SECTOR UPDATE

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Finance/Consumer Goods Team

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AT A GLANCE

KB Financial Group (105560 KS, 168,800)		
Target price	KRW230,000	36.3%
BUY		
Shinhan Financial Group (055550 KS, 101,800)		
Target price	KRW138,000	35.6%
BUY		
Hana Financial Group (086790 KS, 133,400)		
Target price	KRW161,000	20.7%
BUY		
Korea Investment Holdings (071050 KS, 216,500)		
Target price	KRW320,000	47.8%
BUY		
Kiwoom Securities (039490 KS, 307,000)		
Target price	KRW520,000	69.4%
BUY		

Samsung Securities

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Financials

Money move: How retail funded KRW97t in net buying

- This year's unprecedented Kospi rerating has been driven by retail investors shifting funds into higher-return assets. This so-called "money move" has been funded by multiple sources, including rising incomes, increased investment activity, use of debt, and the reallocation of personal assets.
- This shift is likely to continue, supported by rising household incomes, increased investment activity, ample scope for further personal asset reallocation, and the spillover effects of stronger economic growth and corporate earnings.
- Securities brokers are poised to benefit from improving earnings momentum, while banks should gain from higher corporate deposits and stronger contributions from non-bank businesses, particularly their broker affiliates.

WHAT'S THE STORY?

Retail investors drive Kospi rerating: Retail investors have driven the Kospi's rerating since the start of the year. Through May, foreign and domestic institutional investors net-sold KRW92.6t and KRW15.6t, respectively, while retail investors net-bought KRW97.4t, absorbing most of this supply.

Where did all that retail money come from? Reconstructing the sources of KRW97t in retail net buying: The key question for the market is, "Where did all this money come from?" We break retail net buying down into four sources: 1) higher personal income and increased investment activity; 2) use of debt; 3) proceeds from property sales; and 4) reallocations from other financial assets. Our analysis suggests that retail equity purchases were not funded by any single source, but instead reflected a broad rebalancing toward domestic equities, driven by their relatively attractive expected returns.

Sustainability of the money move into equities—Ample room and improving conditions: We expect the rotation into equities to remain sustainable, supported by: 1) a sharp rise in household income amid a robust economic recovery; 2) personal asset reallocation that is still in its early stages; 3) economic growth and strong corporate earnings that should more than offset the headwind from rising interest rates, enhancing equities' appeal; and 4) potential inflows of new capital, including from foreign retail investors.

(Continued on the next page)

Retirement pensions add another structural source of inflows: Korean retirement pension portfolios are undergoing a structural shift in asset allocation. Persistently low real interest rates and the global equity rally have widened performance gaps between asset classes, accelerating a reallocation trend that began in 2025. Given the strong growth potential of retirement pension assets, substantial scope for further rebalancing, and potential deregulation, we expect pension-related inflows into equities to continue.

Investment implications—Beneficiaries across securities and banking: Securities brokers should be the primary beneficiaries, supported by higher trading volumes and continued equity-market inflows. Competitive differentiation should increasingly hinge on the ability to manage retirement pension assets effectively. New revenue streams emerging in the Brokerage 3.0 era also warrant close attention. Contrary to the view that banks are victims of the money-move phenomenon, they should benefit from rising corporate deposits and a broader economic recovery. Banks should also see ROE improve as non-bank businesses—particularly securities affiliates—deliver stronger earnings.

WHY SHOULD
YOU READ THIS REPORT?

Amid the Kospi's historic rally since the start of the year, the most striking feature has been the surge in retail net buying. Through May, retail investors' net purchases reached KRW97.4t—more than six times the KRW16.1t recorded in all of 2025—and contrasted sharply with net selling of KRW92.6t by foreign investors and KRW15.6t by domestic institutions over the same period.

This sharp increase in retail net buying has intensified market interest in the "money move." The first question is where the funds came from; the second is whether the inflows are sustainable. Ultimately, investors are concerned that the equity market could lose a key source of support if these flows lose momentum.

In this report, we first analyze the composition of the KRW97.4t in retail net buying through May. We examine the sources of retail investment funds through three lenses—higher income, debt utilization, and the reallocation of existing assets—and estimate the contribution of each.

We also estimate that retirement pensions funded KRW47.7t of ETF purchases over January-May. Although these purchases are not captured in retail net buying data, they are often reflected in institutional flows. We also assess the current equity allocation of retirement pension portfolios.

We believe the current rotation is driven less by leveraged speculation ("debt-fueled investing") and more fundamental in nature, driven by rising household incomes, portfolio rebalancing toward financial assets, and growing pension allocations to equities. These drivers should remain robust. Korea's nominal GDP growth in 1Q26 appears to reflect broader economic momentum rather than a one-off surge, with positive spillovers for corporate earnings and the wider economy.

Within the financial sector, securities brokers are the clearest beneficiaries. Equity trading volumes accelerated sharply in 2Q after already rising strongly in 1Q and should drive further earnings growth for brokers. More importantly, the money move is not merely boosting near-term trading volumes; it represents a longer-term trend supported by inflows from retirement pensions and foreign investors.

Contrary to the view that banks are merely losers from this shift, some financial groups should also benefit. First, growth in corporate deposits has already more than offset the decline in household deposits. Second, financial groups with securities broker subsidiaries, such as KB Financial Group, should see stronger non-bank earnings lift group ROE.

The equity market remains volatile, with optimism and anxiety coexisting. Nevertheless, the money move should be viewed not as a fleeting trend, but as a structural, secular shift. We hope this report offers a useful perspective to investors navigating these complex conditions.

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The retail-driven Kospi 8,000 era

Kospi continues to set new all-time highs

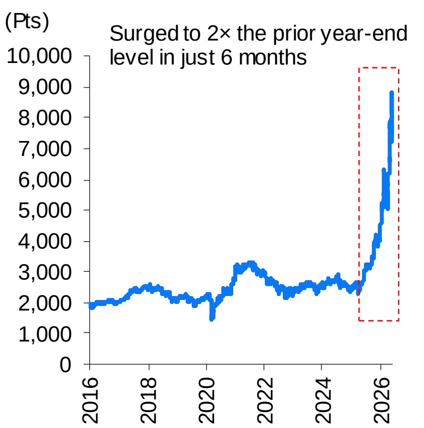
Kospi rallies sharply…

The Kospi has staged a historic rally this year. The index, which stood at 2,698 at end-May 2025, reached 4,214 by end-2025 and, despite a recent sharp correction, remains at 8,160 (as of Jun 30). Notably, it took 78 days to rise from 5,000 to 6,000, 21 days to advance from 6,000 to 7,000, and just 20 days to climb from 7,000 to 8,000—indicating no loss of momentum.

…far outpacing markets worldwide

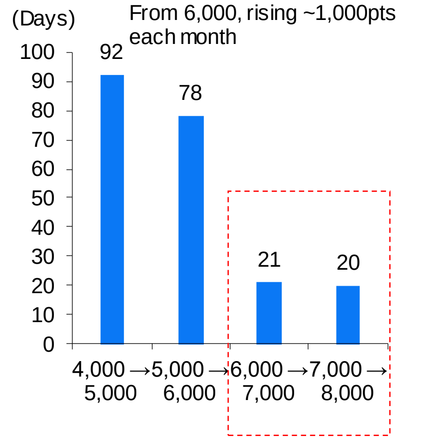
The Kospi's gains might have appeared less extraordinary had global markets rallied by a similar magnitude. However, major equity markets have continued to grapple with geopolitical risks emanating from the Middle East since March. Against this backdrop, the Kospi's 108.9% ytd gain stands out, far exceeding the Nasdaq's 15.7% and the Nikkei 225's 32.6%.

Kospi



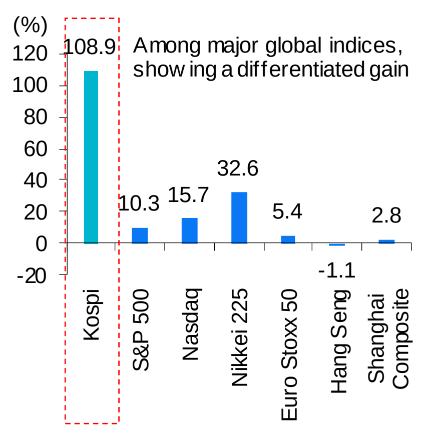
Source: QuantiWise, Samsung Securities

Kospi: Days to advance through each 1,000-point range



Source: QuantiWise, Samsung Securities

Major markets: Ytd performance



Source: QuantiWise, Samsung Securities

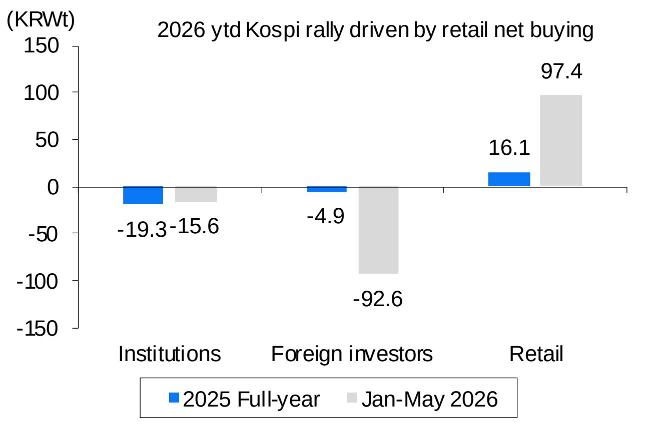
Retail investors have driven the Kospi's rerating

Institutional net selling versus retail net buying

Retail investors have driven the Kospi's rerating since the start of the year. From January through end-May, foreign and domestic institutional investors net-sold KRW92.6t and KRW15.6t, respectively, while retail investors net-bought KRW97.4t, absorbing most of this supply.

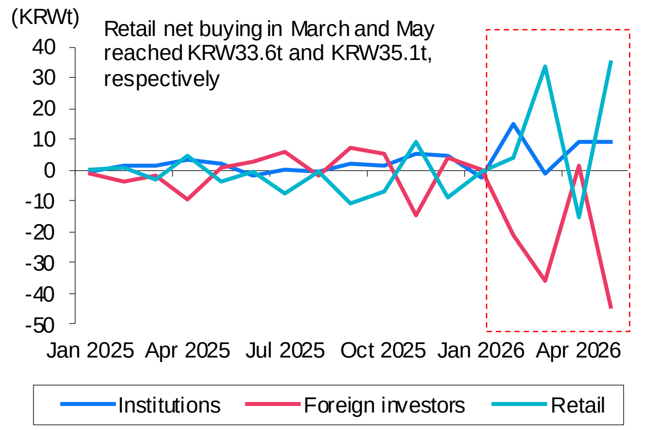
Retail net buying has increased sharply from last year. In full-year 2025, foreign and domestic institutional investors net-sold KRW4.9t and KRW19.3t, respectively, while retail investors recorded net purchases of KRW16.1t.

Kospi: Net buying, by investor type



Source: QuantiWise, Samsung Securities

Kospi: Monthly net buying, by investor type



Source: QuantiWise, Samsung Securities

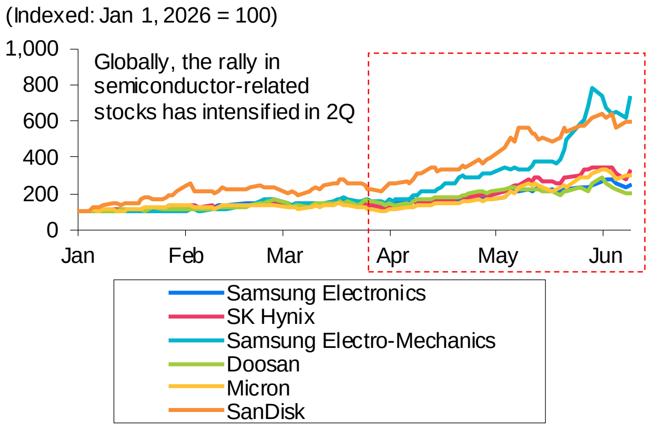
Foreign selling driven more by technical factors than by a weaker industry outlook

Foreign investors have been heavy net sellers of Kospi stocks ytd, in stark contrast to retail investors. Several factors appear to explain this divergence. First, geopolitical risks originating in the Middle East heightened macroeconomic uncertainty in 1H. Second, as Samsung Electronics and SK Hynix accounted for much of the Kospi's rally, their weightings in global portfolios increased sharply, creating rebalancing pressure and prompting some funds to trim their positions.

Nevertheless, global investors' positive outlook for the semiconductor industry remains intact, as evidenced by broad-based gains in semiconductor-related stocks worldwide. In Korea, companies ranging from Samsung Electronics and SK Hynix to Samsung Electro-Mechanics and Doosan have seen share prices benefit from improving earnings expectations. Micron and SanDisk have posted similar gains in the US, while Kioxia has followed suit in Japan.

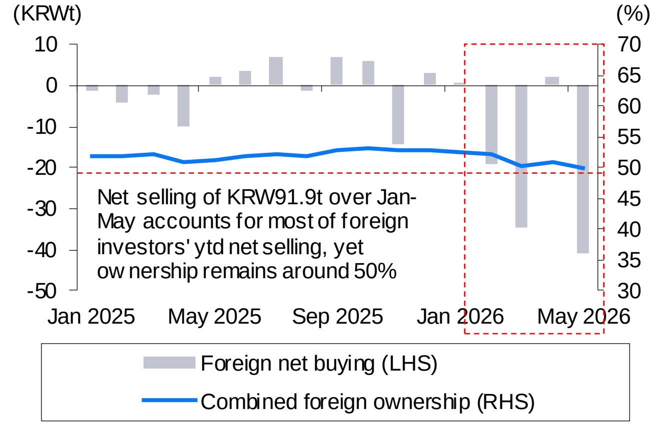
For context, foreign investors net-sold KRW92.6t of Kospi stocks from January through May, of which KRW91.9t was concentrated in Samsung Electronics and SK Hynix. Yet their combined ownership of the two companies has remained broadly stable at around 50%, suggesting that the selling reflects portfolio rebalancing rather than waning confidence, as sharp share-price gains pushed their weightings above target allocations.

Major global semiconductor names: Share-price performance



Source: QuantiWise, Bloomberg, Samsung Securities

Kospi foreign net buying vs Samsung Electronics + SK Hynix foreign ownership*



Note: Weighted-average
Source: QuantiWise, Samsung Securities

Where did all the retail money come from? Reconstructing the sources of KRW97t in retail net buying

The market's key question: Where did all this money come from?

Retail investors have been the primary force behind the market's rerating since the start of the year. The key question is: Where did all this money come from? Through May, foreign and domestic institutional investors net-sold KRW92.6t and KRW15.6t, respectively, while retail investors net-bought KRW97.4t, absorbing most of this supply. This dynamic has persisted, with retail buying remaining firm even amid heightened volatility in June.

