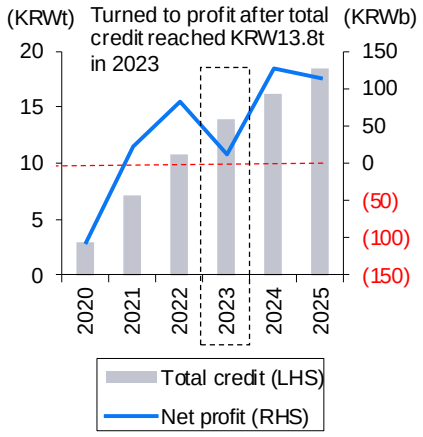
By end-2023, Kbank's total credit had reached KRW13.8t, giving it the asset scale needed to cross its break-even point. Kakao Bank and Toss Bank turned profitable when their total credit reached KRW14.9t and KRW14.6t, respectively—levels broadly comparable to Kbank's.

Higher Upbit deposit rates raise break-even point, but interest income to climb as assets expand

Kbank's break-even point may have risen relative to peers due to higher interest costs on Upbit deposits since 2H24, which contributed to a decline in NIM.

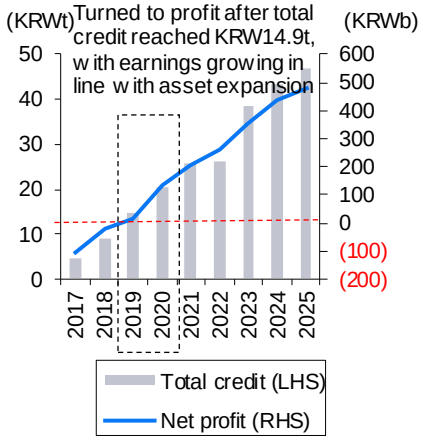
That said, Kbank's earnings improvement has likely been delayed—not derailed. Although higher rates on Upbit deposits kept earnings flat in 2025 despite asset growth, these costs should stop rising after 4Q25. Going forward, Kbank should see interest income rise as assets expand, allowing economies of scale to become more apparent. Kbank now has a foundation similar to Kakao Bank's after it turned profitable, when profit growth accelerated sharply in line with asset expansion. Conditions are aligning for Kbank to follow a similar trajectory.

Kbank: Total credit vs net profit



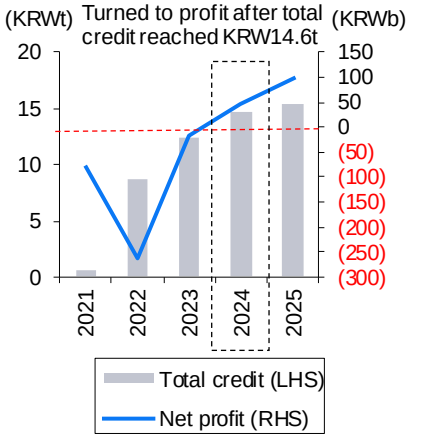
Source: Company data, Samsung Securities

Kakao Bank: Total credit vs net profit



Source: Company data, Samsung Securities

Toss Bank: Total credit vs net profit



Source: Company data, Samsung Securities

Investment point 1. Sustained high growth potential: Stronger capital ratio and cycle recovery warrant attention

CET-1 ratio surges to 21.6% after IPO, significantly expanding capacity for asset growth

Until 2025, one of the main constraints on Kbank's loan growth was its low capital ratio. As of end-2025, its CET-1 ratio stood at 12.4%, meeting the 12.0-12.5% minimum threshold some mid-sized banks use to support enhanced shareholder returns. However, given Kbank's relatively low ROE, aggressive asset expansion could have rapidly eroded its CET-1 ratio. Thus, management was forced to pursue growth cautiously.

Following its IPO on Mar 5, 2026, Kbank's CET-1 ratio rose sharply to 21.6%. This improvement was driven by two main factors: 1) the reclassification of around KRW711.4b in prior capital injections from financial institutions—previously excluded from CET-1 eligibility—as qualifying CET-1 capital; and 2) KRW249b in proceeds from newly issued shares. Together, these factors lifted Kbank's CET-1 ratio by 9.2%pts.

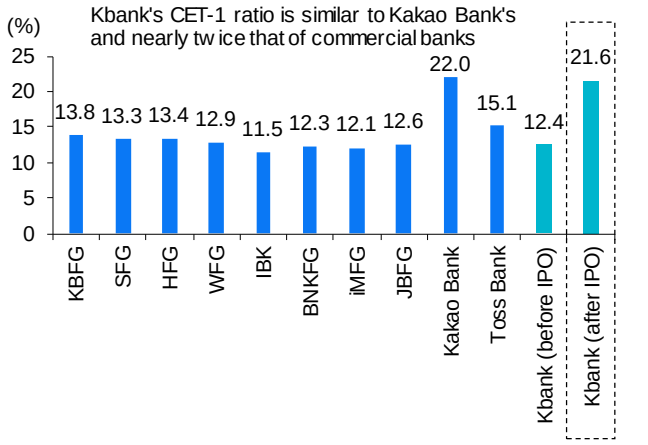
Assuming a target CET-1 ratio of 12%, Kbank's 21.6% ratio suggests that the bank has sufficient capacity to nearly double its loan portfolio before reaching that target.

Kbank: Impact of IPO on CET-1 ratio

(KRWb)	
CET-1 ratio (%)	12.4
CET-1 capital	1,297.2
RWA	10,439.3
Total capital	1,515.9
Diff.	(218.7)
Additional capital after IPO	711.4
Adj. CET-1 capital	2,008.6
Adj. CET-1 ratio (%)	19.2
Chg (%pts)	6.8
New shares issued (based on lower end of price band)	249.0
Adj. CET-1 capital	2,257.6
Adj. CET-1 ratio (%)	21.6
Chg (%pts)	2.4
Total change (%pts)	9.2

Note: Based on 2025 figures
Source: Company data, Samsung Securities

Banks: CET-1 ratio



Note: As of end-2025
Source: Company data, Samsung Securities

SOHO lending: A new loan-growth engine

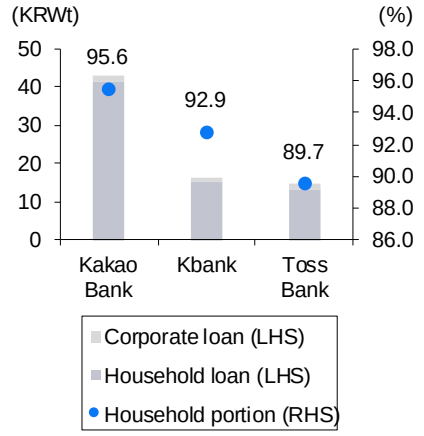
Household loan regulation depressing growth and weighing on valuations

Since internet-primary banks' loan portfolios are overwhelmingly composed of household loans, concerns have emerged over slowing growth following tighter government regulation of household lending. As of end-2024, household loans accounted for 93.9% of total loans at the three major internet-primary banks. Kakao Bank's household loan growth, for example, slowed to 2.7% in 2Q25, creating valuation pressure.

Kbank not immune

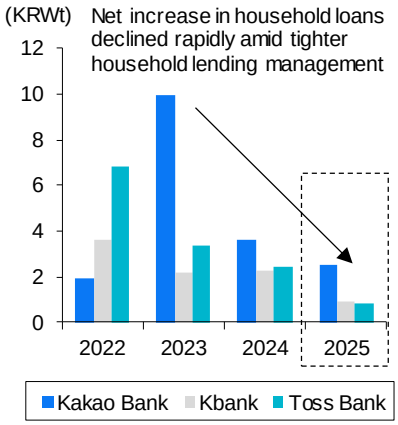
Kbank is also being affected by the regulatory shift toward tighter household loan management. In 2026, the Financial Services Commission set a household loan growth target of 1.5% for all banks. Kbank's net increase in household loans, which stood at KRW2.3t in 2024 and KRW1t in 2025, is expected to remain flat y-y this year, with no material acceleration anticipated.

Internet-primary banks:
Household loans and proportion



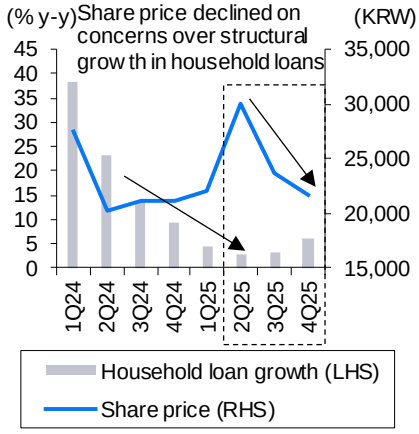
Note: As of 2024
Source: Company data, Samsung Securities

Internet-primary banks:
Net household loan growth



Source: Company data, Samsung Securities

Kakao Bank:
Household loan growth vs share price



Source: Company data, Samsung Securities

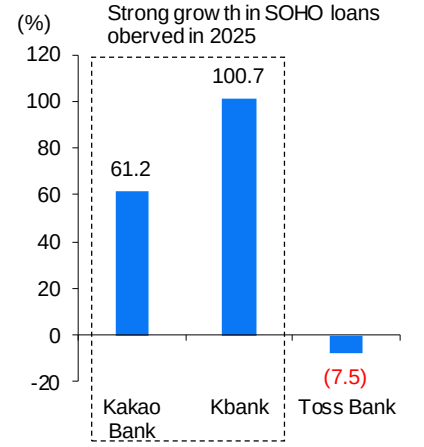
SOHO lending: A new growth driver for internet-primary banks

All three internet-primary banks are pivoting toward SOHO lending as their next growth engine. In 2025, corporate lending at the three banks grew 48.4% y-y, with nearly all of the increase estimated to have come from SOHO loans.

SOHO lending-led is a rational strategy

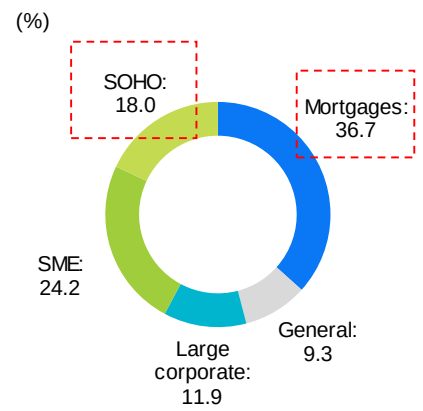
We see this strategic shift toward SOHO loans as highly justified for three reasons. First, as of end-2025, outstanding SOHO loans had reached KRW458.3t, equivalent to 39.1% of total household loans of KRW1,173.6t. Second, SOHO lending has undergone structural cleanup over the past three years, improving asset quality and reducing risk exposure. Third, major commercial banks, prioritizing productive financing in 2026, are expected to adopt a more cautious stance toward this segment, leaving room for internet-primary banks to capture market share amid relatively limited competitive pressure.

Internet-primary banks:
SOHO loan growth in 2025



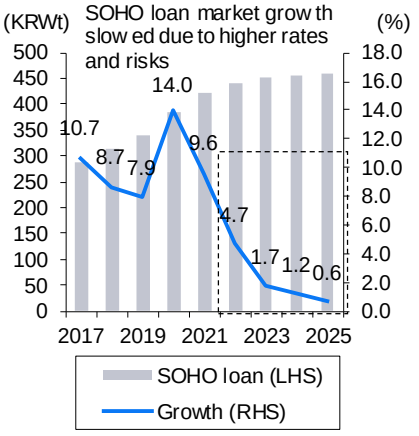
Source: Company data, Samsung Securities

Banks: Loan breakdown



Note: As of Feb 2026

SOHO loans: Value and growth



Source: BOK, Samsung Securities

Source: BOK, Samsung Securities

SOHO refinancing platform launches in March, creating a new growth opportunity

SOHO refinancing platform starts with unsecured loans, with plans to expand to other loan types

The government-backed SOHO refinancing platform officially launched on Mar 18, 2026. Initially, only unsecured loans are eligible, with guaranteed loans and real estate-backed loans to be added in subsequent phases. This phased rollout mirrors the approach taken with the household loan refinancing platform in 2023, which began with unsecured loans in May 2023 and later added mortgage and deposit-guarantee loans in Jan 2024.

Lessons from household loan refinancing platform: Internet-primary banks' market-share gains

The launch of the household loan refinancing platform in 2023 significantly accelerated loan growth at internet-primary banks. Between 2Q23 and 2Q24, the three internet-primary banks saw their household loan portfolios grow by KRW20.7t, or 43%.

This surge was driven by superior product competitiveness, notably lower interest rates and higher loan limits. Since loan terms were displayed transparently in real time via mobile and online platforms, and refinancing involved minimal friction, internet-primary banks were able to use this transparency to attract borrowers from traditional banks by offering more-attractive pricing and higher credit limits.

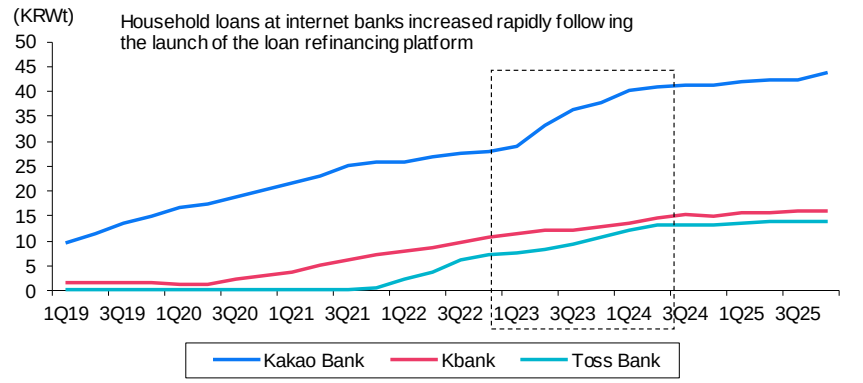
Beyond loan growth, the platform also drove significant traffic to internet-primary bank apps. As borrowers could easily compare refinancing options on the platform, internet-primary banks' lower interest rates became starkly apparent. At the same time, refinancing caps created a rush to secure available quotas.

Refinancing platform timeline

Loan type	Starting dates
HH credit loans	31 Mar, 2023
Mortgage loans	9 Jan 2024
Jeonse loans	31 Jan 2024
SOHO credit loans	18 Mar 2026

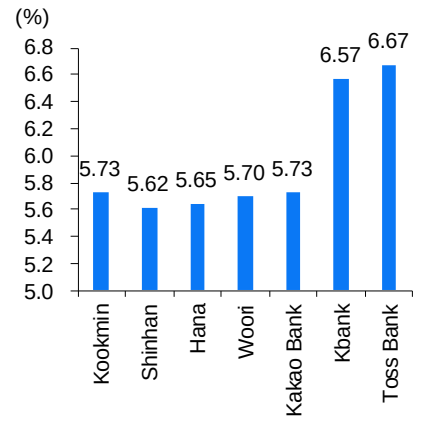
Source: FSC, Samsung Securities

Internet-primary banks: Household loans



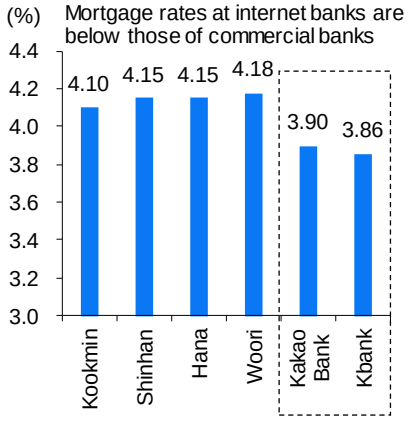
Source: FISIS, Samsung Securities

Lending rates in early days of refinancing platform: Unsecured household loans



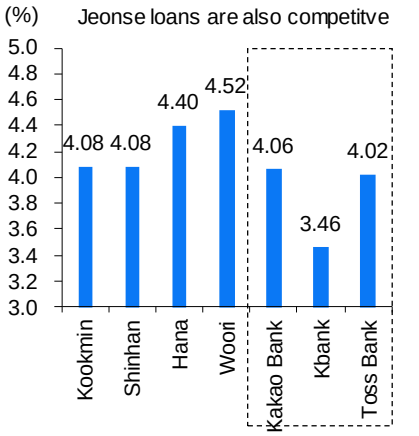
Source: KFB, Samsung Securities

Lending rates in early days of refinancing platform: Mortgages



Source: KFB, Samsung Securities

Lending rates in early days of refinancing platform: *Jeonse* loans



Source: KFB, Samsung Securities

SOHO refinancing platform: A similar playbook in motion

The same playbook is now being applied to SOHO refinancing. Kakao Bank offers up to a 0.6%pt rate discount for refinancing through its platform, with an additional 0.4%pt discount for small-business owners who complete its business consulting program and use the Kakao Bank Business Hyundai Card. Loan limits reach up to KRW300m, with rates in the 3% range. Meanwhile, Kbank offers not only unsecured refinancing but also Korea's first fully digital SOHO real estate-backed loan product. With a minimum annual rate of 3.24%, this product allows loans of up to KRW1b, within the existing collateral lending limit.

In sum, given that internet-primary banks' SOHO loan rates are consistently lower than those of traditional banks, their product competitiveness in the refinancing market is clearly established.

Key challenge: Shifting from unsecured to secured lending

The refinancing platform, however, is unlikely to trigger a surge in SOHO unsecured lending, as regulatory and internal risk concerns over SOHO credit quality remain elevated. From a risk management perspective, growth must evolve beyond unsecured lending toward a balanced mix that includes collateralized products.

Thus, the true strategic value of the refinancing platform lies not in direct loan volume growth, but in its role as a customer acquisition funnel. By drawing users into their apps through low-rate refinancing offers, internet-primary banks can then guide them toward higher-margin, lower-risk secured products such as real estate-backed loans. This approach is especially effective for SOHO lending, as these loans typically have shorter maturities than household mortgages.

Kakao Bank vs Kbank: Loan refinancing service overview

	Kakao Bank	Kbank
Loan limit	Up to KRW300m	- Unsecured loans: Up to KRW300m - Mortgage loans: Up to KRW1b
Interest rate	From low 3% range	- Unsecured loans: From 4.1% - Mortgages: From 3.24%
Key features	- Fully non-face-to-face applications supported - Consulting for small-business owners and affiliated credit cards - Preferential-rate discount of up to 0.4%pts for eligible users - Refinancing available from other partner banks (Currently partners include Kbank; partnerships to expand)	- Non-face-to-face applications supported - Additional loan applications available - Refinancing available for both bank and non-bank (2nd-tier) loans - Refinancing allowed even if existing loan balance exceeds KRW100m

Source: Company data, Samsung Securities

Kakao Bank vs Kbank: Key strategies for SOHO loans

Kakao Bank	Kbank
Launch of unsecured and guaranteed loans for SOHO borrowers	Establishing a full product lineup including unsecured, guaranteed, and secured loans
Strengthening convenience services (*eg*, VAT refund services)	Introduction of automated collateral valuation model (AVM)
Utilization of industry-specific credit scoring models for small merchants	Diversification of collateral types for SME mortgage loans
Launched secured loans for SOHO borrowers in 2H25	Plans to expand partnerships with regional credit guarantee foundations

Source: Company data, Samsung Securities

Assessing SOHO lending's growth potential and contribution

The expansion of SOHO lending by internet-primary banks should contribute positively to their overall growth, with smaller banks likely to see a disproportionately large impact given their lower loan bases. Assuming 4% annual growth in the SOHO lending market, based on outstanding balances of KRW458.3t as of end-2025, total net loan growth for 2026 is projected at KRW18.3t. Even if the two major internet-primary banks were to double their SOHO loan net additions y-y to a combined KRW4.6t, this would account for only 25.3% of estimated market-wide net additions in 2026.

Loan migration demand should also be considered. If half of outstanding SOHO loans, or KRW229.2t, mature within one year, the potential refinancing and lender-switching pool is substantial. In this context, the projected KRW4.6t in net additions by Kakao Bank and Kbank would represent just 2.0% of the refinancing pool.

This yields three key insights: 1) internet-primary banks still have significant untapped growth potential in the broader SOHO lending market; 2) the risk of price erosion is limited, as competition is unlikely to be uniformly aggressive across the entire market; and 3) with traditional banks expected to respond cautiously, internet-primary banks can adopt a more selective, risk-adjusted approach targeting higher-quality borrowers. Consequently, concerns over material margin pressure or deteriorating credit quality appear overstated.

Two internet-primary banks: SOHO loan market-share sensitivity analysis

(KRWt)					
2025 SOHO loan balance	458.3				
	2025 SOHO loan net increase			Assumption: twice the net increase	
Kbank		1.2			2.3
Kakao Bank		1.2			2.3
Total		2.3			4.6
Banks's market-share sensitivity to market growth					
SOHO loan growth assumption (%)	2	3	4	5	6
SOHO loan net increase	9.2	13.7	18.3	22.9	27.5
Internet-primary banks: M/S vs net increase in new SOHO loans					
Kbank	25.3	16.9	12.6	10.1	8.4
Kakao Bank	25.3	16.9	12.7	10.1	8.4
Total	50.6	33.7	25.3	20.2	16.9

Source: Company data, Samsung Securities estimates

Asset-quality concerns remain, but internet-primary banks' risk capabilities have strengthened

Asset-quality deterioration in SOHO lending remains a valid concern…

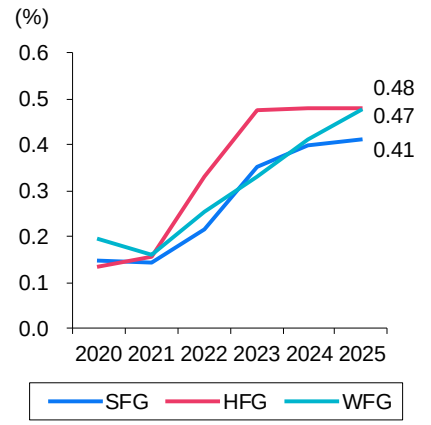
The main concern surrounding rapid SOHO loan growth by internet-primary banks is the potential for rising non-performing loans (NPLs). Although domestic consumption appears to have bottomed in 2025 and surviving SOHO borrowers are likely more resilient than those that exited the market during prior deleveraging cycles, macro uncertainty has intensified amid escalating geopolitical risks, raising the risk of renewed weakness in domestic demand. Indeed, traditional banks, already cautious in extending SOHO credit, have seen a steady rise in SOHO loan delinquency rates since 2022.

…but internet-primary banks have greatly fortified risk safeguards based on prior experience

However, both Kakao Bank and Kbank have been reinforcing safeguards in preparation for potential asset-quality deterioration. They have offered SOHO loans for several years and have already navigated periods of asset-quality stress, refining their strategies accordingly. First, after seeing its SOHO loan delinquency rate rise rapidly to 1.8% by end-2024, Kbank cut it to 0.6% by 4Q25, helped by a deliberate shift toward collateralized lending, such as real estate-backed and guarantee SOHO loans. Second, Kakao Bank has similarly accelerated its transition to secured lending, with the secured portion of its SOHO loans rising from 31% in 1Q24 to 67% by 4Q25.

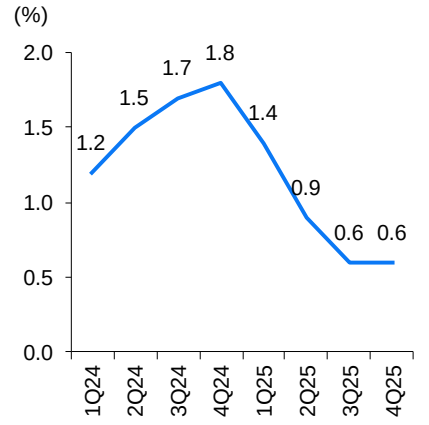
For reference, during its 4Q25 earnings call, Kakao Bank disclosed that its share of newly originated guarantee SOHO loans in 2025 accounted for only 9% of the total market. This suggests that even if internet-primary banks were to double or triple their net growth in guarantee SOHO loans this year, underlying capacity in guarantee lending would remain substantially underutilized.