The question ultimately concerns the sustainability of the money move underpinning the current rally. If retail investors have exhausted their funding capacity, further foreign or institutional selling could trigger a sharp correction. Conversely, if they retain ample capacity to mobilize funds, the market's uptrend should continue.

We conclude that the money move is sustainable. In this report, we break down the nearly KRW100t in retail net buying into four funding sources: 1) a higher savings rate; 2) debt utilization; 3) proceeds from property sales; and 4) reallocations from other financial assets. Our analysis suggests that retail equity purchases have not relied on any single source, but instead reflect a broad-based rebalancing of household asset portfolios.

Net buying, by investor type

(KRWt)	2025			Jan-May 2026		
	Equities (KRX)	ETFs	Equities + ETFs	Equities (KRX)	ETFs	Equities + ETFs
Retail	(19.3)	35.2	15.9	49.6	47.7	97.3
Foreign	(6.7)	1.5	(5.2)	(96.1)	3.3	(92.8)
Other foreign	(0.1)	0.2	0.1	0.6	0.2	0.7
Institutions	19.2	(38.1)	(18.9)	37.5	(52.8)	(15.2)
Financial investment	33.2	(53.7)	(20.5)	64.2	(71.0)	(6.7)
Investment trusts	(3.2)	3.3	0.1	(3.7)	7.7	4.0
Pension funds, *etc*	4.6	(0.4)	4.2	(6.7)	0.1	(6.6)
Insurers	(4.8)	0.3	(4.5)	(7.6)	(1.3)	(8.9)
Private equity	(5.1)	1.3	(3.8)	(4.4)	(0.2)	(4.6)
Banks	(3.9)	10.7	6.8	(3.4)	12.0	8.6
Other financial firms	(1.6)	0.5	(1.1)	(0.8)	(0.1)	(0.9)
Other corporates	6.8	1.2	8.0	8.3	1.7	10.0

Source: KRX, compiled by Samsung Securities

Source 1: A higher savings rate: A growing share of new income flows into domestic equities

Household income is the primary source of investment funds

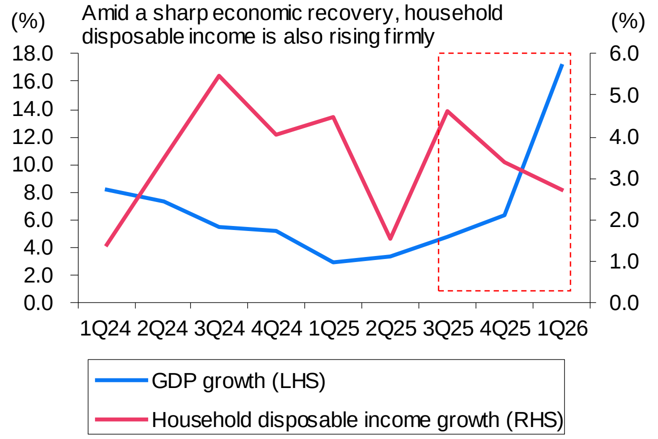
Income is the most fundamental source of funds available to households for equity investment. The portion of monthly income not spent on consumption—net savings in economic terms—is captured in national statistics. Historically, most of this surplus flowed into bank deposits. Since the 2000s, however, household portfolios have steadily diversified into mutual funds, domestic and overseas equities, bonds, and structured products such as ELS, which offer moderate risk and returns.

This year's sharp increase in household net buying of domestic equities can be attributed primarily to a greater allocation of net savings to the domestic stock market. Three factors underpin this shift: 1) steady growth in household income; 2) increased retail participation in investment markets; and 3) the Kospi's breakout from its long-standing trading range, supported by strong earnings prospects in leading sectors. Together, these factors have encouraged households to direct a larger share of new investment funds into domestic equities.

Improving conditions for household investment 1: Rising disposable income amid an economic recovery

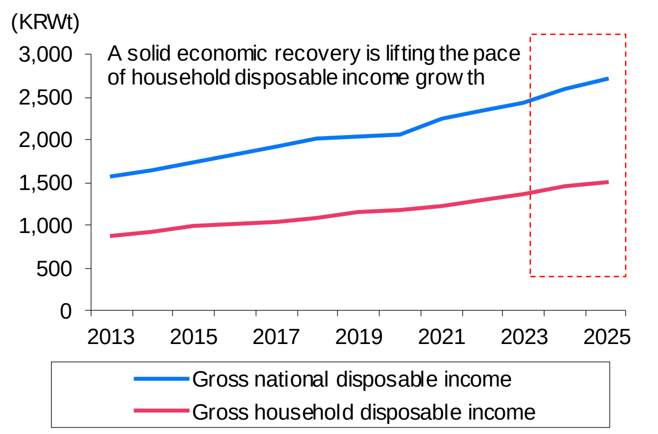
Conditions for household investment continue to improve, led by rising disposable income amid an economic recovery. Korea's nominal GDP growth rebounded from a low of 2.9% in 1Q25 to 17.1% in 1Q26, driving a sharp increase in household disposable income: 4% y-y to KRW1,508t in 2025, before growing 6.6% y-y, or KRW25.3t, to KRW406.8t in 1Q26. This significantly expanded the pool of investable funds available to households.

GDP growth vs household disposable income growth



Source: Statistics Korea, Samsung Securities

Gross national disposable income vs household disposable income



Source: Statistics Korea, Samsung Securities

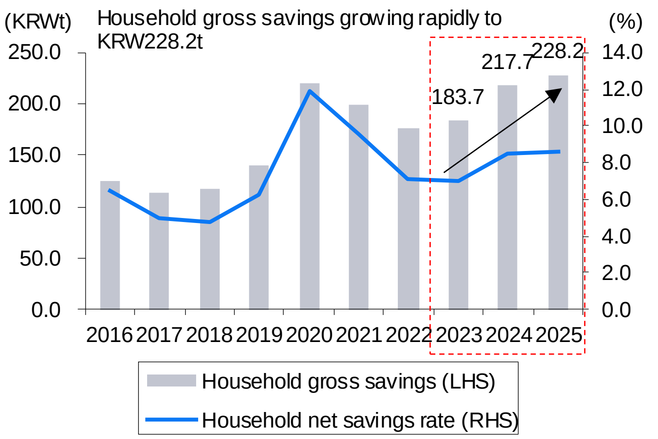
Improving conditions for household investment 2: Higher household net savings rate

Growth in household income has driven a notable increase in the net savings rate—the share of disposable income not spent on consumption. By 2025, the net savings rate had risen to 7.9%, up 1.7%pts from 6.2% in 2023.

As household income and the savings rate increased, household gross savings expanded robustly to KRW228.2t in 2025—up KRW10.5t from 2024 and KRW44.4t from 2023. Notably, had the entire KRW10.5t increase in gross savings last year been directed into domestic equities without any change in existing asset allocations, it would have accounted for around 65% of the KRW16.1t in retail net buying recorded in 2025.

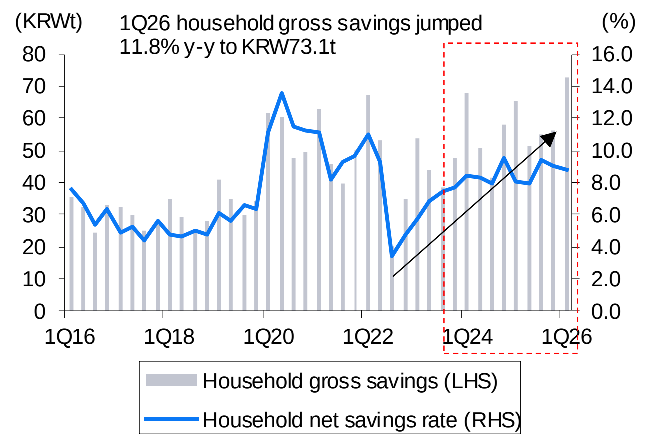
Growth in household gross savings has accelerated further this year. Gross savings reached KRW73.1t in 1Q26, up 11.8% y-y, or KRW7.7t, partly reflecting seasonal factors such as bonus payments. Growth was particularly strong on a q-q basis, with savings surging 30.1%, or KRW16.9t, from KRW56.2t in 4Q25.

Households: Gross savings vs net savings rate (annual)



Source: BOK, Samsung Securities

Households: Gross savings vs net savings rate (quarterly)



Source: BOK, Samsung Securities

Household income rises 2.4% y-y in 1Q amid economic recovery, driving savings growth in the top quintile of households

Amid this year's ongoing economic recovery, household income has continued to trend upward, supporting sustained growth in household investment. According to Statistics Korea's Household Income and Expenditure Survey for 1Q26, released in late May, average monthly household income rose 2.4% y-y and 3.7% q-q.

Income and savings growth was concentrated among higher-income households. These households have greater financial flexibility, and their income gains appear to have translated into increased investment activity, supporting broader growth in household investment. According to the 1Q26 survey, income among urban households with at least two members in the top quintile rose 3.5% y-y—well above growth in the bottom three quintiles. More importantly, their savings increased 8.1% y-y and 11.8% q-q, lifting aggregate household savings.

Total household income (monthly average), by quintile

(KRWm)	1Q25	2Q25	3Q25	4Q25	1Q26	Chg (% y-y)	Chg (% q-q)
1st quintile	2.1	2.1	2.5	2.3	2.1	0.2	(7.9)
2nd quintile	4.2	4.2	4.6	4.3	4.3	1.8	(1.1)
3rd quintile	6.0	5.8	6.2	6.0	6.0	0.1	0.8
4th quintile	8.0	7.6	8.2	7.9	8.3	3.4	5.1
5th quintile	13.7	12.4	13.4	13.2	14.2	3.5	7.8
Total	34.1	32.2	34.9	33.7	35.0	2.4	3.7

Note: Urban households of 2+ persons
Source: Statistics Korea, Samsung Securities

Total household savings (monthly average), by quintile

(KRWm)	1Q25	2Q25	3Q25	4Q25	1Q26	Chg (% y-y)	Chg (% q-q)
1st quintile	(0.2)	(0.1)	0.1	(0.1)	(0.4)	Deficit	Deficit
2nd quintile	0.6	0.8	0.9	0.6	0.6	(8.5)	(13.6)
3rd quintile	1.4	1.2	1.3	1.0	1.2	(15.6)	12.2
4th quintile	2.1	1.7	2.1	2.0	1.9	(7.4)	(3.8)
5th quintile	4.5	3.9	4.6	4.3	4.8	8.1	11.8
Total	8.3	7.6	9.1	7.9	8.1	(3.0)	1.9

Note: Urban households of 2+ persons
Source: Statistics Korea, Samsung Securities

Higher household savings and increased allocations to domestic equities underpin the surge in retail net buying

With household gross savings accelerating this year, we estimate the share likely to have been directed into domestic equities. Our estimate relies on several assumptions and should not be interpreted as an actual net buying figure. Nevertheless, it provides a useful framework for identifying the likely sources of the KRW97.3t in retail net buying over January-May.

Our estimate is based on three assumptions: 1) we project 2026 household gross savings using 2025 income growth and the savings rate; 2) assuming savings accumulate evenly throughout the year, with no seasonal adjustment, we estimate the amount accumulated through May; and 3) we apply an estimated allocation to domestic equities to derive retail net buying.

For example, assuming full-year 2026 income growth of 4% and a savings rate of 9%—broadly in line with the 9.1% average over the three quarters beginning 3Q25—we estimate household gross savings of KRW98.9t through May 2026. This is conservative, given that gross household savings rose 11.8% y-y in 1Q. Under this scenario, if 40% of the KRW98.9t in gross savings were allocated to domestic equities, income growth would have contributed KRW39.5t to retail net buying through May, equivalent to 40.6% of the total.

Estimated household gross savings (Jan-May 2026)

(KRWt)		Assumption 1. Income growth				
		3.0%	3.5%	4.0%	4.5%	5.0%
Assumption 2. Savings rate	7.0%	76.2	76.5	76.9	77.3	77.6
	8.0%	87.0	87.5	87.9	88.3	88.7
	9.0%	97.9	98.4	98.9	99.4	99.8
	10.0%	108.8	109.3	109.9	110.4	110.9
	11.0%	119.7	120.3	120.8	121.4	122.0

Note: Estimated by applying income growth and savings rate to 2025 household gross savings of KRW228.2t / excluding seasonality
Source: BOK, Samsung Securities estimates

Estimated household equity net buying (Jan-May 2026)

(KRWt)		Assumption 1. Share of gross savings allocated to domestic equities				
		20.0%	30.0%	40.0%	50.0%	60.0%
Assumption 2. Savings rate	7.0%	15.2	23.0	30.8	38.6	46.6
	8.0%	17.4	26.2	35.2	44.2	53.2
	9.0%	19.6	29.5	39.5	49.7	59.9
	10.0%	21.8	32.8	43.9	55.2	66.6
	11.0%	23.9	36.1	48.3	60.7	73.2

Note: Assumes full-year 2026 income growth of 2.6% / excluding seasonality
Source: BOK, Samsung Securities estimates

Fund flow changes (1): Decline in deposit inflows

One way to test our assumption that domestic equity investment has increased is to compare y-y changes in household savings flows. If households are redirecting net savings that would previously have been placed in savings accounts toward domestic equities or other investment assets, this should be reflected in weaker growth in deposit balances.

Total deposits at major deposit-taking institutions increased by KRW29.6t over Jan-Apr 2025 but recorded a KRW9.1t net outflow over Jan-Apr 2026. This reversal reflects two related developments: 1) bank deposits increased by just KRW4.4t in the first four months of this year, down sharply from KRW17.1t over Jan-Apr 2025; and 2) non-bank deposits swung from a KRW12.4t net inflow to a KRW13.5t net outflow. The resulting KRW38.7t decline in deposit inflows strongly suggests that: 1) maturing deposits are increasingly being redirected into equities and other assets rather than rolled over; and 2) a growing portion of new income is being invested in equities rather than accumulated in deposits.

Change in net deposit inflows at financial institutions (Jan-Apr 2026)

(KRWt)	End-2024	Apr 2025	Net change over January-April	End-2025	Apr 2026	Net change over January-April
Bank household deposits	980.3	997.5	17.1	997.3	1,001.8	4.4
Non-bank deposits	1,007.3	1,019.7	12.4	1,029.8	1,016.3	(13.5)
Mutual savings banks	102.2	98.4	(3.8)	99.0	100.7	1.7
Credit unions	138.6	142.0	3.4	145.7	142.4	(3.4)
Mutual finance	508.0	518.4	10.4	529.9	526.1	(3.7)
Community credit cooperatives (MG)	258.4	260.9	2.5	255.3	247.1	(8.1)
Total	1,987.6	2,017.1	29.6	2,027.2	2,018.1	(9.1)

Source: BOK, Samsung Securities

Fund flow changes (2): Shift in retirement pension asset allocation

Another way to validate the shift in household capital flows is to examine changes in financial asset allocation, particularly the share of performance-linked investments within DC and IRP retirement pensions. From 2020 through 2024, financial investment products consistently accounted for around 25% of total household financial assets. This suggests that, before 2025, households allocated roughly one-quarter of new financial assets to domestic and overseas equities.