FGs: SOHO loan delinquency rate



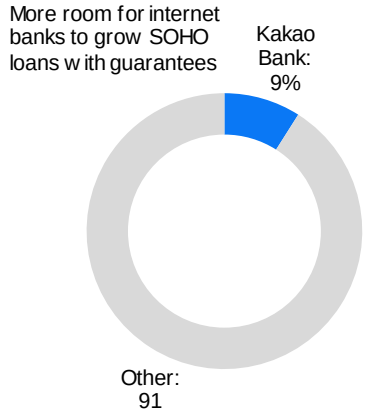
Source: Company data, Samsung Securities

Kbank: SOHO loan delinquency rate



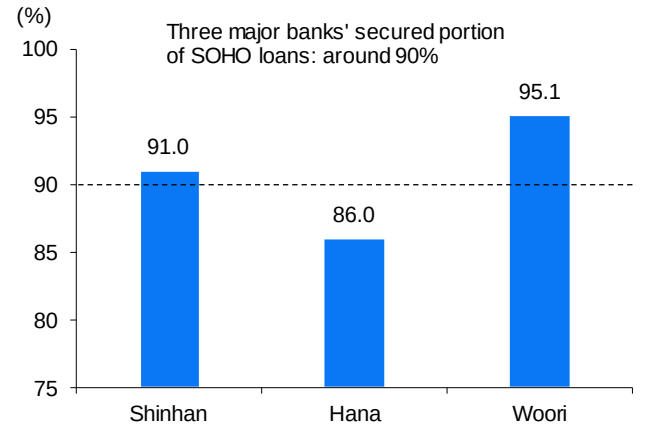
Source: Company data, Samsung Securities

Kakao Bank: New guaranteed portion of SOHO loans



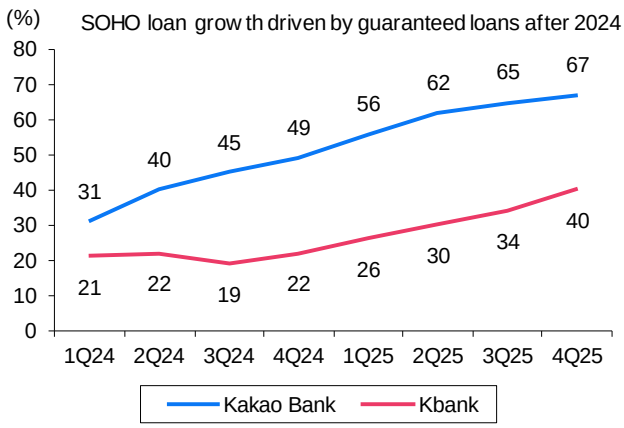
Note: As of 2025
Source: Company data, Samsung Securities

Secured portion of SOHO loans



Note: As of end-2025 / Source: Company data, Samsung Securities

Secured portion of SOHO loans: Kbank vs Kakao Bank



Source: Company data, Samsung Securities

Kbank's differentiated growth driver: Bank-as-a-Service (BaaS)

Banks and platforms: A three-way win for platforms, users, and banks

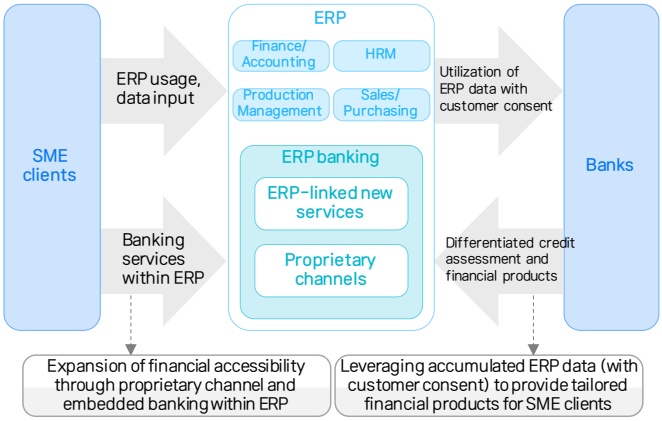
One of the most prominent themes in banking today is the integration of banks with digital platforms, creating a mutually reinforcing ecosystem that benefits platforms, users, and banks. Embedding banking capabilities directly into existing platforms offers three main benefits: 1) platform users gain seamless access to financial services such as deposits, loans, and payments without leaving the platform; 2) platform operators can enhance user retention and strengthen their ecosystems by deepening financial engagement; and 3) banks can access high-quality customer segments through platform partnerships, while leveraging rich behavioral data to deliver more-precise, personalized financial products and expand their service footprint.

A leading example: ERP banking service developed by Jeju Bank and Douzone Bizon

On Apr 2, Jeju Bank, a subsidiary of Shinhan Financial Group (SFG), launched DJ Bank, a brand dedicated to digital corporate financing, and unveiled its first solution: an ERP banking service. This integrated offering enhances traditional banking by: 1) strengthening credit evaluation using Douzone Bizon's ERP data; 2) improving accessibility for business users by embedding bank services directly into the ERP interface; and 3) expanding offerings tailored to ERP system users, such as corporate account opening and financing solutions linked to accounting and tax system usage.

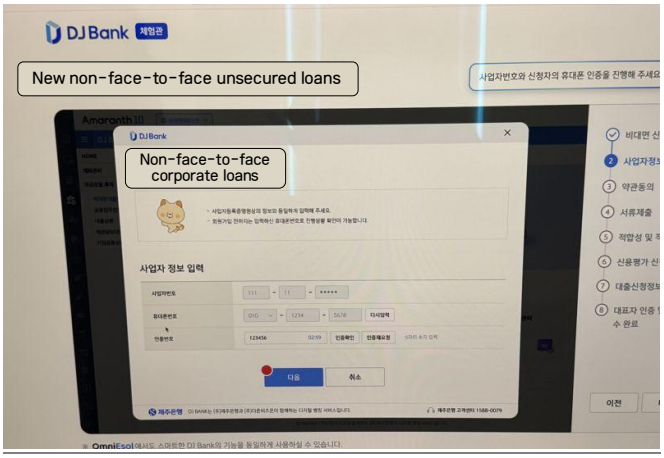
For reference, DJ Bank is initially targeting around 80,000 of Douzone Bizon's 4m SOHO clients, with a year-end goal of extending KRW200b in new loans.

Overview of DJ Bank ERP system



Source: Jeju Bank, Samsung Securities

DJ Bank ERP system screen



Source: Press reports

Kbank: Advancing exclusive financial services in collaboration with Musinsa

Kbank is also pursuing financial services through platform partnerships. In Aug 2025, it signed an MOU with Musinsa to drive financial innovation. As part of this collaboration, Kbank is preparing to launch a dedicated debit card and develop tailored financial solutions for sellers on Musinsa's platform. It also plans to extend the partnership to other Musinsa-operated platforms, such as 29CM and Soldout.

In Jan 2026, the Financial Services Commission designated the "Musinsa Money-Kbank Joint Account" service as an innovative financial service. This designation enables prepaid balances held by Musinsa Money users to be refunded to and managed in Kbank-linked accounts with real-time synchronization.

As of end-2025, Musinsa hosted more than 10,000 brands and had accumulated over 16m users. In the context of expanding SOHO lending, its collaboration with Musinsa offers Kbank a data-driven opportunity to significantly broaden its customer base.

Focus on Kbank's scalability

If this embedded-finance initiative, in which non-financial platforms integrate financial services, delivers its intended outcomes, Kbank should be well positioned to replicate the model across other sectors. For example, partnerships with travel apps or e-commerce platforms modeled on the Musinsa case could yield meaningful results at relatively low cost. Notably, unlike other internet-primary banks, Kbank does not operate its own parent platform in sectors such as e-commerce or reservations. This reduces the risk of conflicts of interest with potential partners.

Musinsa: Business structure

Overview (As of end-2025)		
Number of brands		Over 10,000
Cumulative users		16,431,759
Total sales volume		83,248,174 units
Transaction value (as of end-2024)		KRW4.5t
Brand ranking (as of Dec 2025)		
Rank / Category	**Apparel**	**Beauty**
1	Musinsa Standard	Oddtype
2	The North Face	Sensodyne
3	XERO	Selex
4	Mood Inside	Hera
5	MLB	Vivien
6	Dimitri Black	d'Alba
7	Nike	Torriden

Source: Company data, Samsung Securities

Sandbox designation details

Category	**Details**
Type	Innovative Financial Service
Service name	Musinsa Money - Kbank Partnership Account Service
Overview	A service that manages Musinsa Money users' prepaid balances through Kbank partnership accounts and enables real-time integration
Designation date	Jan 14, 2026
Key products and services	
1) Electronic payment & payment processing	- Provides non-face-to-face payment infrastructure: Supports fast and stable payment processing based on an online-centered payment structure
2) Musinsa Money	- Prepaid electronic payment method: A service available within the Musinsa platform, offering top-up, storage, and payment functions
	- Top-up and payment: Users can use their topped-up Musinsa Money balance for product purchases, with balances deducted upon payment
	- Financial institution linkage structure: Operates a linkage structure between prepaid electronic payment methods and bank accounts through partnerships with financial institutions
	- Rewards and benefits linkage: Enables service expansion through various benefits, including rewards linked to activities within the Musinsa platform (*eg*, payments and usage)

Source: Financial Regulatory Sandbox

Investment point 2. Gateway to Upbit

The Digital Asset Basic Act remains stalled; urgency to adapt to evolving financial ecosystems is growing

Originally slated for introduction in 1Q26, the bill has hit a standstill

Another key issue in financial markets is the legal framework for virtual assets and stablecoins. The Digital Asset Basic Act, initially expected to be introduced in 1Q26, remains in limbo. Deepening disagreements among lawmakers, regulators, government agencies, political parties, and industry participants have stalled progress. Geopolitical uncertainty has further complicated the timing.

Yet the case for legislation has never been stronger

Market expectations for legislation remain high, as other countries are already moving ahead. Global financial platforms such as Robinhood now offer crypto trading alongside equities. Major US banks have either launched or are actively developing stablecoin-based global remittance services. Banks in Korea and Japan are piloting cross-border stablecoin remittance projects. Japan, following the US and Hong Kong, has committed to approving cryptocurrency-backed ETFs by 2028.

Digital Asset Basic Act: Key issues and timeline

	Details
Key issues	Cap on major shareholder ownership in virtual asset exchanges (15-20%) → Debate between ownership dispersion vs potential side effects
	Whether to limit stablecoin issuers to bank-led structures (*eg*, requirement of 50% + 1 share ownership by banks)
Discussion timeline	Jul 2025: Passage of the GENIUS Act (US)
	Sep 2025: Launch of the ruling party's Digital Asset Committee
	Dec 2025: FSC proposes ownership cap on virtual asset exchanges to the ruling party
	Jan 2026: Ruling party task force opposes FSC proposal
	Feb 2026: Policy Committee Chair supports FSC proposal
	Mar 2026: Ruling party task force partially accepts FSC proposal
	Mar 2026: Bipartisan consultation on the Digital Asset Basic Act postponed
	Current: Legislation of the Digital Asset Basic Act currently delayed

Source: Media reports, Samsung Securities

Identifying potential beneficiaries: Virtual asset exchanges lead the way

Efforts to identify winners from Korea's upcoming digital asset regulation have intensified, but clear frontrunners remain elusive

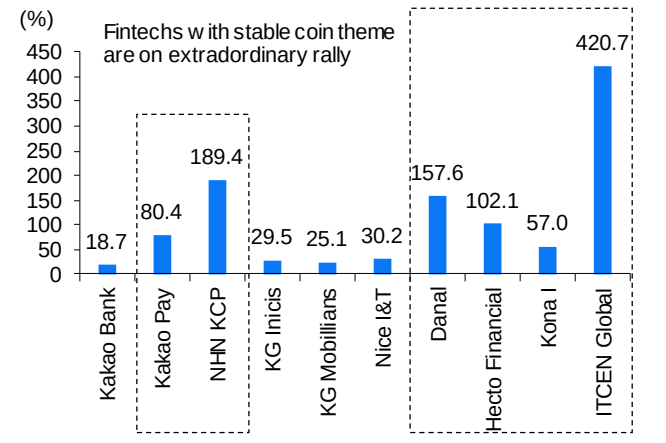
Since last year, Korean investors have gravitated toward companies expected to benefit from regulatory progress. Rallies in stocks such as Danal, Hecto Financial, ITCEN Global, NHN KCP, and Kakao Pay since May 2025 were partly driven by market optimism over potential regulatory progress.

However, identifying the true beneficiaries is difficult amid today's regulatory uncertainty. First, there are no clear rules for stablecoin issuers. Second, skepticism around stablecoin adoption persists. Most importantly, the path to profitability remains highly uncertain. If multiple licenses are issued, competition could intensify, echoing the US experience with Circle, leading to margin pressure as firms race to build distribution networks and ultimately squeezing returns.

Virtual asset exchanges remain the most likely primary beneficiaries, as seen with Coinbase

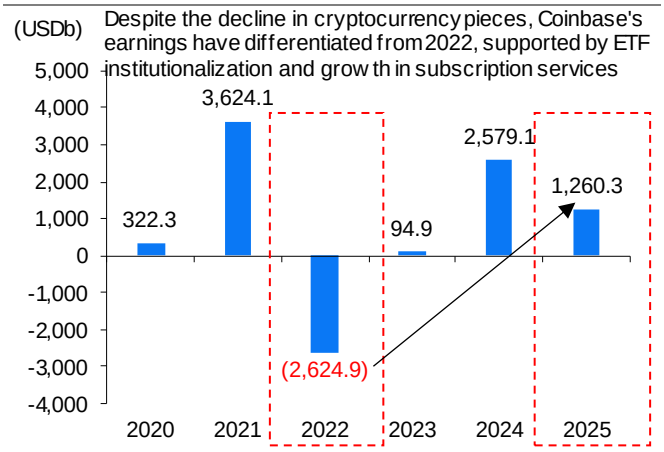
Looking at Coinbase's case in the US, we believe virtual asset exchanges stand to gain in two main ways: 1) by capturing a share of revenue from stablecoin transactions; and 2) if crypto-backed ETFs are launched in Korea, by benefiting directly from higher trading volumes in the underlying assets. Coinbase saw not only higher institutional trading volume but also lower volatility in trading value, enhancing both the scale and quality of its earnings. If Korea's regulatory framework follows a similar path, domestic exchanges could see comparable improvements in operating results.