The share of performance-linked (equity-weighted) products in DC and IRP portfolios managed by securities brokers has surged to around 50% in recent months. This marks a significant departure from historically conservative allocation patterns and is consistent with the strong outperformance of domestic equities since last year. The trend supports our assumption that around 40% of new household savings is now flowing into domestic equities—an estimate that appears far from excessive.

Korea's household asset composition, by year

(%)	2020	2021	2022	2023	2024
Non-financial assets	65.3	66.8	66.3	65.2	64.5
Financial assets	34.7	33.2	33.7	34.8	35.5
Cash & deposits	43.4	43.4	46.0	46.3	46.3
Financial-investment products	25.1	25.6	22.2	25.0	24.0
Insurance & pensions	30.9	30.4	31.1	28.0	28.9
Other	0.6	0.6	0.7	0.7	0.8

Source: BOK, Samsung Securities

Source 2. Household debt: A contributor, but not the primary driver

One potential source of retail investment funds is increased household borrowing. Recent media reports have raised concerns about so-called "debt-fueled investing." Investment-related household borrowing primarily takes two forms: 1) margin loans from securities brokers; and 2) unsecured loans from banks and non-bank lenders.

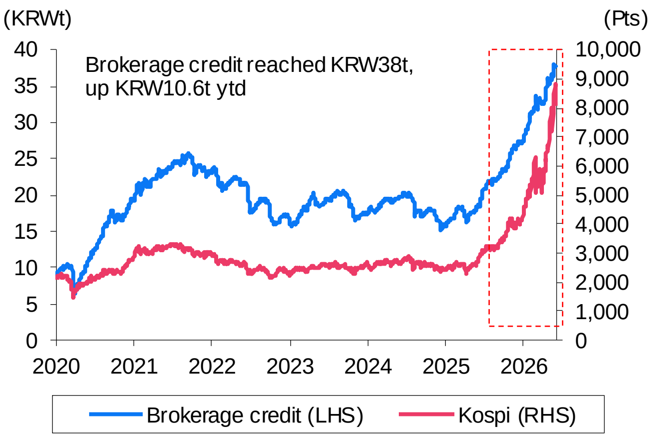
Securities brokers' margin loans up only KRW10.6t over January-May

Margin loans extended by Korean securities brokers reached a record KRW38t at end-May, up KRW10.6t, or 38.7%, from the start of the year. However, this increase accounted for just 10.9% of the KRW97.4t in retail net buying over January-May.

More importantly, margin loan growth has lagged the market rally. The Kospi rose 101% from 4,214 at end-2025 to 8,476 at end-May 2026, while margin loans increased by only around 38.7%. By comparison, when margin loans previously peaked at KRW25.7t in Sep 2021, the Kospi stood at 3,128—roughly one-third of its current level.

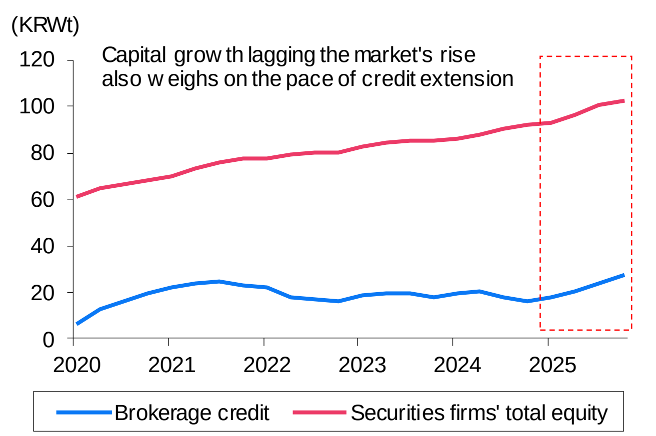
This divergence between the equity-market rally and margin loan growth reflects constraints on lending capacity, as securities brokers' capital bases have not expanded in line with the Kospi's sharp rise.

Securities brokers' margin loan balance vs Kospi



Source: KOFIA, Samsung Securities

Securities brokers: Margin loan balance vs total equity



Source: KOFIA, Samsung Securities

Household credit loans contract in 1Q; general loans increase by just KRW2.4t over January-May

Credit loans are another potential source of funding for households' equity investments. Concerns over debt-funded stock investment intensified after household loans at major banks reportedly increased by KRW3.5t in May.

However, their actual contribution to retail investment appears negligible. According to the BOK's financial market data, general household loans, including credit loans, increased by KRW3.7t in May, but by just KRW2.4t on a cumulative basis over January-May, as contractions in January and February offset much of the May increase. Crucially, this KRW2.4t equates to only 2.5% of the KRW97.4t in cumulative retail net buying.

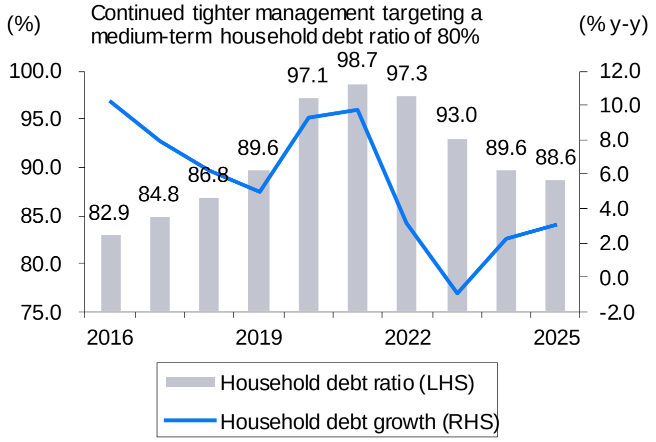
The government's concerted efforts to curb household debt have significantly constrained households' access to credit for investment purposes this year.

Monthly net increase in household loans

	2025			2026					
(KRWt)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jan-May net increase
Mortgages	2.1	0.7	(0.5)	(0.4)	0.3	0.0	2.7	3.2	5.8
General household	1.4	1.2	(1.5)	(0.5)	(0.7)	0.5	(0.6)	3.7	2.4
Total household	3.5	1.9	(2.0)	(0.9)	(0.4)	0.5	2.1	6.9	8.2

Source: BOK, Samsung Securities

Household debt-to-GDP ratio vs household debt growth



Source: BOK, Samsung Securities

Source 3. Potential reallocation of funds from real estate to equities

One frequently cited hypothesis is that households are reallocating capital from real estate to equities, given that property still accounts for more than 50% of household assets. This could occur through two channels: 1) the sale of properties to fund equity purchases; or 2) the diversion into equities of funds previously earmarked for property purchases.

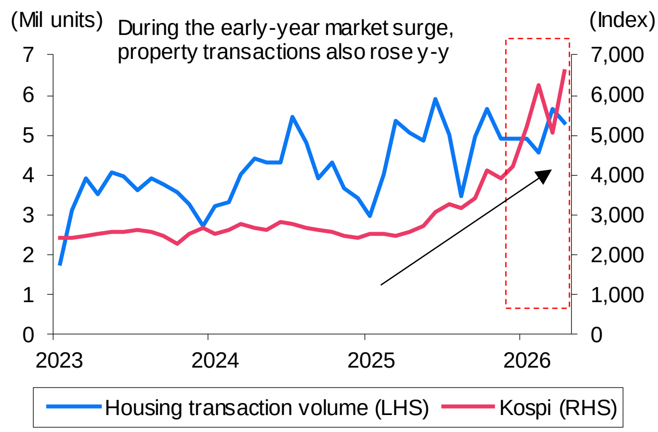
However, 1H26 data do not indicate meaningful net flows from property into equities. Property transactions increased in May ahead of the expiration of the grace period for the higher capital gains tax on multiple-home owners. Unlike in previous cycles, the share of home purchases financed by mortgages declined, suggesting that buyers relied more heavily on their own funds. This points to divergent behavior: high-net-worth individuals or multiple-home owners may have invested property-sale proceeds in equities, while first-time or primary-residence buyers may have liquidated other assets to finance property purchases. These opposing flows appear to have largely offset each other in terms of retail net buying.

Property transactions rise y-y ahead of tax change

Housing transactions in Korea increased 17.4% y-y over January-April, with average monthly volume 11.9% above the Jan-Apr 2025 average. The increase coincided with the approaching May 9 expiration of the grace period for the higher capital gains tax on multiple-home owners.

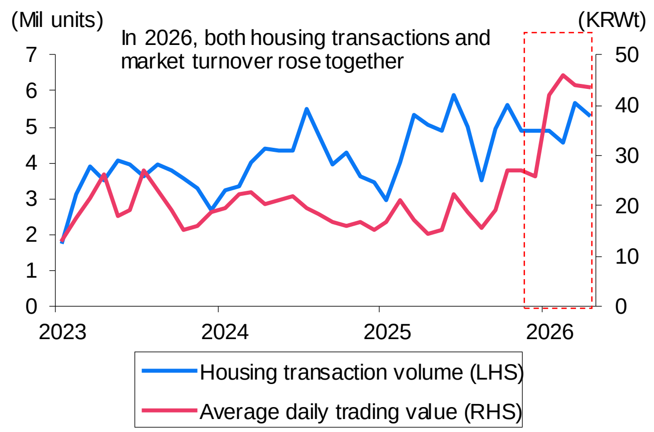
We do not believe this reflects a reallocation of capital from real estate to equities. Notably, the increase in apartment transaction volume coincided with a sharp rise in average daily equity trading value, from KRW42t in January to KRW65.8t in May.

Monthly housing transaction volume vs Kospi



Source: QuantiWise, Korea Real Estate Board, Samsung Securities

Monthly housing transaction volume vs Kospi's average daily trading value



Source: QuantiWise, Korea Real Estate Board, Samsung Securities

Lower leverage in home purchases—Households rely more heavily on their own funds

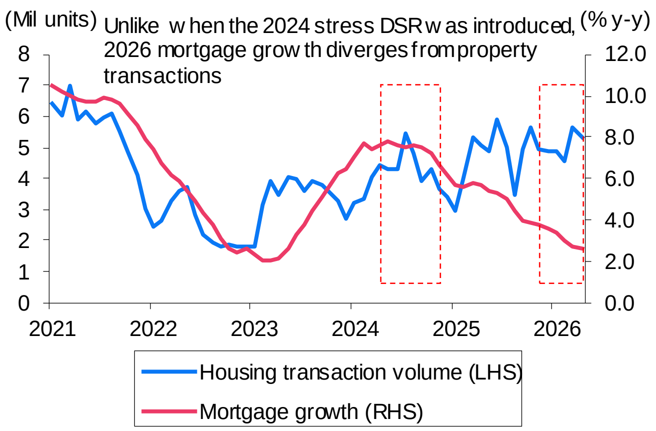
The government has maintained a firm stance on curbing household debt this year. Specifically, authorities have: 1) capped annual growth in banks' household loans at 1.5%; 2) announced plans to gradually reduce the share of policy-backed loans from 30% to 20%; and 3) stated that mortgage extensions for apartments in Seoul and other regulated areas will generally be prohibited for individuals and rental housing providers that own two or more homes.

As a result, banks have sharply curtailed mortgage lending despite rising housing transactions. From January through May, mortgage balances increased just 2.5% y-y—the slowest pace since early 2023, when steep rate hikes weakened housing demand. This is particularly unusual because housing demand typically rises ahead of regulatory changes, yet mortgage growth has instead slowed. The contrast with 2024 is stark: mortgage growth accelerated to nearly 8% ahead of the second phase of the stressed DSR rules in Sep 2024, as buyers rushed to secure loans before tighter limits took effect.

In effect, tighter LTV limits and weaker mortgage growth indicate that households have substantially reduced leverage in home purchases. Rather than relying on borrowing, buyers are increasingly funding purchases through the sale of existing assets. Indeed, the portion of housing transaction value financed through sources other than mortgages—estimated by multiplying monthly transaction volume by the average transaction price—reached KRW131.9t over Jan-Mar 2026, up 140.2% y-y. This likely reduced households' capacity to invest in other assets, including equities.

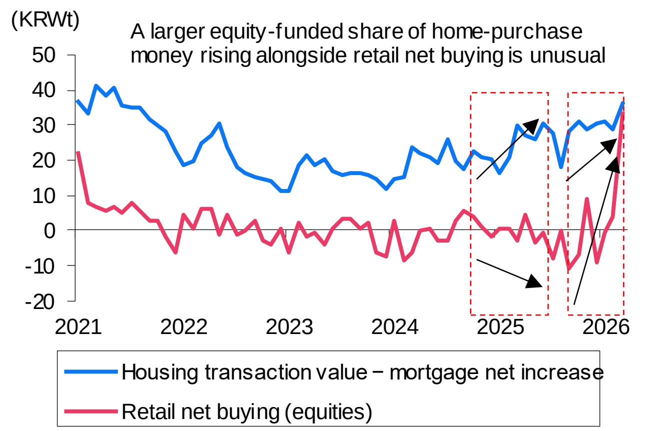
Nevertheless, retail net buying surged over the same period despite clear signs of weaker household investment capacity, including declining household borrowing and rising property transactions. This is particularly unusual compared with 2025, when stronger housing transactions coincided with weaker retail net buying. The simultaneous increase in home purchases and retail equity investment suggests that households are drawing on funding sources beyond real estate to participate in the stock market.

Monthly housing transaction volume vs mortgage growth



Source: BOK, Korea Real Estate Board, Samsung Securities

Housing transaction value less net mortgage growth vs retail net buying



Note: Monthly;
Transaction value estimated multiplying transactions by average sale price
Source: Korea Real Estate Board, QuantiWise, Samsung Securities

Property-sale proceeds may flow into equities…

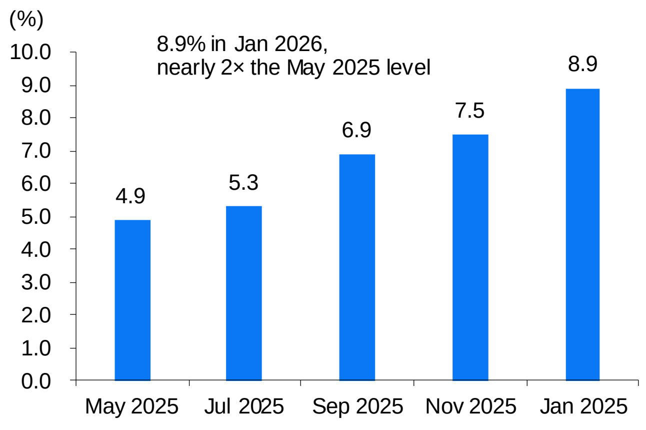
The increase in property transactions also suggests that some sale proceeds may have been redirected into equities. Some multiple-home owners reportedly sold properties and allocated part of the proceeds to stocks, particularly ahead of the May 9 deadline.