Financial firms: Share-price performance since May 2025



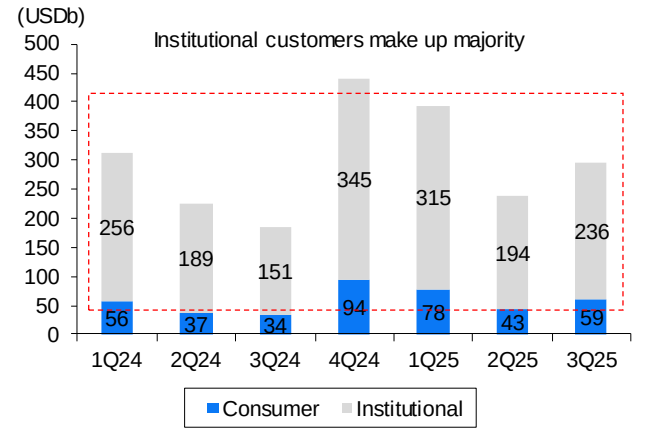
Source: QuantiWise, Samsung Securities

Coinbase: Net profit



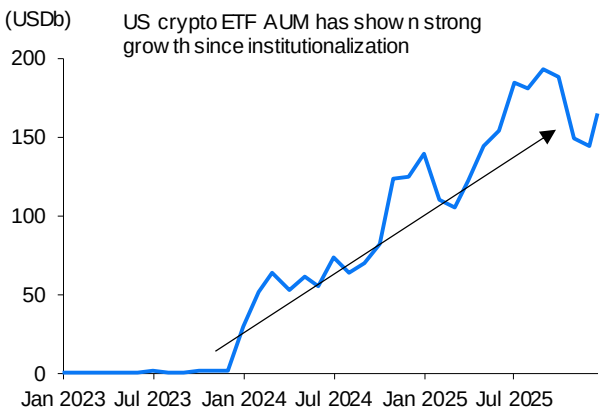
Source: Company data, Samsung Securities

Coinbase: Transaction volume breakdown



Source: Company data, Samsung Securities

US cryptocurrency ETFs: AUM



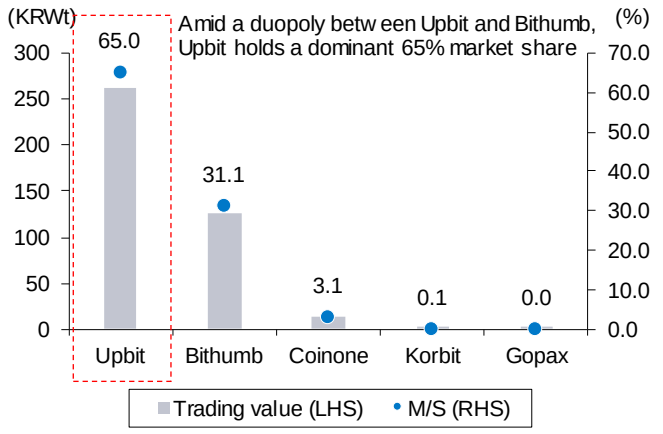
Source: Morningstar, Bloomberg, Samsung Securities

Upbit leads Korea's virtual asset exchange market

Upbit dominates Korea's virtual asset exchange market, holding the largest share, backed by its strategic partnership with Kbank. As of 4Q25, its trading value amounted to KRW261t, or 65% of the total across Korea's five major exchanges. Despite recent crypto price corrections, its monthly active users remained at 4.53m as of Jul 2025.

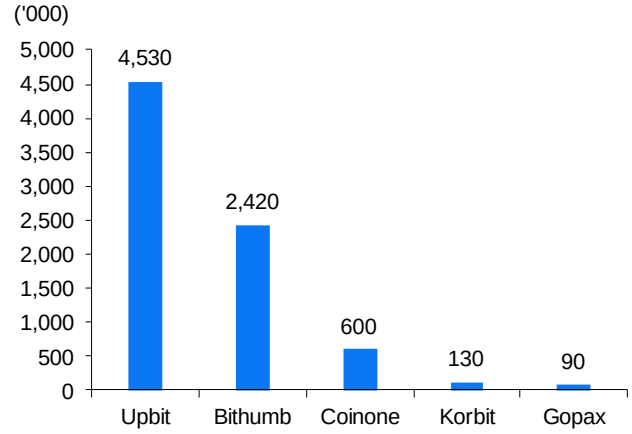
This scale provides a decisive advantage. Beyond stablecoin distribution, Upbit is well positioned to serve as the primary platform for future crypto ETF trading. ETF issuers (asset management companies) should naturally favor the top exchange, as ETFs require deep liquidity to ensure smooth, efficient trading.

Korean virtual asset exchanges: Transaction value



Note: As of 2025
Source: Coingecko, Samsung Securities

Korean virtual asset exchanges: MAU



Note: As of Jul 2025
Source: Wise App Retail, Samsung Securities

Kbank as inevitable proxy for Upbit

Kbank is a compelling alternative to Upbit, which remains unlisted

Dunamu, the operator of Upbit, is unlisted, making direct investment impossible. However, Kbank offers a compelling alternative. The internet-primary bank is the exclusive banking gateway for all Korean won moving to and from Upbit. As a result, it stands to benefit in two key ways.

Benefit 1: Expansion of customer base and new revenue streams

With the potential introduction of a regulatory framework for stablecoins and crypto ETFs, financial institutions are expected to route capital through licensed banks to access crypto markets. Under the current structure, any ETF issuer seeking to hold cryptocurrency as an underlying asset would need to route funds through a bank connected to an exchange. For Upbit, Korea's largest virtual asset exchange, this would mean Kbank.

Market-maker inflows could further accelerate this trend. Market makers are essential to ensuring price stability in both stablecoins and crypto ETFs. They arbitrage away price discrepancies, such as a stablecoin trading below USD1, and absorb liquidity shocks to prevent market distortions. Korean regulators are reportedly considering a market-maker framework modeled on the equity market.

For Kbank, this represents a major opportunity. The bank could not only expand its customer base across various financial institutions but also create diverse business opportunities targeting those clients. For example, Kbank could extend credit lines to market makers to support their liquidity operations, thereby expanding its loan portfolio while generating higher-margin, recurring revenue.

Benefit 2: Attracting foreign residents as customers

One of the most commonly cited use cases for stablecoins is cross-border remittances, as they offer a faster, cheaper alternative to traditional SWIFT transfers.

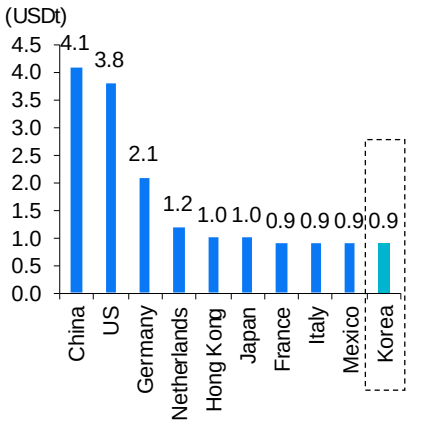
This demand falls into two categories: B2B (corporate payments) and (B2C personal remittances). In Korea, however, B2B dominates the remittance market. As a top-10 global trading nation, Korea moves large sums through corporate channels. Yet, unlike North America or Europe, Korea has relatively low labor mobility, keeping personal remittances relatively small in scale. That said, large corporations, as seen in the cases of JPMorgan and Posco Holdings, may rely on established banking relationships rather than private stablecoins for cross-border payments.

Against this backdrop, the largest potential market for stablecoin-based cross-border remittances may be foreign residents living in Korea. In 2024, more than 1m foreign workers were registered in Korea, while the total foreign resident population reached 2.65m, or nearly 5.2% of Korea's population of 51m.

The framework for cross-border stablecoin remittances has yet to be finalized, leaving significant regulatory uncertainty. While Korea is actively exploring frameworks for stablecoins and personal remittances, the final structure remains fluid. Future fintech apps could allow users to purchase stablecoins and send them abroad directly, bypassing exchanges such as Upbit entirely. In that scenario, remittance volume through Upbit could fall short of expectations.

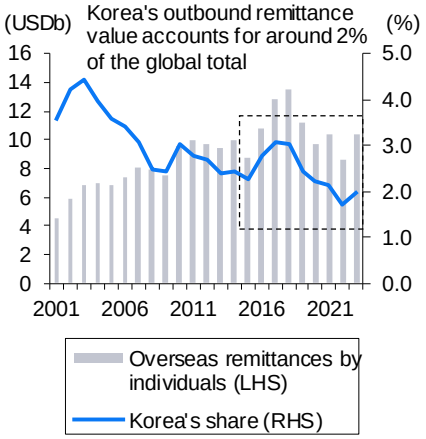
However, if users are required to use Upbit for cross-border remittances, they would first need to open a Kbank deposit account. This requirement would create a strategic opportunity for Kbank: by integrating the account with salary deposits, debit cards, and other core banking features, the bank could identify foreign residents in Korea who rely on Upbit for international transfers and develop financial products tailored to their needs. For example, Kbank could use transaction data to offer targeted cross-selling opportunities in loans, insurance, and other services. For these users, this would open new pathways to financial services they previously could not easily access.

Top 10 countries, by global trade



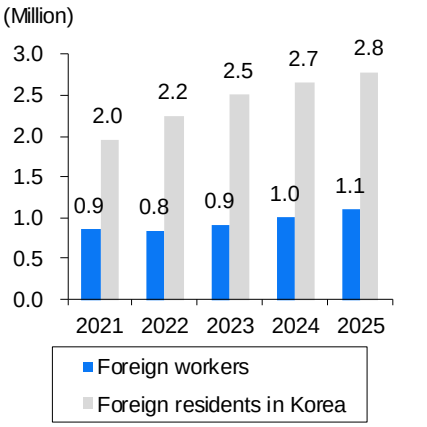
Note: As of 1H25
Source: BOK, Samsung Securities

Korea: Outbound remittances



Source: World Bank, Samsung Securities

Korea: Foreign workers and residents



Source: KOSIS, Samsung Securities

Investment point 3: Attractive valuation—Differentiated growth drives earnings and valuation upside

Global internet-primary banks trade at valuation premiums

Internet-primary banks derate after US Fed's 2022 rate hikes, amid long-standing skepticism over stretched valuations…

Valuation has long been one of the most debated issues for fintech and internet-primary banks. While traditional banks typically traded at P/B multiples of around 1x or lower, smaller financial institutions saw their P/B multiples surge to as high as 10x amid the acceleration of digital banking during the pandemic. NU Holdings, for example, reached 9.7x P/B in 2021.

Amid the Fed's rapid rate hikes in 2022, these banks suffered steep valuation corrections, which appeared to validate earlier criticism. Rising rates weighed heavily on high-multiple stocks, while internet-primary banks faced slowing growth and deteriorating asset quality as borrowing costs rose, exposing structural limitations.

…but multiples began recovering rapidly in 2023

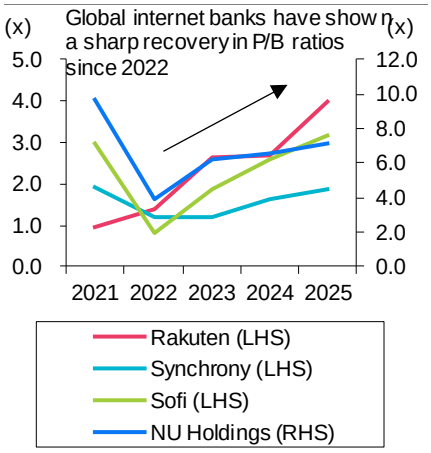
Since 2023, however, internet-primary bank valuations have rebounded sharply, supported by: 1) improved fundamentals across both traditional and internet-primary banks, driven by economic recovery and higher net interest margins; and 2) the structural shift toward digital banking, accelerated by the pandemic, which confirmed internet-primary banks' differentiated growth potential.

Internet-primary banks' valuation premiums vs traditional banks deserve attention

P/B multiples vary significantly among internet-primary banks. NU Holdings in Brazil is trading at 4.7x 2026 P/B; Indonesia's Superbank—which listed this year, and in which Kakao Bank has a stake—is trading at 3.6x; and Rakuten Bank (Japan) is trading at 2.1x.