However, the net effect on retail equity buying was likely limited by offsetting flows within the household sector. When one household sells a home, it gains liquidity that may be available for equity investment. At the same time, another household purchases the property and, under today's tighter mortgage regulations, faces greater difficulty securing financing. Buyers are therefore increasingly required to liquidate other assets, including equities, to fund home purchases.

Tighter mortgage rules have indeed increased the burden on homebuyers to raise funds through asset sales. According to Ministry of Land, Infrastructure and Transport data on home-purchase funding plans, proceeds from stock and bond sales accounted for 8.9% of funds used to purchase apartments in Seoul in Jan 2026—nearly double the 4.9% recorded in May 2025. The BOK also estimated in a recent report that around 70% of equity gains realized by non-homeowners are being channeled into real estate purchases.

Meanwhile, proceeds from sales of non-residential buildings—particularly when the buyer is a corporation—may also flow into equity markets. However, this channel should be considered in two distinct cases: 1) if the seller is an individual, the proceeds may directly fund personal equity investment; but 2) if the seller is a corporation owned by an individual, any resulting stock purchases are classified as corporate rather than retail activity.

Share of equity and bond sale proceeds used to buy apartments in Seoul



Source: Ministry of Land, BOK, Samsung Securities

Asset rebalancing from equity capital gains

(%)	Profit-taking	Real estate	Deposits	Debt
Total	(0.21)	(0.07)	0.06	0.10
Non-homeowner	(0.78)	0.70	(0.28)	0.23
Homeowner	(0.20)	(0.08)	0.07	0.10

Source: BOK, Samsung Securities

Source of retail net buying: Household financial asset rebalancing—A search for yield

Household income is increasingly being directed into domestic equities. Household financial portfolios also appear to be rebalancing toward the domestic market. As of 2024, household financial assets comprised: 1) cash and deposits, at 46.3%; 2) insurance and pensions, at 28.9%; and 3) financial investment products, including equities, at 24%. We believe the rapid increase in retail net buying of domestic equities reflects a strategic reallocation from: 1) low-yielding, low-risk assets such as deposits and insurance products; and 2) overseas equities, whose portfolio share had increased rapidly through 1H25, toward domestic stocks offering higher expected returns.

Bank deposits increase overall, but household deposits decline in May

Bank deposits have continued to grow robustly. Over January-April, total bank deposits increased by KRW26.9t, or 1.2%. Corporate and other-sector deposits accounted for KRW22.5t of this increase, while household deposits rose by KRW4.4t.

Despite this overall growth, however, a notable shift in household funds—the so-called "money move"—appears to have occurred in May, as households withdrew bank deposits to invest in equities. After declining by KRW8.5t in April, retail net buying surged to KRW46.1t in May. Part of this inflow likely originated from household bank deposits. Although the BOK has yet to release a breakdown of deposits by depositor type, media reports indicate that household deposits at the five major commercial banks fell by around KRW10t in May, with much of the decline coming from demand deposits—often regarded as "idle" or "waiting" funds.

Combining the KRW4.4t increase in household deposits over January-April with the estimated KRW10t outflow in May implies a net decline of KRW5.6t over January-May.

Nevertheless, total bank deposits continued to grow strongly in May, driven by a KRW36.9t increase in corporate and other-sector deposits. This reflected: 1) strong exports, which boosted corporate cash inflows; and 2) increased deposits from securities brokers amid the bullish equity market.

Bank deposits: Composition and change

(KRWt)	Dec	Jan	Feb	Mar	Apr	Net change over Jan-Apr 2026	Net change over Jan-Apr 2026 (%)
Total deposits	2,189.7	2,148.2	2,198.2	2,222.7	2,216.7	26.9	1.2
Households	997.3	995.1	997.9	998.2	1,001.8	4.4	0.4
Demand	145.5	146.8	148.5	149.5	151.3	5.8	4.0
Time	851.8	848.3	849.4	848.6	850.5	(1.3)	(0.2)
Corporate & other	1,192.4	1,153.1	1,200.3	1,224.5	1,214.9	22.5	1.9
Demand	208.9	197.1	209.0	215.7	212.5	3.6	1.7
Time	983.5	956.0	991.4	1,008.9	1,002.4	18.9	1.9

Source: BOK, Samsung Securities

Big-5 banks: Deposit change in May

(KRWb)		Chg
Corporate	Total	36,893.9
	Demand & MMDA	28,102.7
	Time deposits	8,791.2
Households	Total	(9,997.5)
	Demand	(8,739.1)
	Time deposits	(1,258.4)
Total		26,896.4

Source: Media reports, Samsung Securities

Non-bank deposits decline—likely driven by household reallocations

Deposit outflows from non-bank financial institutions (NBFIs) were even more pronounced. According to the BOK, total deposits at NBFIs stood at KRW4,391t at end-April, up 6.6% from end-2025. However, limiting the cope of analysis to savings-oriented institutions—such as savings banks, credit unions, mutual finance associations, and the Korean Federation of Community Credit Cooperatives—deposits fell by KRW13.5t, or 1.3%, to KRW1,016t.

This decline is widely attributed to household portfolio reallocation. These institutions depend more heavily on individual depositors and have a smaller proportion of low-cost funding than commercial banks do. In other words, a larger share of their funding comprises retail deposits attracted by relatively high interest rates. As the equity market strengthened, some of these funds appear to have shifted from less liquid, higher-yielding deposits into equities, in search of better returns.

That said, the shift appears gradual rather than abrupt. First, deposits at mutual savings banks have increased slightly since end-2025. Second, mutual finance associations—which account for the largest share of deposits among savings-oriented NBFIs—recorded only a modest 0.7% decline. Several factors may explain this tempered outflow: 1) depositors at these institutions tend to prioritize stability over yield; 2) some funds may originate from pension accounts, including retirement pensions, seeking marginally higher returns; and 3) many depositors may prefer to wait until maturity rather than incur penalties for early withdrawal from term deposits. Notably, the share of corporate deposits at some savings banks has been rising steadily.

This trend is consistent with recent actions by some savings banks, which have begun raising term-deposit rates aggressively. At present, 47.9% of deposits at the five largest savings banks are due to mature within six months, creating substantial rollover risk. To retain these funds, several institutions have raised rates, with some offering more than 4% on term deposits.

Deposits at non-bank financial institutions

(KRWt)	Dec	Jan	Feb	Mar	Apr	Net change over Jan-Apr 2026	Net change over Jan-Apr 2026 (%)
Merchant banks	22.1	22.9	23.1	22.3	23.4	1.3	6.0
Asset management firms	1,289.1	1,383.6	1,432.5	1,402.5	1,502.0	212.9	16.5
Trust companies	733.8	777.7	779.0	765.4	792.9	59.1	8.0
Mutual savings banks	99.0	98.2	97.9	99.6	100.7	1.7	1.7
Credit unions	145.7	144.0	143.1	142.3	142.4	(3.4)	(2.3)
Mutual finance	529.9	526.7	523.5	524.5	526.1	(3.7)	(0.7)
Community credit cooperatives (MG)	255.3	252.5	249.3	248.3	247.1	(8.1)	(3.2)
Life insurers	782.9	764.8	769.9	751.5	748.6	(34.3)	(4.4)
Other	260.0	276.1	295.2	287.0	308.2	48.2	18.5
Total non-bank financial institutions	4,117.7	4,246.6	4,313.5	4,243.4	4,391.4	273.7	6.6
Total savings-type secondary deposit-takers*	1,029.8	1,021.4	1,013.8	1,014.7	1,016.3	(13.5)	(1.3)

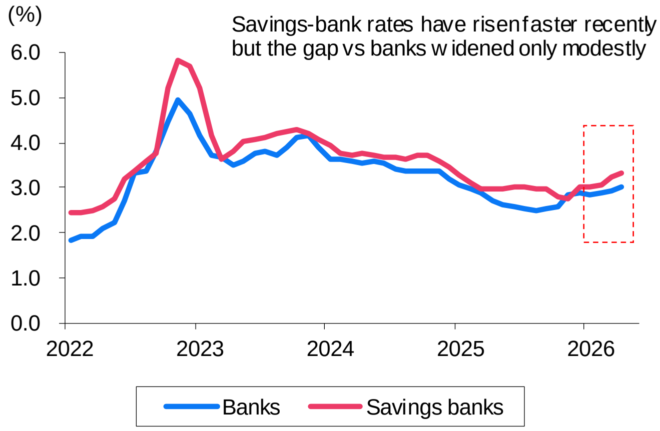
Note: *Savings banks, credit unions, mutual finance, MG
Source: BOK, Samsung Securities

Big-5 savings banks:
Share of deposits maturing within 6 months

(KRWb)	Deposits maturing within 6 months	Total deposits	Share (%)
SBI	4,729.9	10,366.9	45.6
OK	5,005.9	9,838.7	50.9
Korea Investment	2,657.0	6,190.4	42.9
Welcome	2,508.7	4,847.0	51.8
Acuon	2,200.1	4,485.5	49.0
Total	17,101.6	35,728.5	47.9

Note: As of 1Q26
Source: Korea Federation of Savings Banks, Samsung Securities

Time-deposit rates: Banks vs savings banks



Note: New-deposit basis
Source: BOK, Samsung Securities

Savings banks: Top-10 time-deposit rates

Rank	Savings bank	Rate (%)
1	NH	4.50
2	Cheongju	4.20
3	Acuon	4.20
4	Daehan	4.17
5	Raon	4.16
6	Pepper	4.16
7	Double	4.15
8	JT	4.15
9	Baro	4.05
10	HB	4.00

Note: As of Jun 17;
Base rate
Source: Korea Federation of Savings Banks, Samsung Securities

Credit unions: Top-10 time-deposit rates

Rank	Union	Rate (%)
1	Hoengseong	4.05
2	Jeonju Fatima	4.02
3	Dapdong	4.00
4	Boksagol	4.00
5	Seowongyeong	4.00
6	Cheongju	4.00
7	Icheon	3.92
8	Jeonbuk Dentists	3.90
9	Jeonju Dongbu	3.90
10	Cheongju Haengbok	3.90

Note: As of Jun 17;
Lump-sum at maturity
Source: National Credit Union Federation of Korea, Samsung Securities

Decline in life insurers' policy reserves: Interest-rate effects dominate, but policy surrenders also contribute meaningfully

According to BOK data, deposits at life insurers—*ie*, policy reserves—declined by around KRW58t between May 2025, when the domestic equity market began to rally, and Mar 2026. We see two reasons for this sharp decline: 1) interest-rate movements affecting reserve valuations; and 2) actual policy surrenders driven by household asset reallocation.

Our analysis suggests that roughly 75%, or KRW40t--45t, of the KRW58t decline reflects interest-rate effects, while the remaining 25%, or KRW13t-18t, represents genuine outflows resulting from policy surrenders.

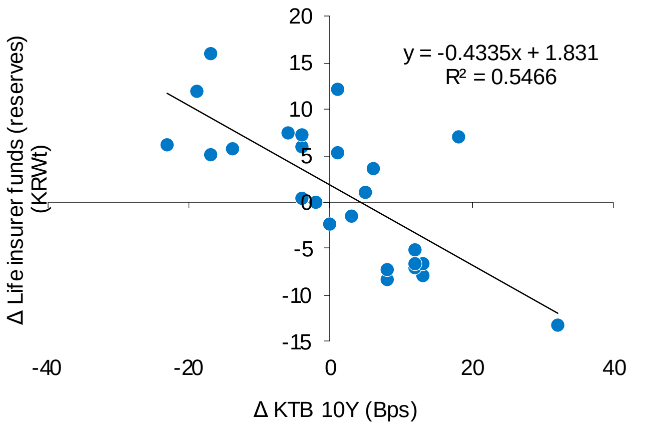
Interest-rate changes are the primary driver: Life-insurance deposit figures reported by the BOK are derived from insurance contract reserves, which are marked to market under IFRS 17 and are highly sensitive to discount rates—*ie*, prevailing interest rates. A regression analysis of monthly changes in life-insurer deposits against the 10-year government bond yield shows a strong negative correlation: ρ = of -0.74, with an R^2 of 0.54. This indicates that rising rates systematically reduce reported deposit balances even in the absence of actual fund outflows.

Applying the estimated regression coefficient—a KRW0.43t decline for every 1bp increase in rates—to the 102bp rise between May 2025 and Mar 2026 implies an interest-rate-driven reduction in reported deposits of KRW40t-45t.

Policy surrenders remain a significant independent factor: even after adjusting for interest-rate effects, a residual decline of KRW13t-18t remains. This can be interpreted as outflows driven by household financial asset reallocation—*ie*, the money move.

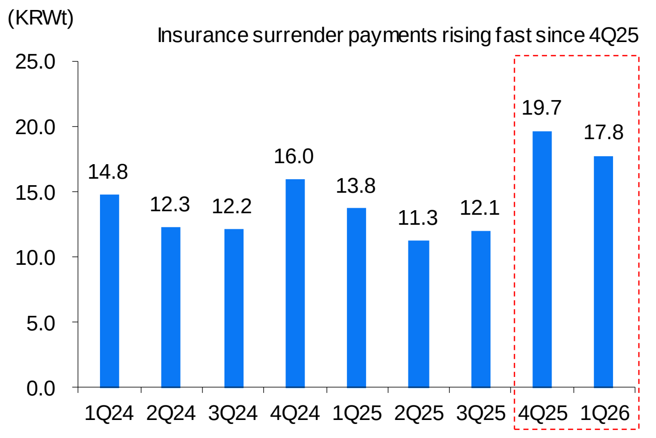
Evidence of actual surrenders is clear: 1) surrender-value payouts rose from KRW13.8t in 1Q25 to KRW17.8t in 1Q26, up KRW4.1t or 29.7% y-y; and 2) the value of in-force contracts, measured by savings-oriented reserves, fell KRW31t y-y, or 8.5%, in 1Q26. Notably, surrender payouts increased without a corresponding rise in the number of terminated contracts, as the average surrender value per contract climbed from KRW7.96m to KRW9.95m. This suggests that surrenders were concentrated in high-cash-value savings-oriented and variable insurance products.