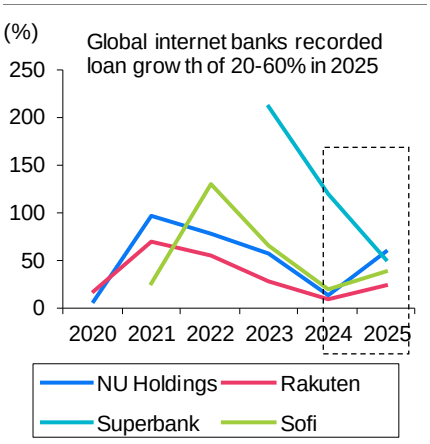
Notably, even internet-primary banks without platform operations are now trading at consistent valuation premiums to large domestic banks, provided they demonstrate improved earnings stability and measurable growth. Superbank's P/B multiple is 196% higher than the average of Indonesia's top three banks, while Rakuten Bank's multiple is 43% higher than the average of Japan's top three traditional banks.

Global internet-primary banks: P/B multiple



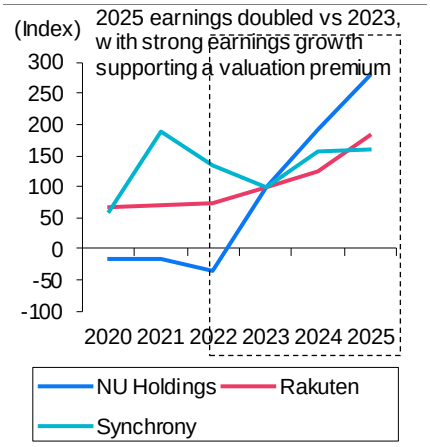
Source: Bloomberg, Samsung Securities

Global internet-primary banks: Loan growth



Source: Bloomberg, Samsung Securities

Global internet-primary banks: Net profit growth



Note: Each company's 2023 net profit indexed to 100
Source: Bloomberg, Samsung Securities

P/B multiples: Superbank and Rakuten Bank vs big-three banks in their respective markets

Big-three Indonesian banks	P/B (x)	Big-three Japanese banks	P/B (x)
Rakyat	1.5	MUFG	1.5
Mandiri	1.4	SMFG	1.4
Negara	0.8	Mizuho	1.5
Average	1.2	Average	1.5
Superbank	**3.6**	**Rakuten Bank**	**2.1**
Diff (%)	**196.4**	**Diff (%)**	**43.1**

Source: Bloomberg, Samsung Securities

Conditions for internet-primary bank premiums: Differentiated ROE, growth, or non-interest portion of income

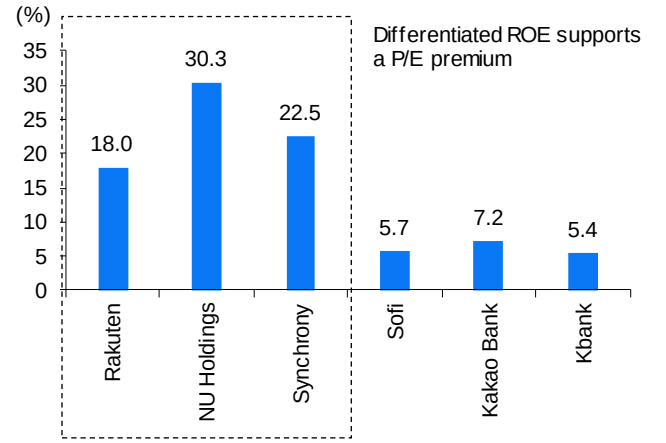
A valuation premium cannot be justified by the "internet-primary bank" label alone. Based on the examples above, internet-primary banks need to demonstrate one or more of the following to command a premium: 1) high ROE as a proxy for profitability; 2) differentiated growth, measured by loan growth or earnings growth; and 3) a high non-interest portion of income, signaling platform-like characteristics.

Indeed, in 2025, NU Holdings posted loan growth of 57.7% and an ROE of 30.3%; Rakuten Bank achieved an ROE of 18%, loan growth of 23.4%, and a 30.2% non-interest portion of income; and SoFi Technologies (US), despite a low ROE, generated 35.8% of its earnings from non-interest sources.

Notably, being a platform is no longer a prerequisite for a valuation premium. While NU Holdings benefits from an additional premium thanks to its expanding platform ecosystem, it and other firms—including Synchrony Financial and Superbank—generate more than 90% of their profits from interest income, with non-interest income shares of around 10%. In this sense, their revenue structures are closer to those of traditional banks.

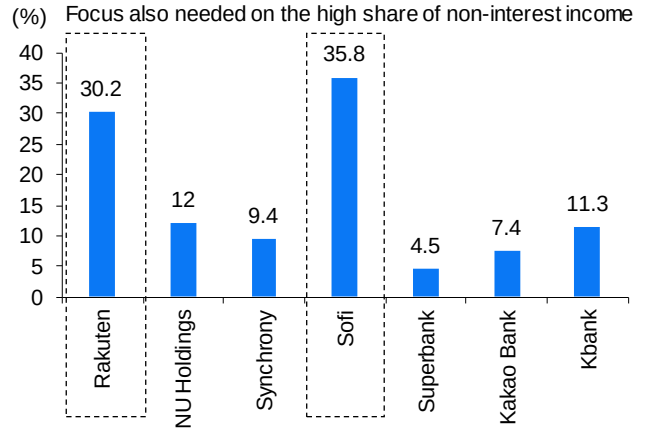
Thus, the primary drivers of valuation premiums for internet-primary banks are differentiated growth and profitability, with platform potential serving as a secondary premium factor.

Global internet-primary banks: ROE



Note: As of 2025
Source: Bloomberg, Samsung Securities

Global internet-primary banks' proportion of non-interest income



Note: As of 2025
Source: Bloomberg, Samsung Securities

Conditions for valuation premiums in Korean internet-primary banks: Growth and ROE

What Korean internet-primary banks need to command premiums: Growth and ROE

Kakao Bank's valuation trajectory illustrates what Korean internet-primary banks need to command a valuation premium. In short, fading expectations for its financial-platform potential drove its derating from a previous P/B of more than 10x, while expectations for superior growth versus traditional banks and differentiated ROE underpin its remaining premium.

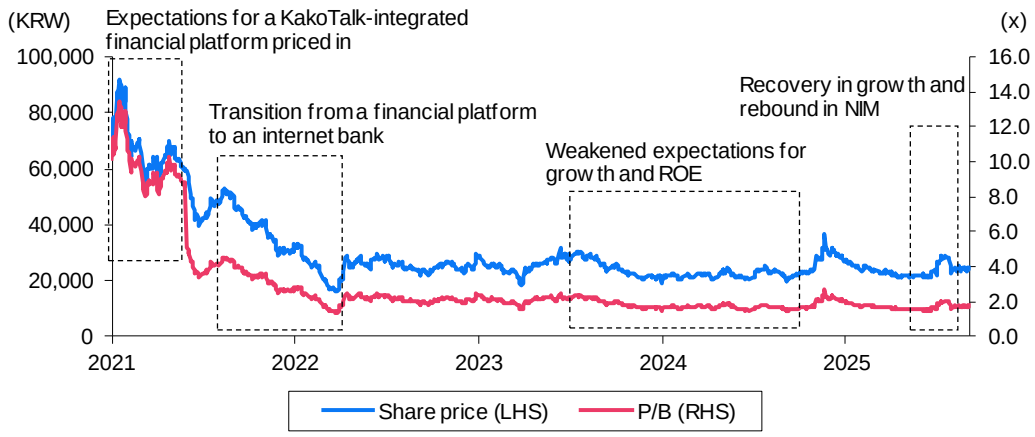
Initial differentiated premium after IPO—Valuation driven by platform expectations: Shortly after its IPO, Kakao Bank's P/B multiple rose to 13.4x, fueled by strong expectations for its potential as a financial platform. Differentiated financial services—such as KakaoTalk-linked "transparent accounts"—which allow funds collected from chat-group members to be managed transparently—and unique consumer appeal reinforced perceptions of its platform potential.

Post-2022 derating—From platform expectations to internet-primary bank reality: Kakao Bank's valuation has since declined as market focus shifted from platform potential to core banking fundamentals. This shift occurred because: 1) growth in non-interest and platform-related income has been slower than anticipated; 2) growth has been driven primarily by interest income through rapid loan expansion; and 3) crucially, there has been no meaningful rollout of investment-platform offerings, such as mobile trading systems, that were central to the post-pandemic digital-finance narrative.

Further derating over 2024-2025 as growth and ROE expectations weakened: Despite efforts to enhance corporate value, Kakao Bank's valuation declined further. This was due to: 1) slowing household loan growth, which cast doubt on its high-growth story; and 2) a sharp drop in NIM, which delayed a return to meaningful ROE expansion.

Rebound in 2026 on growth and NIM recovery: This year, Kakao Bank's valuation has begun to recover, as strong results—marked by renewed loan growth, a sharp NIM rebound, and clearer visibility on ROE recovery—have reignited investor interest.

Kakao Bank: Share price vs P/B multiple



Source: QuantiWise, Samsung Securities

Kbank set for robust growth and rise in ROE, supported by low base, economies of scale

Kbank is trading at a compelling 1x 2026 P/B, and we believe it has significant potential to trade at a premium to conventional banks.

To enjoy rapid loan growth from a low base

Kbank's loan book remains modest at KRW18.4t as of end-2025, equivalent to just 39% of Kakao Bank's KRW46.9t. However, its growth rate far outpaces that of its larger rival, with Kbank sustaining double-digit loan growth. In 2025, Kbank added KRW2.1t in loans versus Kakao Bank's KRW3.7t, but the relative impact was far greater for Kbank: a KRW3t increase represented growth of 6.4% for Kakao Bank but 16.3% for Kbank—more than 2.5x as high.

Annual net loan growth: Kbank vs Kakao Bank

(KRWb)	2023	2024	2025
Kbank			
Household	2,181.0	2,253.4	952.4
SOHO	880.1	176.2	1,159.3
Total	3,061.1	2,429.6	2,111.7
Kakao Bank			
Household	9,926.5	3,583.5	2,545.0
SOHO	859.4	945.1	1,160.2
Total	10,785.9	4,528.6	3,705.2

Source: Company data, Samsung Securities

Loan growth estimates: Kbank vs Kakao Bank

(KRWt)					
Assumed net loan increase		**2**	**3**	**4**	**5**
Loan balance (end-2025)					
Kakao Bank	46.9	48.9	49.9	50.9	51.9
Kbank	18.4	20.4	21.4	22.4	23.4
Loan growth (%)					
Kakao Bank		4.3	6.4	8.5	10.7
Kbank		10.9	16.3	21.8	27.2
Kakao Bank / Kbank					**0.39**

Source: Company data, Samsung Securities

Earnings to expand rapidly on low-base effects, lower credit costs, and economies of scale

Kbank's 2025 net profit of KRW112.6b equates to just 23.4% of Kakao Bank's. However, its earnings momentum should be stronger than its peer's for three reasons: 1) as loans grow, earnings should expand as well; 2) its credit costs, currently excessively high, should decline meaningfully as loan quality stabilizes; and 3) economies of scale should ultimately improve both earnings and stability.

For reference, at a 1% ROA, every KRW1t in new loans would generate KRW10b in profit (Kbank expects no corporate tax in 2026). A 10bp drop in credit costs on KRW18.4t in loans would reduce loan loss provisions by KRW18.4b.

If Kbank achieves KRW3.5t in annual loan growth and lowers its credit cost by 20bps, annual earnings should increase by KRW77.6b, equivalent to 63.7% of its 2025 earnings.

Earnings sensitivity to net loan growth

1. Estimated earnings increase from net loan growth

(KRWb)		Assumed net increase in household loans (KRWt)					
		0.5	1.0	1.5	2.0	2.5	3.0
Assumed net increase in SOHO loans (KRWt)	1.0	15.0	20.0	25.0	30.0	35.0	40.0
	1.5	20.0	25.0	30.0	35.0	40.0	45.0
	2.0	25.0	30.0	35.0	40.0	45.0	50.0
	2.5	30.0	35.0	40.0	45.0	50.0	55.0
	3.0	35.0	40.0	45.0	50.0	55.0	60.0

2. Earnings increase from loan growth vs 2025 pre-tax income

(%)		Assumed net increase in household loans (KRWt)					
		0.5	1.0	1.5	2.0	2.5	3.0
Assumed net increase in SOHO loans (KRWt)	1.0	13.3	17.8	22.2	26.6	31.1	35.5
	1.5	17.8	22.2	26.6	31.1	35.5	40.0
	2.0	22.2	26.6	31.1	35.5	40.0	44.4
	2.5	26.6	31.1	35.5	40.0	44.4	48.8
	3.0	31.1	35.5	40.0	44.4	48.8	53.3

Note: Based on 2025 net profit;
Assumes 1% yield on loans
Source: Samsung Securities estimates

Earnings sensitivity to CCR improvement

1. 2025 CCR and Kbank total credit

CCR (%)	Kbank	1.23
	Kakao Bank	0.54
Kbank total credit (KRWb)		18,378.7

2. Estimated earnings increase from CCR improvement

Assumed CCR improvement (%pts)					
	0.1	0.2	0.3	0.4	0.5
Earnings increase (KRWb)	18.4	36.8	55.1	73.5	91.9
vs 2025 NP (%)	16.3	32.6	49.0	65.3	81.6

Source: Samsung Securities estimates

CET-1 ratio of 21.6% implies a path to higher ROE

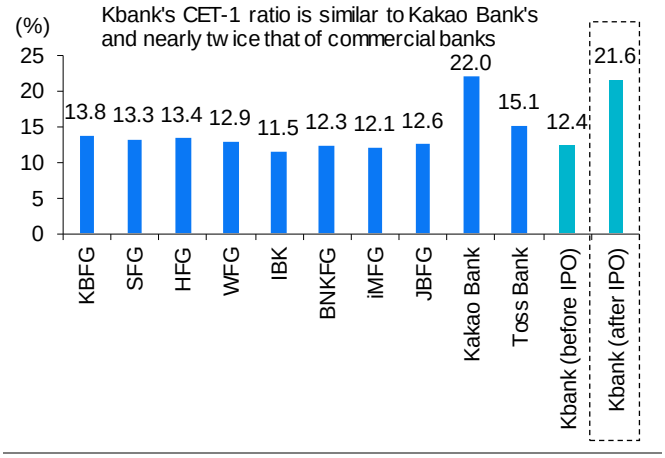
Kbank's CET-1 ratio rose to 21.6% after its IPO, more than double the level of major financial groups and nearly on par with Kakao Bank's 22%.

This strong capital position signals clear potential to lift ROE through higher leverage. At end-2025, Kbank's asset-to-equity ratio stood at 15.1x. If the bank were to reduce its CET-1 ratio to a normalized 12.5% while growing its assets, its asset-to-equity ratio could rise to as high as 26.1x (based on end-2025 equity). That said, we believe the actual ratio will remain well below this theoretical level.

- At Kbank's 2025 ROA of 0.35%, an asset-to-equity ratio of 26.1x would imply an ROE of 9.1%.
- However, a 0.35% ROA is well below the industry average. A more realistic assumption—a recovery to 0.55% ROA, equivalent to 80% of Kakao Bank's 2025 ROA of 0.69%—would push ROE to 14.4% under the same leverage profile.
- Even this may prove conservative. As Kbank grows, its capital base should naturally expand, allowing for further leverage expansion over time. Combined with economies of scale, ROA could exceed the above assumption.

In short, Kbank's sustained ROE improvement relative to traditional banks should ultimately translate into a valuation premium. This dynamic has already been validated by JB Financial Group, whose solid ROE directly supported a rising P/B multiple.

Banks: 2025 CET-1 ratio



Source: Company data, Samsung Securities

Estimated ROE improvement from increased leverage and improved ROA

Item	Key assumptions and results	
CET-1 ratio	Post-IPO (estimate) (A)	21.6%
	Fair-level estimate (B)	12.5%
	A/B (x)	1.7
Asset-to-equity ratio	2025 (D)	15.1
	If CET-1 ratio is 12.5% (E = DxC)	26.1
ROA	2025 (F)	0.35%
	Fair-level* estimate (G = Hx0.8)	0.55%
	Kakao Bank (H)	0.69%
ROE	2025	5.37%
	Assumed ROA of 2025 level (F x E)	**9.1%**
	Assumed ROA of fair level (F x G)	**14.4%**

Note: *Kbank's fair ROE assumed to be 80% of Kakao Bank's
Source: Samsung Securities estimates

Strong turnaround expected in 2026

Traditional playbook for digital banks: After breakeven, earnings momentum accelerates with loan-book expansion

Interest income accounts for most of a bank's earnings, a structure that naturally fuels profit growth once the bank passes its breakeven point. Kakao Bank exemplifies this pattern. After turning profitable in 2019, its earnings surged 55.8% in 2021 and 28.9% in 2022, and have continued to grow steadily in line with asset growth.

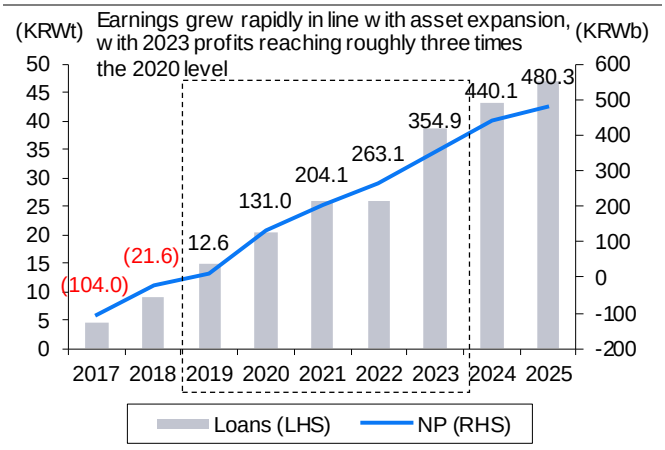
Kbank's earnings: Recovery delayed but likely to pick up steam in 2026

Kbank was expected to follow suit. However, in 2025, its earnings contracted 12.7% as NIM fell 52bps y-y from 1.91% to 1.39%, largely due to interest payments on deposits linked to Upbit. In other words, while loan growth remained robust, the NIM shock temporarily delayed earnings improvement.

This setback, however, sets the stage for a meaningful rebound in 2026, as: 1) loan growth is expected to continue this year; and 2) NIM is poised to recover on rising loan assets, higher interest rates, and the fading impact of Upbit-related deposit costs.

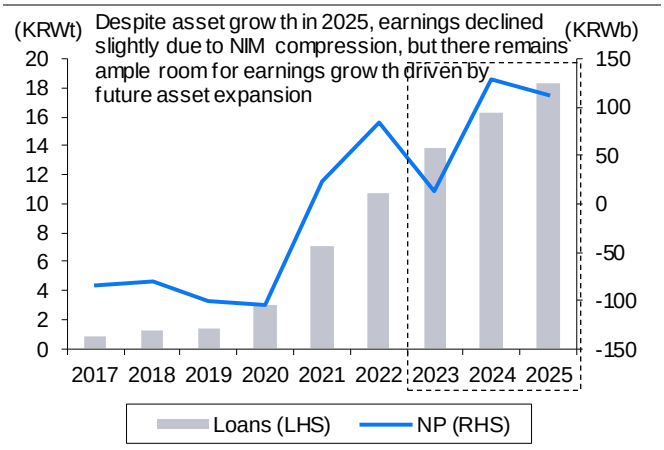
We expect Kbank's net profit to jump 25.3% y-y to KRW141.1b in 2026.

Kakao Bank: Loan balance vs net profit



Source: Company data, Samsung Securities

Kbank: Loan balance vs net profit



Source: Company data, Samsung Securities

Initiating coverage at BUY: Earnings recovery key to restoring market confidence in the near term

Net profit to reach KRW141.1b in 2026 and KRW260.3b in 2028

Net profit to jump 25.3% y-y to KRW141.1b in 2026

Our 2026 net profit forecast of KRW141.1b (up 25.3% y-y) represents a strong growth rate for the banking sector. It is underpinned by three key assumptions: 1) net loan growth of KRW3.6t (up 19.7% y-y); 2) a 14bp improvement in annual NIM; and 3) a 20bp reduction in credit costs to 0.96%.

These assumptions are not overly optimistic. First, if refinancing expands rapidly from SOHO credit loans to secured and guaranteed lending, loan growth could accelerate further. Second, the current interest-rate environment is more favorable to Kbank than to traditional banks, which have guided for only low-to-mid single-digit NIM improvements this year. Third, Kbank's credit cost assumption of 0.96% remains well above the industry average, making it conservative.

Net profit to reach KRW260.3b in 2028, around double the 2025 level

Investors should note that this outsized growth stems from Kbank's low base and the immediate leverage effect of asset expansion. According to our estimates, Kbank's 2028 net profit should reach KRW260.3b, representing a 131.1% increase from 2025 and effectively doubling earnings in just three years.

Kbank: Full-year earnings and forecasts

(KRWb)	2024	2025	2026E	2027E	2028E
NIM (%)	2.15	1.39	1.54	1.63	1.71
Loan growth (% y-y)	**17.6**	**13.0**	**19.7**	**19.6**	**18.1**
Credit costs (%)	**1.52**	**1.16**	**0.96**	**0.80**	**0.65**
SG&A costs-to-total assets (%)	0.59	0.72	0.71	0.69	0.67
ROA (%)	0.5	0.4	0.4	0.5	0.6
ROE (%)	**6.6**	**5.4**	**6.0**	**7.7**	**9.0**
Net interest income	**481.5**	**444.2**	**548.4**	**661.7**	**787.3**
Non-interest income	61.3	81.5	71.3	78.8	84.9
Provisioning expenses	(246.8)	(212.5)	(210.4)	(210.3)	(202.0)
SG&A expenses	(182.6)	(227.9)	(256.6)	(284.8)	(313.3)
Operating profit	133.0	117.1	151.7	244.4	355.8
Pre-tax profit	132.8	113.6	141.1	232.9	343.4
Net profit	**128.1**	**112.6**	**141.1**	**205.0**	**260.3**
Total assets	31,183	31,864	36,113	41,094	46,513
Total liabilities	29,188	29,693	33,551	38,327	43,486
Total capital	1,996	2,172	2,562	2,767	3,027

Source: Company data, Samsung Securities estimates

Initiating coverage at BUY with KRW9,000 target price

We initiate coverage of Kbank at BUY with a 12-month target price of KRW9,000. Our target is equivalent to 2026E P/B of 1.4x and P/E of 25.9x—reflecting: 1) a 66.6% premium to the average P/B multiples of Korea's four major financial holding groups (0.84x); 2) a 15.2% discount to Kakao Bank's current P/B (1.65x); and 3) a meaningful discount to the 100% P/B premium currently applied to Kakao Bank relative to traditional banks. At the current share price, our target implies 41.3% upside.

Kbank-specific factor 1: Valuation premium justified by global internet-primary bank precedents

The most contentious aspect of our target price is the P/B multiple. In 2026, Kbank's ROE is still expected to lag traditional banks, its earnings base will remain relatively small, and earnings volatility could remain elevated, largely because its revenue model remains heavily dependent on interest income, mirroring the traditional banking structure. These factors naturally raise the question of whether a valuation premium is justified.

However, our valuation is aligned with a global trend: leading internet-primary banks consistently trade at premiums to their traditional domestic peers. While the magnitude varies widely, ranging from around 50% in Japan to more than 200% in Indonesia, we believe Kbank deserves a valuation premium given the prospects of rapid loan and earnings growth over the next three years.

Kbank-specific factor 2: Applying a discount to Kakao Bank's valuation premium

Kbank's valuation is calibrated against Kakao Bank's current P/B of 1.65x, which is 96.4% above the average of Korea's four major financial holding companies (0.84x). Kakao Bank's premium is driven by two factors: 1) lingering investor optimism around its ecosystem platform, despite significant share dilution since the IPO; and 2) superior asset and earnings growth relative to traditional banks.

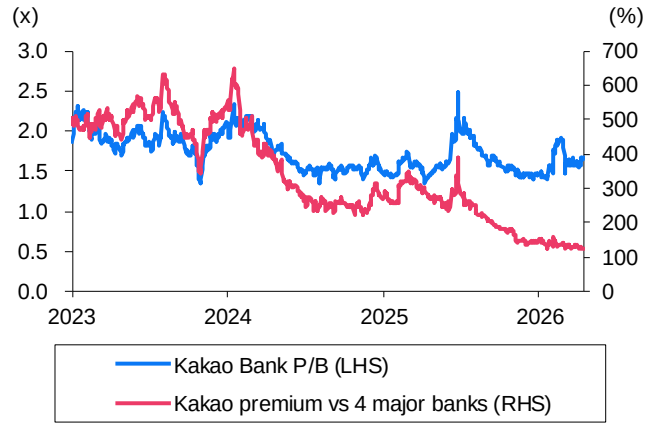
We apply only 50% of Kakao Bank's premium to Kbank to reflect three key differences: 1) Kbank lacks a comparable platform narrative—its ecosystem is less developed and less likely to generate similar investor enthusiasm; 2) given its smaller earnings base, Kbank's profitability is more susceptible to one-off factors; and 3) uncertainty remains over Upbit-related regulatory exposure.

Kbank-specific factor 3: Target price based on 2028 earnings to reflect structural shifts

Our target price is based on 2028 earnings. This reflects three structural shifts since Kbank's IPO: 1) its post-IPO CET-1 ratio has almost doubled, significantly expanding lending capacity and unlocking sustainable growth; 2) new loan products, including the SOHO loan refinancing platform, should reshape its loan portfolio and provide clear upside to profitability; and 3) the bank could become fully subject to corporate income tax in 2027.