Life insurers' reserves vs 10-yr KTB yield



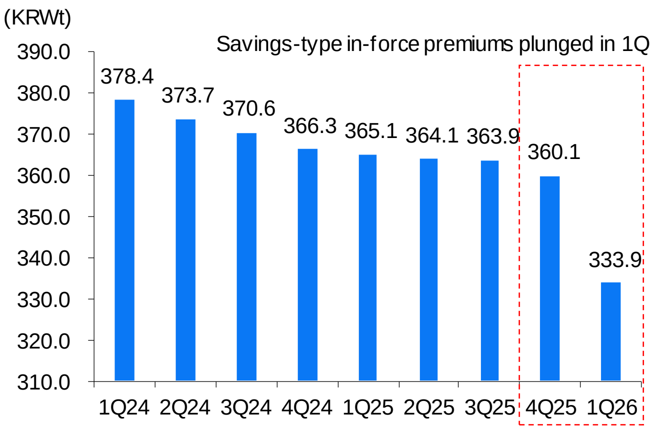
Source: BOK, WiseFn, Samsung Securities

Life insurers: Surrender payments



Source: Korea Life Insurance Association, Samsung Securities

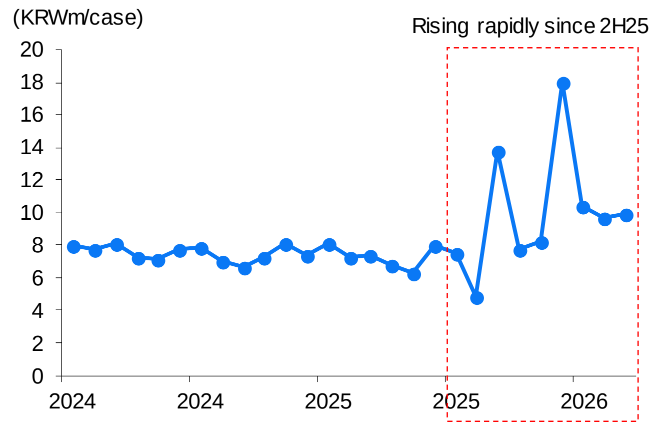
Life insurers: Savings-type in-force contract value*



Note: *Sum of nominal coverage of valid contracts (differs from reserves and surrender value)

Source: Korea Life Insurance Association, Samsung Securities

Surrender value per lapsed contract



Source: Korea Life Insurance Association, Samsung Securities

Overseas equity investment—RIA account impact estimated at KRW2.1t

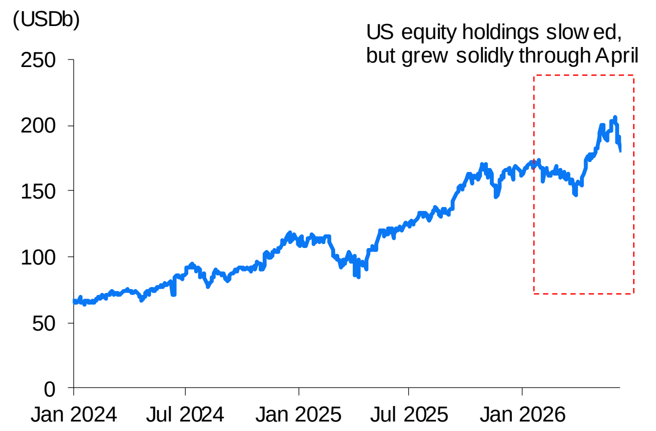
Korean investors' exposure to overseas equities continues to grow. As of end-May, their US equity holdings had reached USD204.2b, up USD40.6b, or 24.8%, from the start of 2026. Cumulative net purchases over January-May totaled USD9.2b, supported in part by the Nasdaq's 15.2% gain over the same period.

However, the pace of overseas investment has clearly slowed since the start of 2Q. Cumulative net purchases of US equities through May fell 31.6% y-y, from USD13.5b to USD9.2b. Domestic investors also turned net sellers of US equities in April (to the tune of USD500m) and in May (USD900m), signaling a reversal in investor sentiment.

The introduction of the reshoring investment account (RIA) in 2026 appears to have contributed to this trend. As of end-May, capital redirected from overseas markets into domestic equities through RIA accounts totaled KRW2.1t, including KRW0.8t in May alone. This closely aligns with the m-m increase in net selling of US equities during the same period.

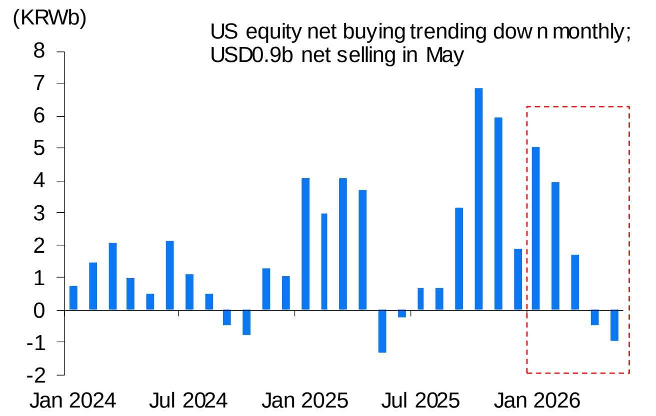
In conclusion, although it is difficult to isolate the precise scale of retail investors' reallocation from overseas to domestic markets, the KRW2.1t channeled through RIAs provides a reasonable estimate. Reported US equity holdings and net purchases include institutional investors and pension funds as well as individuals. RIAs therefore remain the only source of investor-type-specific data capturing capital repatriated by domestic retail investors.

Korean investors: US equity holdings



Source: Korea Securities Depository, Samsung Securities

Korean investors: US equity net buying (monthly)



Source: Korea Securities Depository, Samsung Securities

Korean investors: US equity holdings vs Nasdaq performance

(USDb)	End-2024	End-May 2025	Chg over Jan-May 2025 (%)	End-2025	End-May 2026	Chg over Jan-May 2026 (%)
US equity holdings	112.1	119.3	6.4	163.6	204.2	24.8
Nasdaq (pts)	19,486.8	19,113.8	(1.9)	23,419.1	26,972.6	15.2

Source: Korea Securities Depository, QuantiWise, Samsung Securities

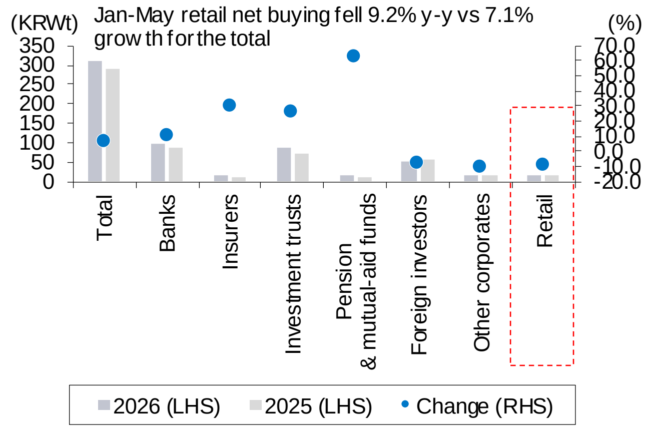
Rotation out of bonds—largely reflected in 2025 already

Bonds have historically served as a key safe-haven asset in household portfolios, but net bond purchases by retail investors are declining. Although total bond issuance continues to grow steadily, retail net purchases peaked in 2024 and have since trended clearly downward. As of end-May 2026, cumulative retail net bond purchases stood at KRW13.7t, down 9.2% from KRW15.1t in the same period of 2025, despite a 7.1% increase in overall bond sales.

This suggests that households are reallocating funds previously directed into bonds toward other asset classes. The trend has intensified this year amid a strong domestic equity market and expectations of further BOK rate hikes, which have pushed market yields higher.

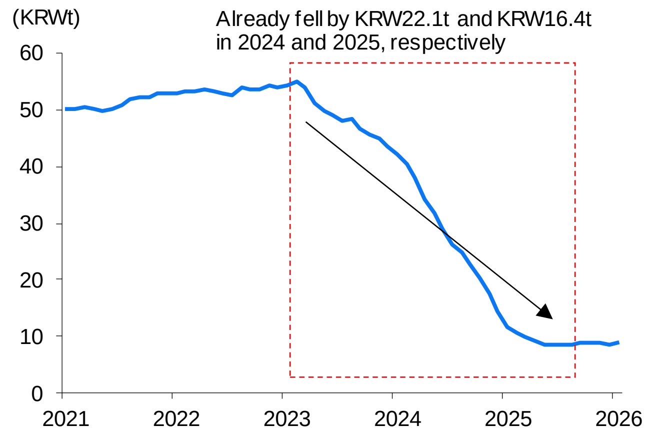
Nevertheless, the amount shifting from bonds into domestic equities in 2026 appears limited. Retail bond holdings peaked at KRW54t in 2023 but fell to KRW8.3t by end-2025, before edging up to KRW8.7t at end-May 2026. This suggests that the bulk of the reallocation from bonds into other assets occurred in 2025.

Bond net buying in Jan-May, by investor type: 2025 vs 2026



Source: Infomax, Samsung Securities

Retail: Bond holdings



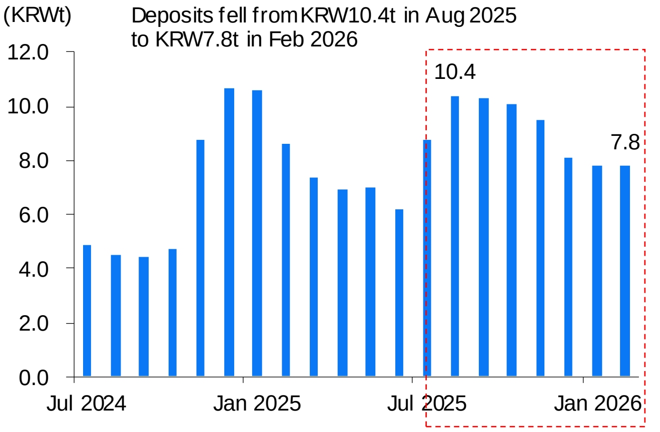
Source: Infomax, Samsung Securities

Cryptocurrency: Limited decline in virtual-asset exchange deposits; minimal contribution to the money move

Cryptocurrency trading value has contracted sharply, primarily due to prolonged regulatory uncertainty and sustained price corrections that have dampened investor interest. At end-May, bitcoin traded at USD74,032, down 28.6% y-y. Meanwhile, average daily trading value on domestic cryptocurrency exchanges fell 53.1% y-y to KRW2.3t in May.

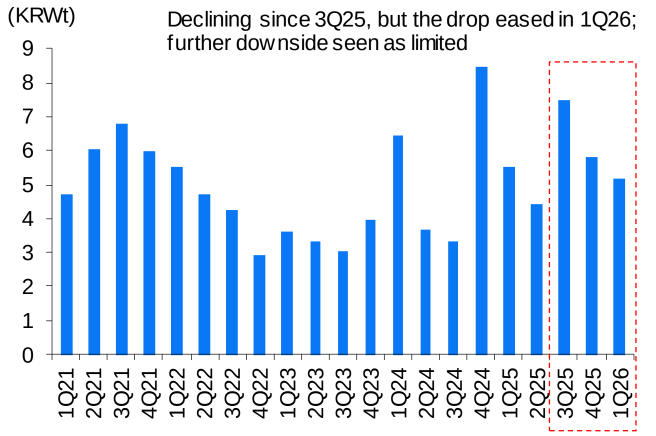
However, there is little evidence of meaningful outflows from cryptocurrencies into other asset classes. Available deposit data for cryptocurrency exchanges extend only through Feb 2026, when total deposits stood at KRW7.8t—down KRW2.6t from the Aug 2025 peak of KRW10.4t. Importantly, most of this decline occurred in 2025: deposits fell by only KRW0.3t over Jan-Feb 2026, with no indication of a sharp further decline through May. Notably, deposits on Kbank's virtual-asset service provider platform—the largest contributor to total exchange deposits—had already fallen to its low of KRW3t in 2025. This suggests limited scope for further capital reallocation from cryptocurrencies after Feb 2026.

Korea's top-5 crypto exchanges: Deposits



Source: BOK, Samsung Securities

Kbank: Virtual asset service provider platform deposits



Source: Kbank, Samsung Securities

(Conclusion) Reconstructing the KRW97t in retail net buying: New-income allocation > financial asset portfolio rebalancing > household debt growth

It is inherently difficult to attribute the KRW97.4t in retail net buying through May precisely to individual funding sources. Nevertheless, based on the preceding analysis and reasonable assumptions regarding the origins of these flows, the largest contributors appear to be: 1) increased allocations to equities, supported by rising household income and greater investment activity; 2) the rebalancing of existing financial portfolios toward domestic equities; and 3) a modest contribution from household debt growth.

Under these assumptions, the combined estimated contribution from these three sources amounts to KRW89.2t, equivalent to approximately 91.6% of the KRW97.4t in retail net buying recorded through May.

Retail net buying: Estimated funding sources

Source segment	Amount (KRWt)	Share of retail net buying over Jan-May 2026 (%)
1. Higher domestic-equity share amid income growth and expanding investment	39.5	40.6
2. Rising household debt	13.0	13.3
1) Securities-broker margin loans	10.6	10.9
2) Household credit loans	2.4	2.5
3. Rebalancing of existing financial assets toward domestic equities	36.7	37.7
1) Decline in bank deposits	5.6	5.7
2) Decline in secondary-institution deposits	13.5	13.9
3) Overseas-equity RIA* impact	2.1	2.2
4) Insurance	15.5	15.9
Total	89.2	91.6

Note: *Reshoring investment account
Source: Samsung Securities estimates

Sustainability of the money move into equities: Ample room and improving conditions

Some investors question whether liquidity inflows into the equity market can be sustained. Foreign investors net sold substantially in 1H, while unprecedented retail buying propelled the market higher, raising concerns that retail purchasing capacity may now be depleted. Nevertheless, we expect liquidity inflows into Korea's equity market to continue, supported by the following factors.

Rising household income and investment activity: Household income set to increase amid a sharp economic recovery

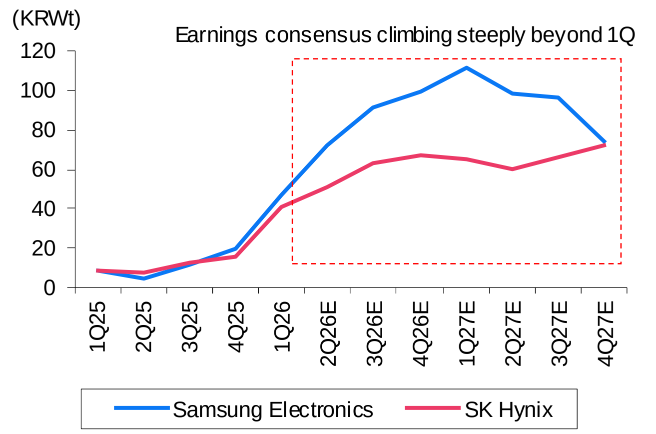
As discussed above, household income remains the primary source of funds for retail participation in the equity market. We expect the pace of household income growth to be the key determinant of future personal fund flows into equities.