In our view, anchoring our valuation in 2028, when earnings are projected to normalize, and using a discounted cash flow approach better captures Kbank's intrinsic value.

Kakao Bank: P/B vs premium to 4 major banks



Source: QuantiWise, Samsung Securities

Kbank: Fair value estimate

(%)	2026E	2027E	2028E
ROE	6.0	7.7	9.0
COE	9.5	9.5	9.5
Growth (% y-y)	2.0	2.0	2.0
Target P/B (x)	0.5	0.8	0.9
Forward BVPS (KRW)	6,314.8	6,820.2	7,461.8
Fair value (KRW)	3,336.1	5,179.2	6,948.8
Valuation premium	50.0	50.0	50.0
Fair value per share (KRW)	5,004.2	7,768.8	10,423.2
Years to reach	0.0	1.0	2.0
Target price (KRW)	5,000	7,000	9,000
Current price (KRW)	6,370	6,370	6,370
Upside (%)	(21.5)	9.9	41.3
Target P/B* (x)	1.4	1.3	1.2

Note: *Based on a target price of KRW9,000
Source: Samsung Securities estimates

Near-term momentum 1: Restoring market confidence in earnings improvement

Easing geopolitical risk is essential

As with other banking stocks, Kbank's valuation recovery hinges on reduced geopolitical uncertainty. The stock is trading roughly 30% below its IPO price of KRW8,300, a decline largely attributable to heightened regional uncertainty over the same period.

Past IPO attempts undermined investor confidence in earnings reliability

For Kbank, however, the deeper issue is investor trust in its earnings improvement. The bank completed its IPO only on its third attempt, indicating that investor engagement and preparatory communication had already taken place during prior efforts. The problem was that earnings after its two earlier IPO attempts fell short of expectations. As a result, skepticism over Kbank's ability to improve operating results sustainably persists.

Kbank's earnings to improve this year amid improving banking-industry conditions

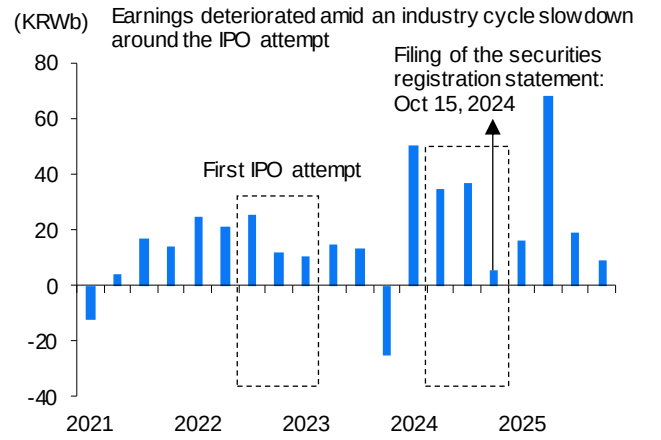
This time, the environment is fundamentally different. Kbank's two previous IPO attempts occurred during a severe banking downturn: the US Fed's aggressive rate hikes triggered defaults among low-credit borrowers, led to PF loan restructurings, and drove up loan loss provisions sharply. By contrast, 2026 is shaping up as a period of banking-sector recovery, characterized by improving loan growth, stabilizing NIM, and declining credit costs. Under these conditions, Kbank's earnings are highly likely to show sustained, meaningful improvement.

Key catalysts to confirm quarterly earnings improvement in 2026: Growth, NIM, and credit costs

The most important driver of Kbank's share-price recovery in the coming months should be q-q improvement in operating results. Macro headwinds may pressure 1H26 results, and Kbank's relatively small earnings base means earnings remain sensitive to one-off factors.

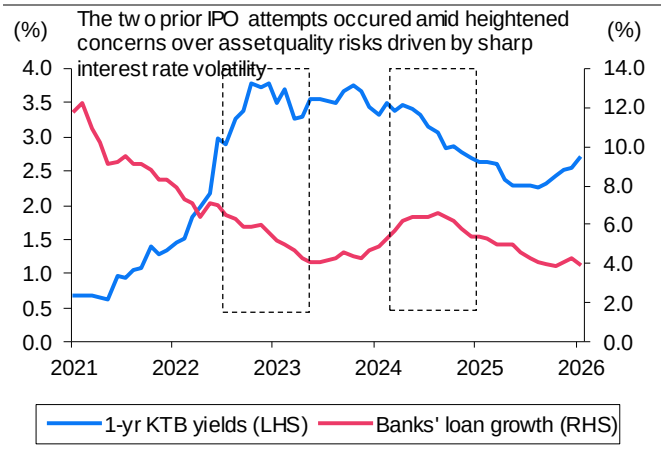
The real story lies in the details—not just the bottom line. Investors need to monitor: 1) the pace of loan growth, fueled by robust growth in SOHO loans; 2) a rebound in NIM; and 3) an accelerating decline and stabilization in credit costs. Given lingering market doubts over Kbank's ability to sustain earnings improvement, multi-quarter improvement in operating results is essential. Investor confidence in earnings momentum and the bank's strategy should return only once these fundamentals are repeatedly demonstrated, setting the stage for a valuation rebound.

Kbank: Quarterly earnings



Source: Company data, Samsung Securities

1-yr KTB yields vs banks' loan growth



Source: BOK, KOFIA, Samsung Securities

Near-term momentum 2: Potential upside from stablecoin- and crypto-related exposure

Current valuation does not reflect crypto-related exposure

Kbank's current valuation fully excludes any premium for exposure to stablecoins or cryptocurrency ecosystems, in stark contrast to other crypto-related Korean companies, which are already trading at substantial valuation premiums.

Clear benefits from serving as gateway to Upbit

Among digital-asset-linked beneficiaries, Kbank's direct ties to Upbit offer more-tangible upside than the speculative names currently dominating market attention. While many investors are betting on high-profile names, it remains unclear which, if any, will deliver meaningful earnings growth. By contrast, Upbit, Korea's largest crypto exchange, is a proven growth driver—and Kbank is the indispensable gateway for fiat flows. This structural role offers a clear, measurable path to improved earnings. With Kbank's valuation still undemanding, there is room for at least part of this premium to be priced in.

Near-term momentum 3: Unusually low foreign ownership; solid earnings to drive further rerating

Foreign ownership remains exceptionally low for a bank

Kbank's foreign ownership stands at just 0.3%. While this reflects its limited free float of just 1.7% post-IPO, its small market cap reduces the likelihood of index-driven buying, and lingering geopolitical concerns since its IPO continue to weigh on investor sentiment.

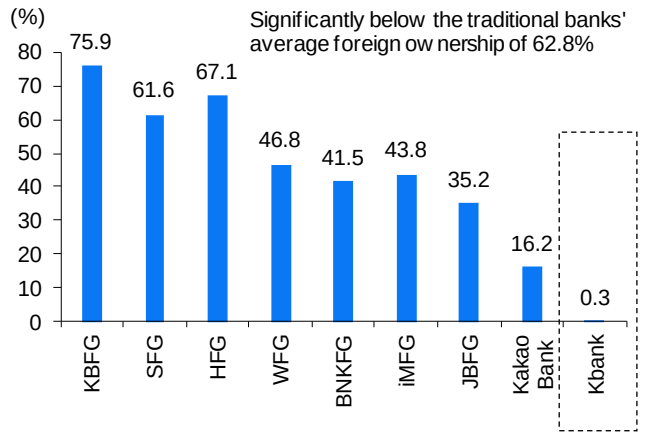
That said, foreign ownership is far below the norm for Korean financial stocks. Foreign ownership stands at: 1) 62.8% on average among the traditional Korean banks we cover; 2) 16.2% at Kakao Bank, or 35.5% excluding stakes held by Kakao and Korea Investment & Securities; and 3) 43.8% at iM Financial Group, a peer with a similar market cap.

Differentiated earnings growth and stability offer a clear path to excess returns

This extremely low foreign ownership implies meaningful upside if Kbank delivers sustained earnings growth and stronger financial stability. The very factors suppressing its valuation—thin earnings, investor skepticism over profitability, and uncertainty around Upbit—should ease if upcoming results are solid, allowing the stock to trade at a higher P/B multiple.

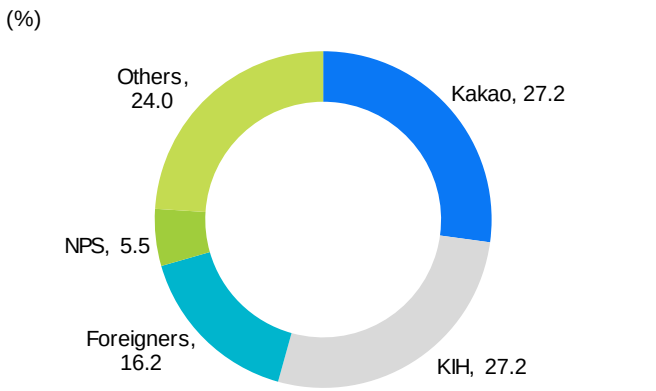
Furthermore, ownership is now concentrated among domestic investors. If earnings momentum attracts foreign capital and diversifies the shareholder base, a broader rerating could follow.

Banks: Foreign ownership



Note: As of Apr 8
Source: QuantiWise, Samsung Securities

Kakao Bank: Shareholder structure



Note: As of end-2025
Source: DART, Samsung Securities

Risks

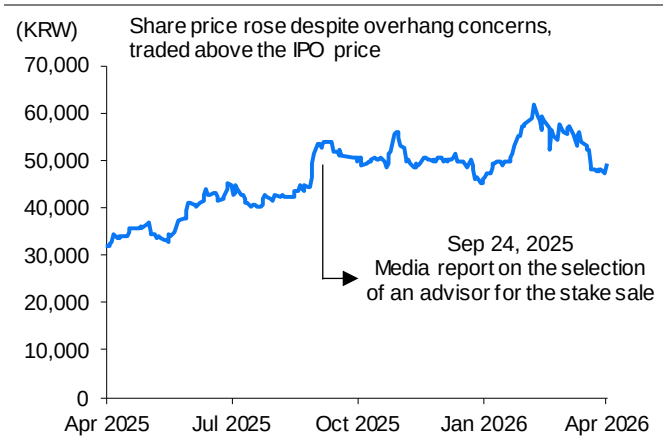
Overhang could lift volatility in short term

The lock-up period for 25m Kbank shares held by financial investors will expire in June and September, three and six months after the IPO. These shares account for 6.31% of total outstanding shares.

However, several factors suggest this risk may be overstated. First, with Kbank trading well below its IPO price of KRW8,300, selling pressure should remain limited for some time. Second, the increase in free float should enhance market depth. Third, Seoul Guarantee Insurance, which went public in Mar 2025, continued to rally on improving fundamentals despite selling pressure from major shareholders. This suggests that, for Kbank, strong operating results could limit the impact of share overhang.

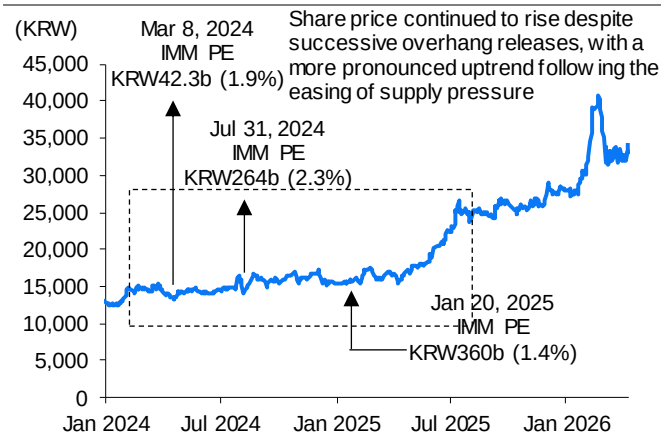
Moreover, the psychological impact of lock-up expirations tends to fade. The case of Woori Financial Group (WFG) shows that, after initial block trades are absorbed, investor concerns about overhang often dissipate—or even reverse. WFG's stock continued climbing even through multiple block sales.

Seoul Guarantee Insurance: Share price



Source: Media reports, company data, Samsung Securities

WFG: Share price



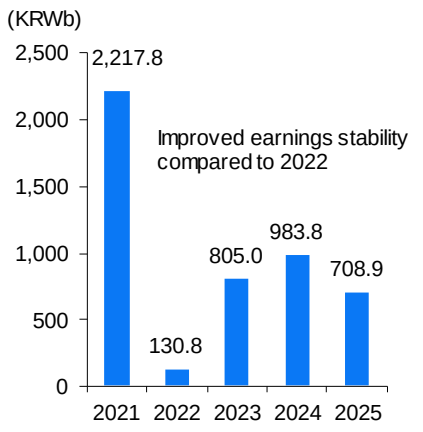
Source: Media reports, company data, Samsung Securities

Risk of Upbit adding partner banks or switching banks appear overstated

Some investors have expressed concerns that Upbit may add new partner banks or switch from Kbank, potentially eliminating the exclusivity of Kbank's access to Upbit-related deposit flows—or, in the worst case, triggering a full withdrawal. However, we see three reasons why these concerns are largely exaggerated.

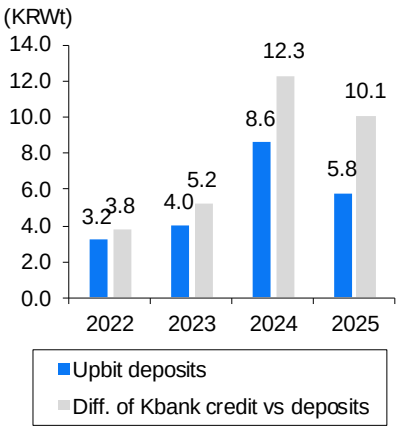
- **System reliability is Upbit's top priority:** As Korea's leading virtual asset exchange, Upbit has no compelling reason to disrupt its current banking arrangement. Rival Bithumb's recent incident (involving a mistaken distribution) and past MTS failures at securities brokers underscore one key lesson: when trading volume is massive and continuous, system reliability is non-negotiable. In particular, Upbit operates a 24/7, 365-day trading platform with millions of transactions each day. For a market leader of this scale, switching partner banks would introduce operational risk without clear upside. The cost of disruption far outweighs any speculative benefit, making a change highly improbable.
- **Incentives from a bank switch are unclear:** There is also no tangible advantage for Upbit in changing its partner bank. In 2025 alone, it earned KRW700b in net profit from transaction fees tied to trading on its platform. Looking ahead, further revenue growth is expected as stablecoins and crypto ETFs are approved in Korea. Crucially, customer loyalty to Upbit stems from its platform reliability, liquidity, and brand trust—not from its partner bank.
- **Even a full withdrawal would have minimal impact on Kbank:** Even in the most pessimistic scenario—all Upbit deposits leaving Kbank—the impact on Kbank's liquidity and NIM would be limited. At end-2025, Upbit deposits totaled KRW5.8t, equivalent to 20.4% of Kbank's total deposits of KRW28.4t. However, Kbank's loan balance stood at just KRW18.4t, meaning more than one-third of deposits are already allocated to short-term, highly liquid assets rather than loans. First, Upbit deposits are invested primarily in low-risk, easily tradable instruments, such as repurchase agreements, money market funds, and short-term government bonds. Second, the 2.1% interest rate paid on these deposits is well below the 2.76% yield on MMFs as of Mar 2026, leaving a narrow spread of just 0.66%pts—significantly lower than Kbank's 2025 NIM of 1.39%.

Upbit: Net profit



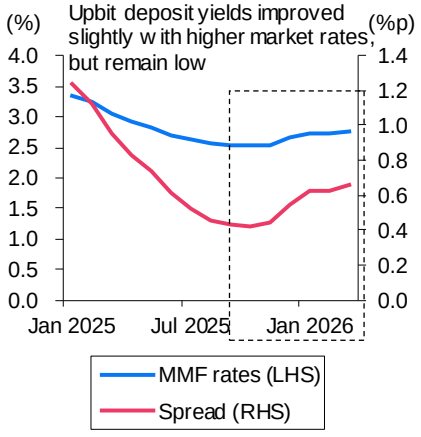
Source: Dunamu, Samsung Securities

Upbit deposits vs difference between Kbank's total credit and deposits



Source: Company data, Samsung Securities

MMF interest rates vs Upbit's deposit rate spread



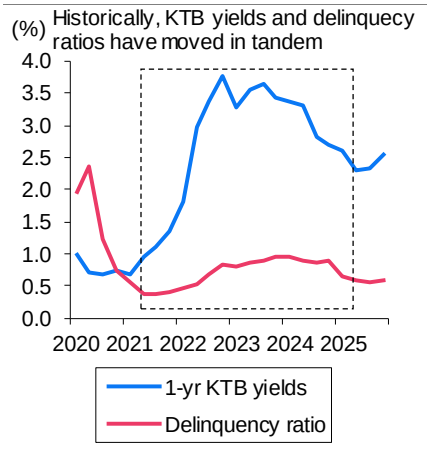
Source: BOK, Samsung Securities

Sharp interest-rate increases may bring asset-quality risk into focus

From a macro perspective, if interest rates rise sharply, as they did at the start of the Russia-Ukraine war, Kbank may be viewed as riskier than traditional banks. This is because: 1) unsecured loans account for 46.8% of its household loan book; and 2) 32.5% of those unsecured loans are extended to lower-credit borrowers. The market has already seen this play out: when rates rose sharply starting in 2022, Kbank's delinquency rate climbed.

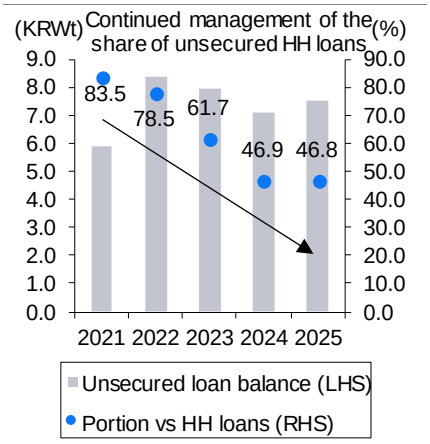
However, the actual impact on earnings is likely to be limited. The bank has gained experience through previous rate-hike and rate-cut cycles, and has reduced its exposure through deleveraging, thereby mitigating some of the risk.

1-yr KTB yields vs Kbank delinquency ratio



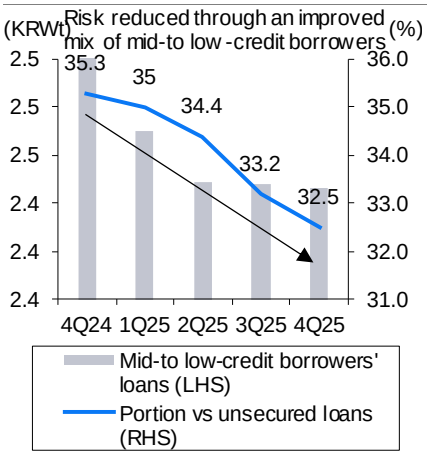
Source: KOFIA, company data, Samsung Securities

Kbank: Unsecured loan balance and as portion of total household loans



Source: Company data, Samsung Securities

Kbank: Loan balance to lower-credit borrowers and as portion of total unsecured loans



Source: Company data, Samsung Securities

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash & dues	1,015.3	1,413.5	1,530.0	1,656.1	1,778.6
Financial instruments	5,247.1	5,832.9	6,313.8	6,834.2	7,339.7
Net loans	24,404.5	24,065.3	27,693.8	32,005.4	36,772.3
Interest earning assets	**30,667**	**31,312**	**35,538**	**40,496**	**45,891**
Other assets	516	553	575	598	623
Total assets	**31,183**	**31,864**	**36,113**	**41,094**	**46,513**
Deposits	28,569	28,432	32,571	37,276	42,260
Borrowings /debentures / other	0	0	0	0	4
Interest bearing liabilities	**28,569**	**28,432**	**32,571**	**37,276**	**42,264**
Other liabilities	619	1,261	980	1,052	1,222
Total liabilities	**29,188**	**29,693**	**33,551**	**38,327**	**43,486**
Paid-in capital	1,878	1,878	2,028	2,028	2,028
Capital surplus	0	0	99	99	99
Retained earnings	113	224	365	570	830
Capital adjustment	2	2	2	2	2
Other	2	67	67	67	67
Total shareholder equity	**1,996**	**2,172**	**2,562**	**2,767**	**3,027**

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Net interest income before prov.	**481.5**	**444.2**	**548.4**	**661.7**	**787.3**
Loan—loss provisioning	(246.8)	(212.5)	(210.4)	(210.3)	(202.0)
Net interest income after prov.	**234.8**	**231.7**	**338.1**	**451.4**	**585.3**
Fee income	(0.3)	(2.6)	2.3	2.5	2.7
Other non-interest income	81.2	116.0	67.9	75.3	81.1
Gross income	**315.6**	**345.0**	**408.3**	**529.2**	**669.1**
SG&A expenses	(182.6)	(227.9)	(256.6)	(284.8)	(313.3)
Operating profit	**133.0**	**117.1**	**151.7**	**244.4**	**355.8**
Other non-operating income	(0.2)	0.0	(10.6)	(11.5)	(12.4)
Pre-tax profit	**132.8**	**113.6**	**141.1**	**232.9**	**343.4**
Taxes	(4.7)	(1.0)	0.0	(27.9)	(83.1)
Net profit	**128.1**	**112.6**	**141.1**	**205.0**	**260.3**
Pre-provisioning operating profit	379.8	329.6	362.1	454.7	557.8

Per-share data

Year-end Dec 31 (KRW)	2024	2025	2026E	2027E	2028E
EPS (KRW)	341	300	348	505	642
BVPS (KRW)	5,312	5,781	6,315	6,820	7,462
DPS (KRW)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
Total payout ratio (%)	-	-	-	-	-

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
Return on avg assets	0.5	0.4	0.4	0.5	0.6
Return on avg equity	6.6	5.4	6.0	7.7	9.0
Loan growth	17.6	13.0	19.7	19.6	18.1
Deposit growth	49.8	(0.5)	14.6	14.4	13.4
Asset growth	45.6	2.2	13.3	13.8	13.2
Loans-to-deposit (KRW-denominated)	85.4	84.6	85.0	85.9	87.0
Net interest margin	2.2	1.4	1.5	1.6	1.7
Cost-to-income	32.5	40.9	41.5	38.5	36.0
BIS CAR, total	14.7	14.5	23.9	22.2	21.0
BIS CAR, Tier 1	13.5	12.4	22.0	20.6	19.6
BIS CAR, CET-1	13.5	12.4	22.0	20.6	19.6
Equity-to-assets	6.4	6.8	7.1	6.7	6.5

Source: Company data, Samsung Securities estimates

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROE (%)	ROA (%)	CET-1 (%)	Div. yield (%)
2024	379.8	128.1	341	899.5	5,312	n/a	n/a	0.5	6.6	13.5	0.0
2025	329.6	112.6	300	(12.1)	5,781	n/a	n/a	0.4	5.4	12.4	0.0
2026E	362.1	141.1	348	16.0	6,315	16.0	0.9	0.4	6.0	22.0	0.0
2027E	454.7	205.0	505	45.3	6,820	11.0	0.8	0.5	7.7	20.6	0.0
2028E	557.8	260.3	642	26.9	7,462	8.7	0.7	0.6	9.0	19.6	0.0

Source: Company data, Samsung Securities estimates

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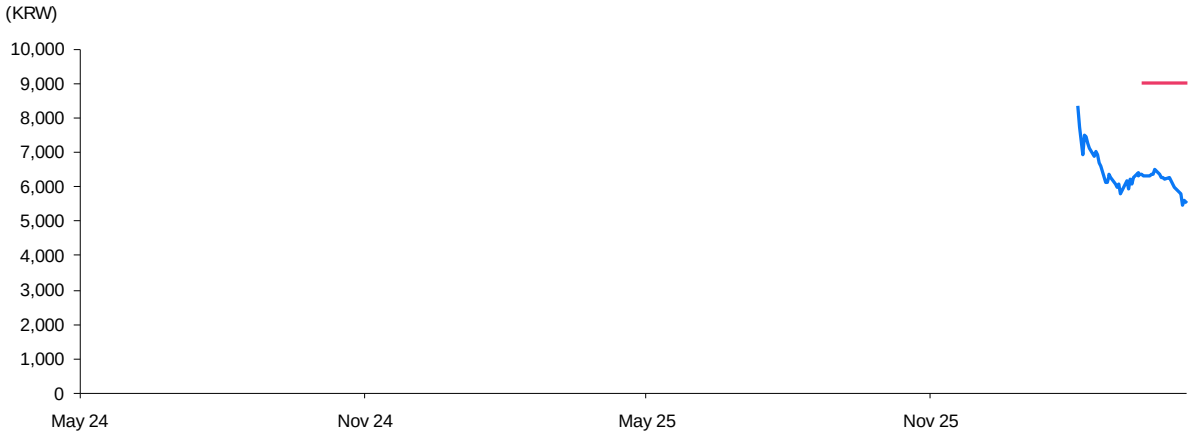
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/4/17
Recommendation	BUY
Target price (KRW)	9000
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

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Industry

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BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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