Nominal GDP growth reaches 17.1% in 1Q—stronger foundation for household income growth

The foundation for household income growth has strengthened markedly. Nominal GDP growth surged 17.1% in 1Q, while full-year growth is also likely to reach double digits. This robust expansion has been driven largely by rising semiconductor prices and the resulting surge in earnings at chip-related companies—a trend the market expects to persist beyond 2H and into 2027.

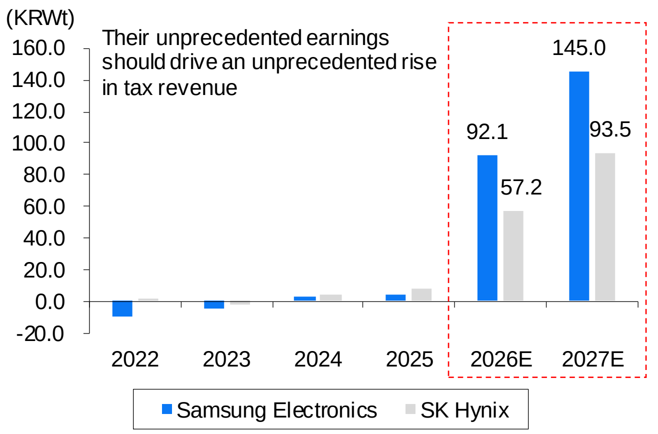
Improving corporate earnings should translate into higher household income. Nominal GDP growth cannot, of course, be equated directly with household income growth. Moreover, as reflected in the current divergence between nominal and real GDP growth, much of the economic expansion stems from higher prices rather than increased output. Nevertheless, strong corporate profit growth should create a virtuous cycle, albeit with varying degrees of impact. Specifically: 1) companies driving economic growth are increasing investment, supporting earnings across related industries; 2) stronger profits provide greater scope for wage increases; 3) higher household income should bolster domestic consumption, benefiting small businesses reliant on local demand; and 4) increased corporate tax revenue could fund productive government investment, further reinforcing the cycle. Although concerns over the strength of trickle-down effects are valid, unusually strong nominal GDP growth points to improving household purchasing power, making it likely that private consumption will broadly track the economic expansion.

Net profit trends and forecasts: SEC vs Hynix



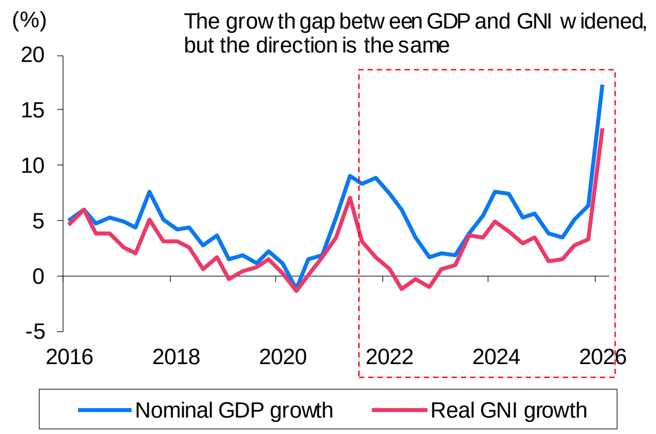
Note: FnGuide consensus after 1Q26
Source: QuantiWise, Samsung Securities

Corporate-tax payments and forecasts: SEC vs Hynix



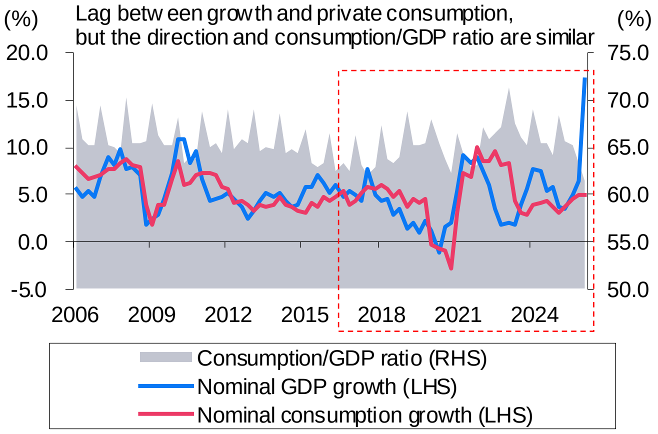
Note: 2026 and 2027 corporate tax forecasts are Samsung Securities estimates
Source: each company, Samsung Securities estimates

Nominal GDP growth vs real GNI growth



Source: BOK, Samsung Securities

Nominal GDP growth vs nominal consumption growth



Source: BOK, Samsung Securities

The savings rate is key: Investors still appear to favor investment over consumption

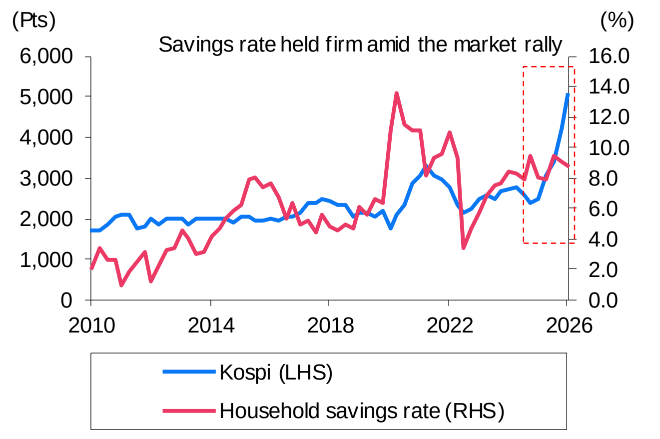
If households direct rising income toward consumption—whether through increased discretionary spending or because inflation erodes real purchasing power—investment flows could weaken.

However, households are increasingly prioritizing investments offering higher returns. Despite rising income, the household savings rate has continued to climb, suggesting that many households currently see greater value in investing than in spending. Consumption today entails forgoing future returns, and in the current market, the expected benefits of investing appear to outweigh the immediate satisfaction of additional consumption.

Given the current corporate earnings outlook and industry conditions, most investors likely believe it is still too early to exit the market. Indeed, household savings rates continued to rise during the recent equity rally, suggesting that when expected returns are high, households favor investment over consumption.

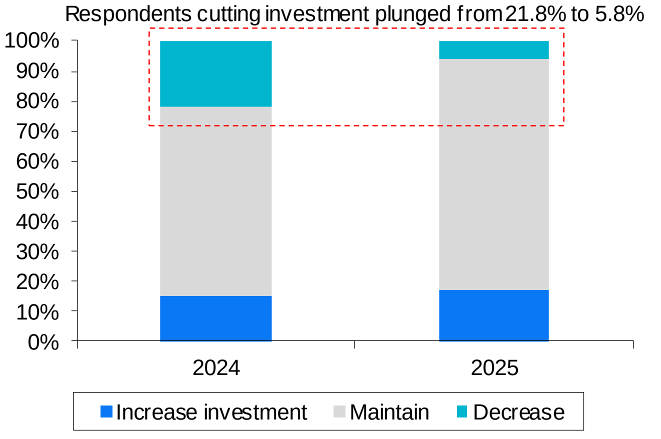
Although somewhat dated, KB Financial Group's 2025 Wealth Report, released late last year, also indicated a growing preference among high-net-worth individuals for domestic equities. Among respondents, 17% (up 1.7%pts y-y), planned to increase their equity allocations. By contrast, the share of respondents planning to withdraw funds fell a sharp 16%pts y-y, from 21.8% in 2024 to 5.8% in 2025.

Kospi vs household savings rate



Source: QuantiWise, BOK, Samsung Securities

Equity investment plan survey: 2025 vs 2024



Source: KB 2025 Wealth Report, Samsung Securities

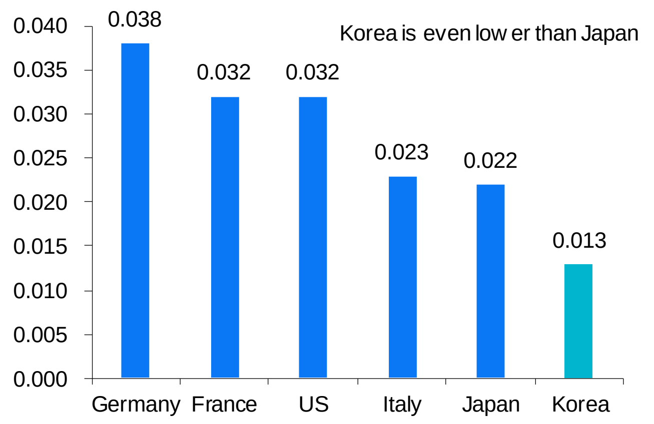
Despite equity rally, consumption growth remains muted—focus shifts to the sustainability of rising equity investment

Even as equity prices rise, the transmission to consumer spending remains limited. According to BOK estimates, the wealth effect from equity holdings—measured as the increase in consumption per KRW1 rise in stock-market wealth—is just 0.013, well below levels in major advanced economies and even lower than in Japan. The effect is even weaker among higher-income, higher-wealth households.

The BOK identifies three reasons for this limited transmission: 1) Korean households' equity holdings were equivalent to just 77% of disposable income in 2024, far below the US at 255.6% and Europe at 183.9%, indicating substantial scope for further accumulation; 2) stock ownership remains concentrated among high-income, high-wealth households, limiting the broader economic impact; and 3) the Korean equity market's high volatility encourages a short-term trading mindset.

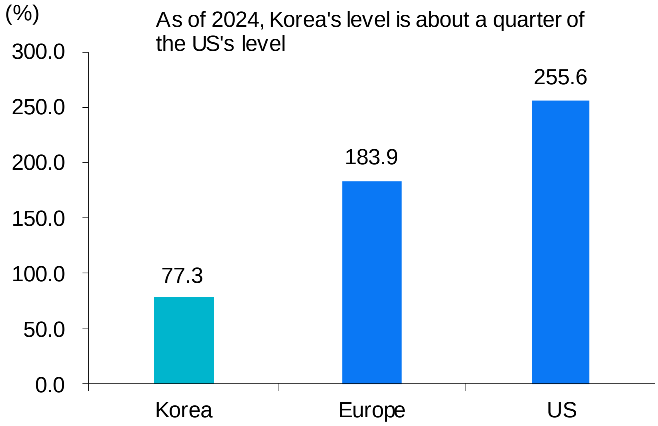
Nevertheless, we are closely monitoring whether the broadening investment base translates into greater equity-market participation. Several factors support this prospect: 1) lower expected returns on real estate, combined with tighter mortgage lending standards, are redirecting household wealth accumulation from property toward equities; 2) this shift is likely to occur fastest among higher-income, higher-wealth households; 3) the Kospi has delivered some of the strongest returns globally, materially weakening its long-standing reputation as a stagnant, range-bound market; and 4) sustained earnings strength led by semiconductor companies, the resulting spillover effects, and government efforts to enhance corporate value should lift expected returns on domestic equities above historical levels.

Wealth-effect estimates, by country



Source: US from Chodorow-Reich et al. (2021); European countries from Guerrieri & Mendicino (2018); Japan from Unayama & Komura (2014); Korea from authors' estimate ("BOK Issue Note: An Assessment of Korea's Equity Wealth Effect," Kim Min-soo, Chu Seong-yoon, Kwak Beom-jun, May 2026)

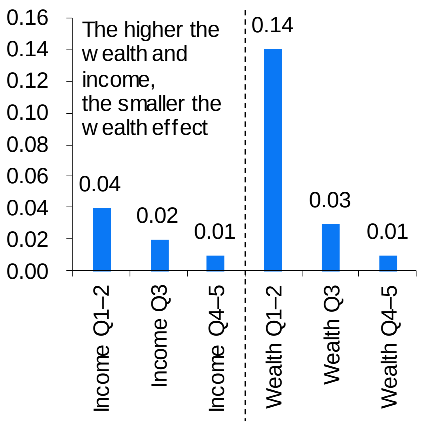
Equity wealth vs disposable income



Note: As of 2024 / Europe is the average of Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Spain, and Sweden

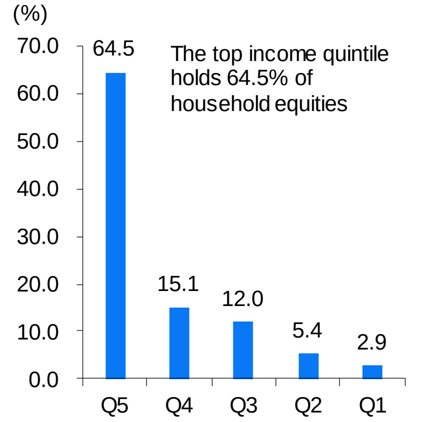
Source: BOK, ECOS, FRB, FRED, OECD

Wealth effect, by income and wealth tier



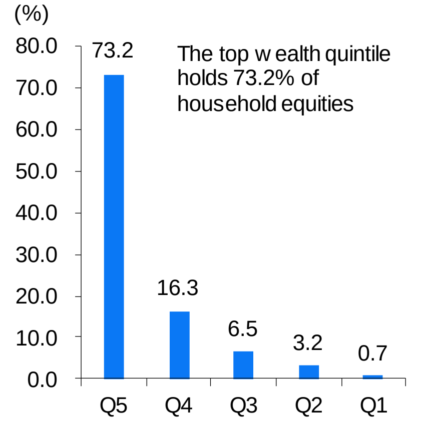
Source: Survey of Household Finances and Living Conditions, BOK, Samsung Securities

Equity-holding share, by income quintile



Source: Survey of Household Finances and Living Conditions, BOK, Samsung Securities

Equity-holding share, by wealth quintile



Source: Survey of Household Finances and Living Conditions, BOK, Samsung Securities

Households rebalancing assets: Significant untapped potential as participation broadening across diverse demographics

Household asset reallocation—driving retail net equity purchases—is now gaining clear momentum, signaling that there is substantial room for retail to shift further towards higher-risk, higher-return assets.

2-1. Real estate: Still the core of household assets—but gradual structural shift ahead

While real estate remains the dominant component of household assets in Korea, its share (or total household assets) is steadily falling. According to the BOK's National Balance Sheet, real estate accounted for 63.4% of households and nonprofit institutions' total net assets in 2024 (the figure peaked at 65.7% in 2021).

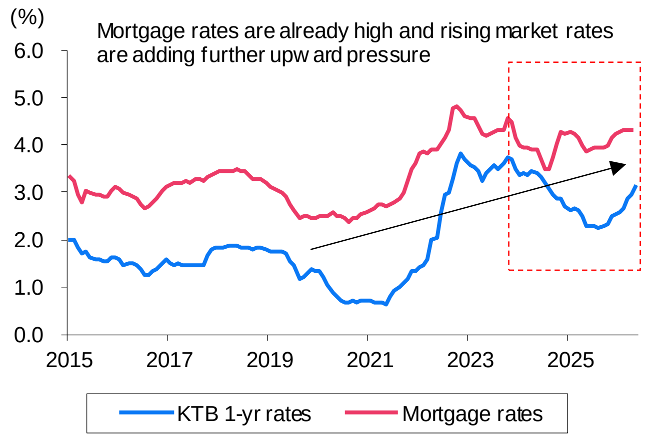
Falling expected returns from real estate, coupled with stronger returns on equities, are likely to make financial assets more attractive than property. Key headwinds for property include: 1) tighter regulations for multiple homeowners; 2) intensified household debt management via financial sector lending controls; 3) reduced leverage from stricter LTV and DSR limits; and 4) rising mortgage rates (due to higher market interest rates and expectations of policy rate hikes). Collectively, these factors are enhancing the relative attractiveness of equity investments.

Summary of key property-tightening measures

Category	Tightening details	
LTV	Homeless and conditional one-home (sell existing)	Tightened from 50% to 40%
	Additional purchase (homeowner)	Tightened from 30-40% to 0%
	First-time buyer	Tightened from 80% to 70%
Cap	Based on regulated-area home market value	Loan cap KRW600m if value ≤ KRW1.5b
		Loan cap KRW400m if value KRW1.5b–2.5b
		Loan cap KRW200m if value > KRW2.5b
DSR		Capital-region and regulated-area stress-rate floor raised from 1.5% to 3%
		One-home owners' *jeonse* loans also reflected in DSR

Source: Media reports, compiled by Samsung Securities

Mortgage rate vs market rate trend

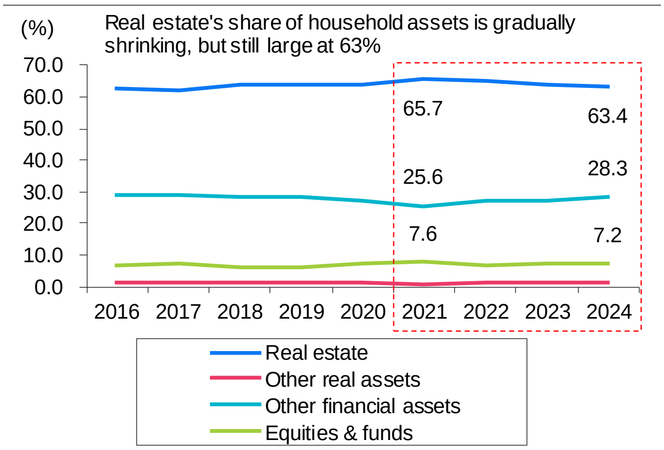


Source: BOK, Samsung Securities

2-2. Safe assets: High portion of safe assets—ample room for flight-to-yield

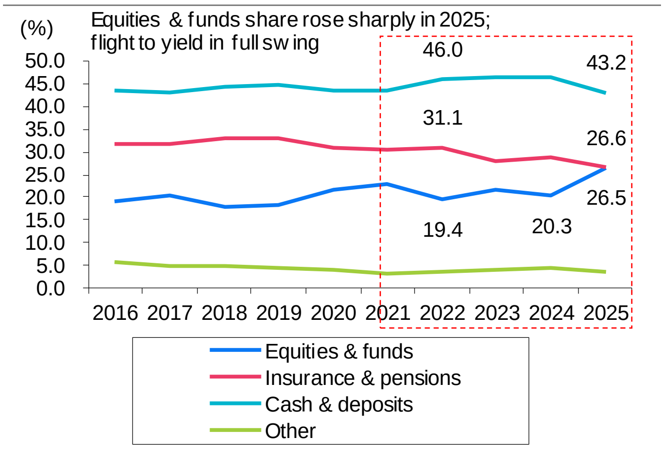
There remains substantial room for households to continue shifting from low-yielding safe assets towards higher-yielding alternatives, a phenomenon known as flight-to-yield. The market rally and interest-rate cuts began in 2024, and cash and deposits as a share of household's financial assets declined 3.2%pts in 2025, while the insurance and pension portion (as a share of household's financial assets) fell 2.3%pts. In contrast, the share of stocks and funds jumped from 20.3% to 26.5%. Nevertheless, safe assets still dominate household portfolios: As of end-2025, cash and deposits account for 43.2% of household's financial assets, and insurance and pensions for 26.6%. These two categories together comprise 69.8% of household's financial assets.

Household asset composition trend



Source: BOK, Samsung Securities

Household financial-asset composition trend



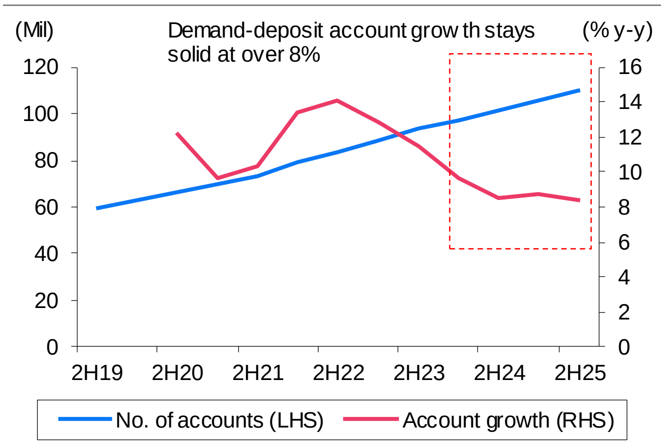
Source: BOK, Samsung Securities

2-3. Flight-to-yield trend expands to mass customers and younger demographics

The reallocation of financial assets—commonly referred to as the flight-to-yield phenomenon—is likely to enter a phase of broad-based growth. Historically, equity investments were concentrated among high-net-worth (HNW) or high-income individuals. However, with the introduction of mobile trading platforms (MTS), better access to investment information, and the growth of ETFs, stock investing is increasingly becoming mainstream. This shift is particularly evident among retail clients and younger demographics, and is reflected in changes in deposit balances and number of accounts.

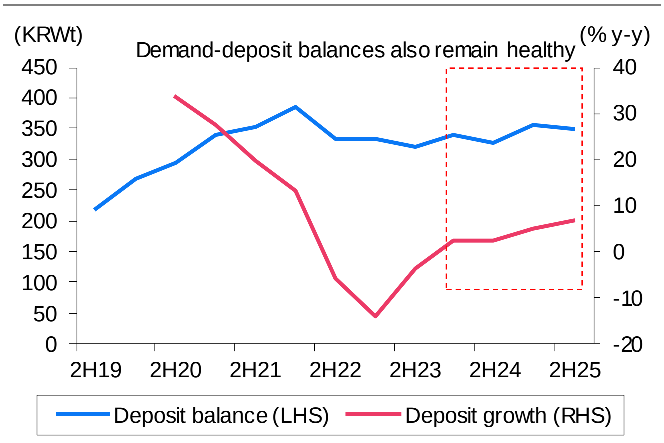
1) Demand deposits remain robust but… In 2H25, the number of demand deposit accounts and their balances increased 8.4% and 6.9% y-y, respectively. However, these accounts are primarily used for transactional purposes—such as payments, transfers, and loan repayments—rather than wealth accumulation. Thus, their growth is not strongly tied to money moves.

Number of demand-deposit accounts vs growth



Source: BOK, Samsung Securities

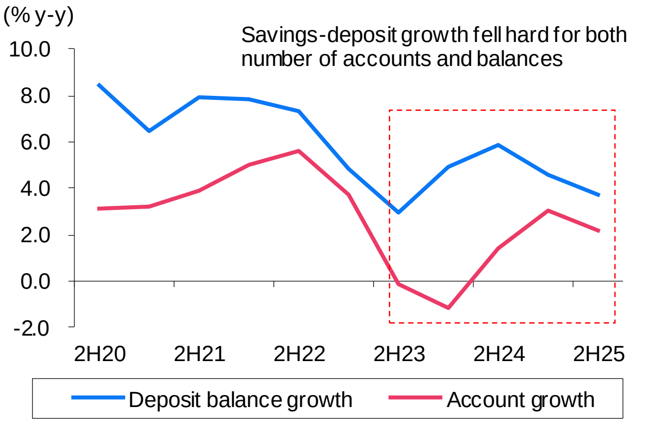
Demand-deposit balance vs growth



Source: BOK, Samsung Securities

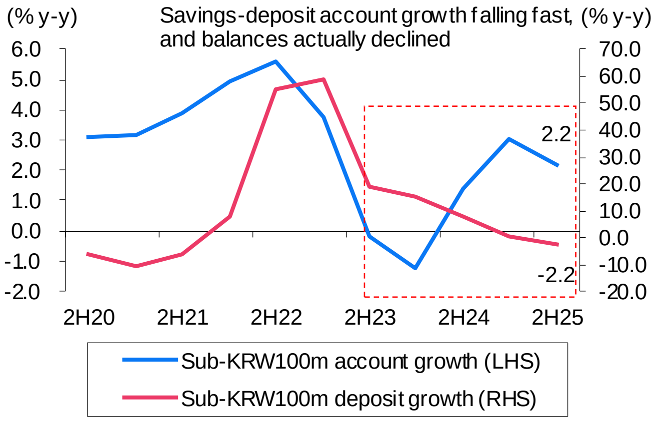
2) Growth of investment-oriented savings deposits slowing—decline more pronounced for accounts with balances under KRW100m: In contrast, savings deposits linked to investment activity are giving mixed signals. Accounts with balances over KRW100m grew 1% y-y in 2H25, while deposits under KRW100m declined 2.2% y-y. These figures suggest a rapid weakening of new capital inflows from retail customers that have lower incomes or smaller assets.

Savings-deposit account and balance growth



Source: BOK, Samsung Securities

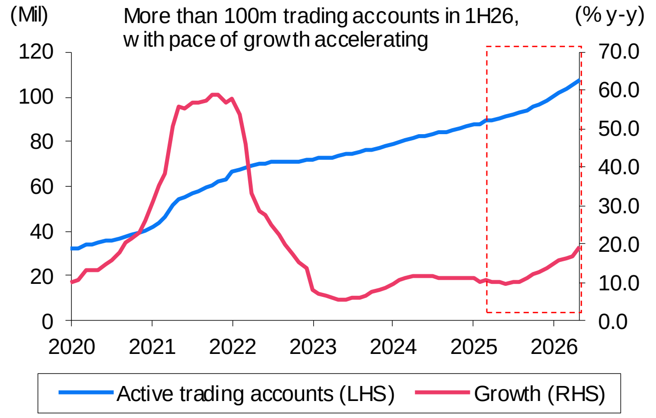
Sub-KRW100m savings-deposit accounts vs balance



Source: BOK, Samsung Securities

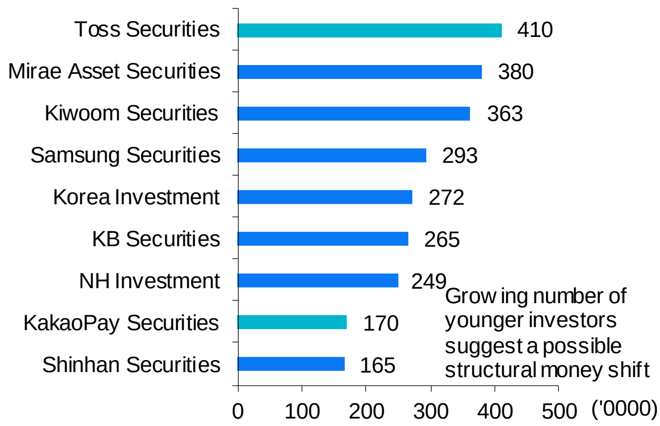
3) Rapid growth in number of securities accounts—youth-led capital shift signals new structural trend: In contrast, the number of securities accounts surged during the same period. This reflects not only a swift movement of funds from safe assets like time deposits into equities, but also a fundamental shift in how younger, less affluent individuals view wealth building. Mobile-only brokerage platforms such as Toss Securities and KakaoPay Securities have seen explosive growth in user registrations, reinforcing the view that this capital reallocation is: 1) not temporary but structural and 2) likely to expand further.

Securities firms: Active number of accounts and growth



Source: KOFIA, Samsung Securities

MTS MAU, by brokerage



Note: Based on April 2026 MAU, except Toss Securities (July 2025)
Source: WiseApp Retail, media reports, Samsung Securities

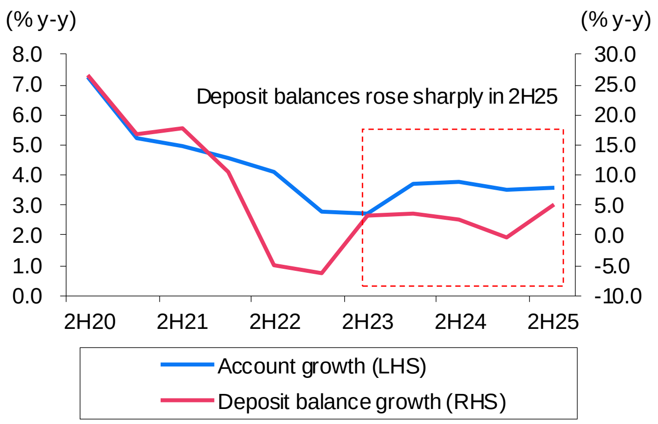
Note: Household deposit outflows do not mean decline in bank deposits—focus on the steep rise in corporate deposits

Concerns over bank-deposit outflows due to money moves are overblown. While household deposits may dip (as capital is reallocated), three powerful counterforces are driving net deposit inflows at banks: 1) elderly households are still favoring safe assets; 2) corporations have strong earnings and rising settlement-related liquidity; and 3) the government is seeing a surge in tax revenue. The trend (growing deposits at banks) was already evident amid a sharp rise in corporate demand deposits in 2H25. In May 2026, household deposits at the five major banks fell KRW10t m-m, while corporate deposits (primarily demand deposits and MMDAs) surged KRW37t m-m, pushing total deposits up KRW27t.

Yet, corporate deposit growth is not a panacea.

1) Disparities in banks capturing corporate deposits: Not all banks are equally positioned to benefit. Banks that can integrate corporate banking capabilities with deposit taking—effectively locking in corporate clients—or those with the authority to accept government funds, such as provincial and city treasury accounts, are likely to hold a distinct advantage in securing liquidity.

Corporate deposit account number vs deposit-balance growth trend



Source: BOK, Samsung Securities

May: Deposit changes at five major banks

(KRWt)	Change
Households	(10)
Corporate	37
Demand + MMDA	28
Time deposits	9
Net deposit inflow	**27**

Source: Media reports, Samsung Securities

2) Ability to attract corporate deposits limited (from LCR and profitability perspective): There are clear limits to banks' ability to attract corporate deposits when viewed through the lens of LCR compliance and profitability. Recent media reports indicate that some banks are hesitant to accept large MMDA deposits from export-oriented firms, apparently due to LCR regulations and profitability pressure: 1) under LCR calculations, MMDA deposits are assigned a 40% estimated runoff rate within 30 days, directly reducing their LCR ratio; 2) to improve LCR, banks often shift funds from lending to HQLA assets—primarily government bonds—which lowers their NIM; and 3) in a rising-rate environment, these bond holdings may incur valuation losses, further straining both their earnings and capital.

Certainly, deregulation could enhance banks' capacity to attract corporate deposits. For instance, banks could unlock additional capacity to attract and hold corporate deposits if regulators introduce relief measures (as seen during COVID-19): 1) granting banks greater discretion in runoff-rate assumptions; 2) broadening the range of eligible Level 2 assets; or 3) temporarily easing LCR requirements.

3) Comparison with global banks also needed: Yet, such actions would be temporary fixes. For banks that attract and hold funds overseas, the relative rise in risk (vs that at their global peers) becomes a constraint. Consider the 2008 Global Financial Crisis: Korean regulators argued that including CDs in loan-to-deposit ratios would keep the ratio below 100%, framing it as a sign of stability. But the market did not accept the logic.

LCR calculation method

$$\text{LCR} = \frac{\text{HQLA (High-Quality Liquid Asset)}}{\text{30-Day Cash Outflows (= Deposits x Run-off rate)}} \geq 100\%$$

Source: Samsung Securities

Outflow rate, by deposit type

Category	Outflow rate
Stable small retail deposits	5%
Operational corporate deposits	25%
Non-operational general corporate deposits (MMDA)	40%
Financial-institution deposits	100%

Source: Samsung Securities

High-liquidity asset classification

Grade	Haircut	Cap	Key assets
Level 1	0%	None	Cash, BOK required reserves/deposits, KTBs, MSBs, treasury bills, 0% risk-weighted government bonds
Level 2A	15%	Total Level 2 < 40% of HQLA	20% risk-weighted sovereign/public bonds, AA- or higher corporate/covered bonds
Level 2B	25-50%	< 15% of HQLA	A+ to BBB- corporates, blue chips in major indices (50% haircut), high-quality residential MBS

Source: Samsung Securities

Concerns raised over rate hikes—but economic growth and corporate earnings improvement to offset related headwinds

Rising rates a concern—Focus on GDP growth

Some have expressed concern that the BOK's rate hikes could dampen money movements. However, historical evidence shows that rate increases do not necessarily suppress money moves.

For instance, during the mid-2000s and early 2010s, when the BOK raised its policy rate, the Kospi still posted solid gains. In the mid-2000s, rising inflows from individual investors into mutual funds drove market momentum. In the early 2010s, surging direct investments by retail investors—often termed 'angry money'—alongside rapid growth in advisory-based wrap accounts, redirected capital towards the auto, chemical, and refining sectors, fueling gains in the equity markets.

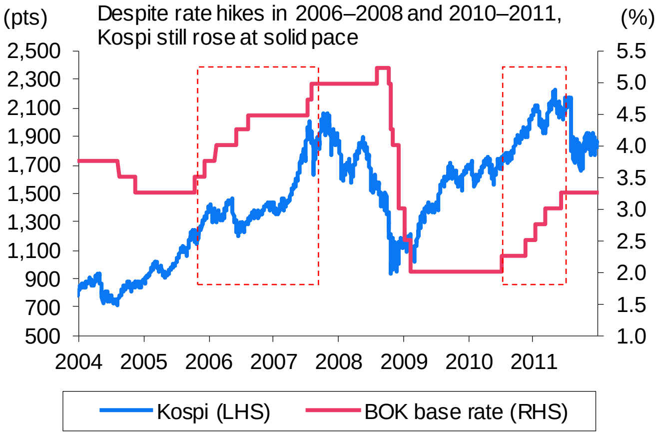
Can economic growth and corporate earnings growth outpace headwinds from higher rates?

Looking at past market rallies, the key to sustaining equity strength and capital inflows—even during periods of rising interest rates—lies in whether economic growth and corporate earnings improvement can outpace the headwinds stemming from higher rates. Two historical episodes provide sufficient evidence that this dynamic is possible.

1) Mid-2000s: Even as interest rates rose, the Kospi advanced in the mid-2000s. The market rally was, on the surface, driven by a shift of capital into mutual funds—but beneath that, it was fueled by a cycle of corporate earnings improvement and the economic growth it supported. Amid a favorable global macro environment (characterized by low interest rates and abundant liquidity), Korea experienced a sharp improvement in corporate earnings, driven by the confluence of a shipbuilding supercycle and the recovery of global IT and NAND cycles. This momentum ultimately served as a key catalyst for Korea's GDP growth, which rebounded to around 5%.

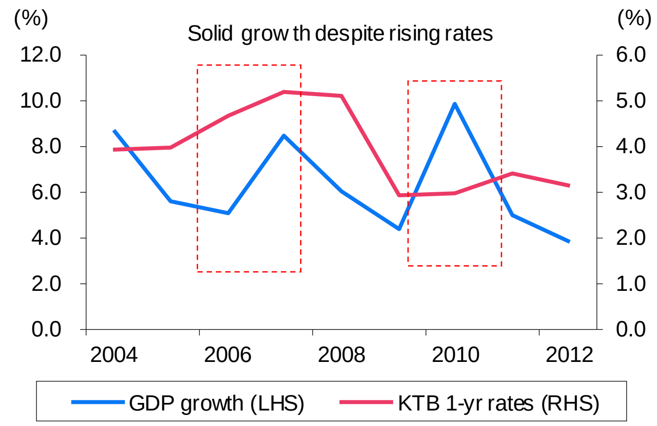
2) Early 2010s: The equity-market rally during the 2010 rate-hike cycle was led by 'angry money' flowing into the auto, chemical, and refining sectors. At the time, Korea's GDP growth surged to 9.9%—a V-shaped recovery following the 2028 Global Financial Crisis—fueled by: 1) aggressive government stimulus measures and a weaker won; 2) China's massive infrastructure spending; 3) the global IT cycle's rebound (which centered on smartphones); and 4) improved earnings at Korean export-oriented firms, especially those in the auto, chemical, and refining sectors.

Kospi vs base rate during rate-hike periods (2004-2011)



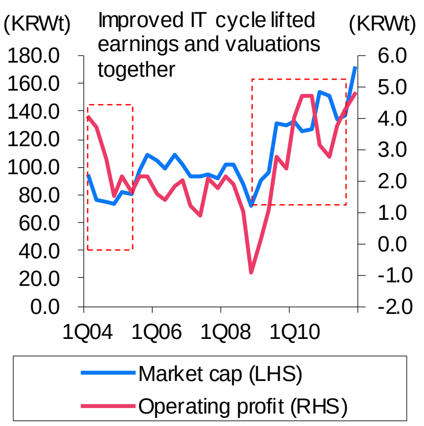
Source: QuantiWise, Samsung Securities

GDP growth vs base rate during rate-hike periods (2004-2011)



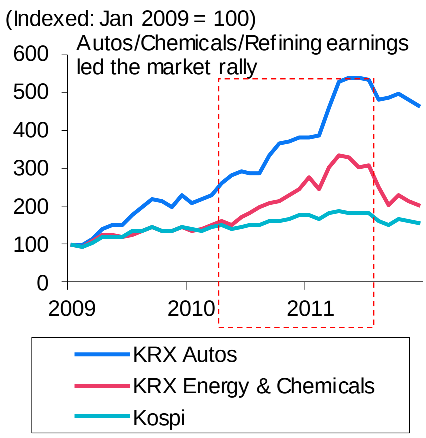
Source: BOK, Samsung Securities

SEC's market cap vs operating profit



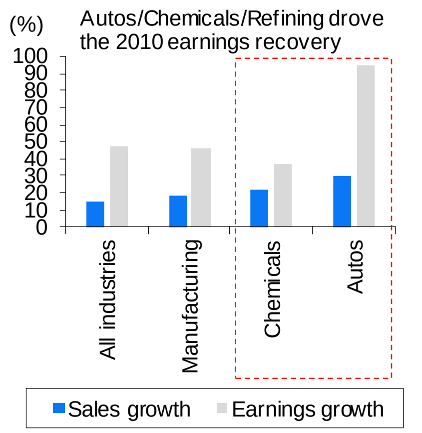
Source: KRX, Samsung Securities

Autos/chemicals/refining sector indices vs Kospi



Source: KRX, Samsung Securities

2010 sales vs earnings growth, by industry



Note: Based on the 11th Korea Standard Industrial Classification

Source: BOK, Samsung Securities

Economic recovery expected from 2026, despite rising rates, as warmth of semiconductor-led earnings growth spreads through economy

The situation today is not just similar to that seen during the two prior periods where rate hikes coincided with market rallies—this time around, bullish factors may actually be stronger. In detail: 1) consensus has Samsung Electronics (SEC) and SK Hynix generating a combined operating profit of KRW627.2t this year (up 590.7%) and KRW879.8t next year (up 40.3%); 2) their earnings boom lifted Korea's 1Q nominal GDP growth to +17.1% y-y; and 3) if this momentum triggers broader spillover effects—more corporate investments, higher tax revenue (to fund fiscal stimulus measures), and increased household consumption—the warmth could spread throughout the economy. For perspective, in 2025, the combined net profit of SEC and SK Hynix accounted for 3.4% of Korea's GDP vs a projected 23.4% in 2026 and 32.9% in 2027.

Samsung Electronics and SK Hynix: Operating profit vs GDP

(KRWt)	2024	2025	2026E	2027E
Samsung Electronics	32.7	43.6	363.1	497.1
SK Hynix	23.5	47.2	264.0	382.7
Total	56.2	90.8	627.2	879.8
vs GDP (%)		3.4	23.4	32.9

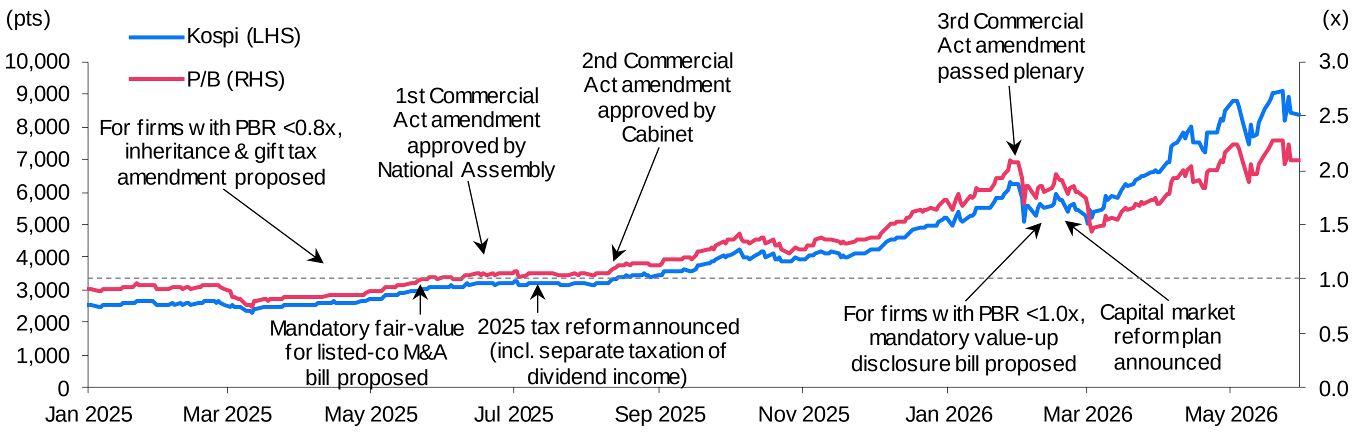
Note: 2026E and 2027E figures are based on FnGuide consensus
Source: Company data, FnGuide, Samsung Securities

Stronger tailwinds this cycle: Government efforts to close Korea's market discount

This cycle has an additional positive in store. Unlike previous cycles, the government is now actively tackling the country's persistent valuation discount, improving conditions for investment flows into the equity market. Three key changes are shaping the landscape: 1) new rules, like banning dual listings, are protecting retail investors; 2) companies are increasingly buying back their own shares as a way to enhance corporate value; and 3) more firms are publicly disclosing formal value enhancement plans, making their commitments transparent and accountable.

Rather than worrying about rising interest rates, investors need to focus on policy support that fosters corporate and economic growth while strengthening investor confidence.

Kospi index and P/B trend



Source: WiseFn, Samsung Securities

Summary of the Commercial Act amendments and capital-market reform

Status	Major category	Key details	Timing	Sub-details
Completed	Commercial Act amendment	Commercial Act amendment 1st	Effective Jul 2026	Director's duty of loyalty, strengthened 3% rule, electronic AGMs
		Commercial Act amendment 2nd	Effective Sep 2026	More separately-elected audit-committee members, mandatory cumulative voting
		Commercial Act amendment 3rd	Effective Mar 2026	Mandatory cancellation of treasury shares (cancel within 1 year of acquisition; up to 1.5-year grace for existing holdings)
	Tax reform	Separate taxation of dividend income	From 2025 dividends	Separate taxation applies to dividends of firms with 1) a payout ratio of 40%+, or 2) a payout ratio of 25%+ and total dividends growing 10%+ y-y.
In progress	Inheritance & gift tax amendment	Inheritance & gift tax	TBD	Apply a minimum P/B of 0.8x as a floor when inheriting/gifting listed shares.
	Capital-market reform	Delisting of weak firms	Apr-Sep 2026	Stricter delisting in earnest, inducing exit of underperformers via M&A
		Ban dual listings in principle	Jun 2026	Ban KRX dual listings in principle; impose a duty of loyalty on boards for subsidiary dual listings, also applied to overseas dual listings
		Prevent under-valuation	2026	Mandatory fair value in M&A
			Jul 2026	Induce value-up at low-PBR firms (improve exchange systems)
			Sep 2026	Introduce disclosure of revalued asset value (K-IFRS amendment)
		Strengthen the stewardship code	2H26	Establish an institutional-investor review framework and supplement the legal interpretation manual
		Enhance Kosdaq competitiveness	2H26	Expand special listings for innovative technologies
			1H26	Diversify capital-recovery beyond IPO-only via a better venture-capital ecosystem
			2H26	Split Kosdaq into premium/standard/watch tiers and introduce promotion-relegation

Source: Bill Information System, Financial Services Commission, Samsung Securities

More new money coming in—foreign retail investors and other new investors

Potential for wave of buying by foreign retail investors: Another money-move factor

Unlike institutional investors, overseas retail investors currently have very limited access to the Korean stock market. In practice, apart from ETFs that are listed abroad or select ADRs (some Korean stocks), foreign retail investors have few direct means to invest in individual stocks that are listed in Korea.

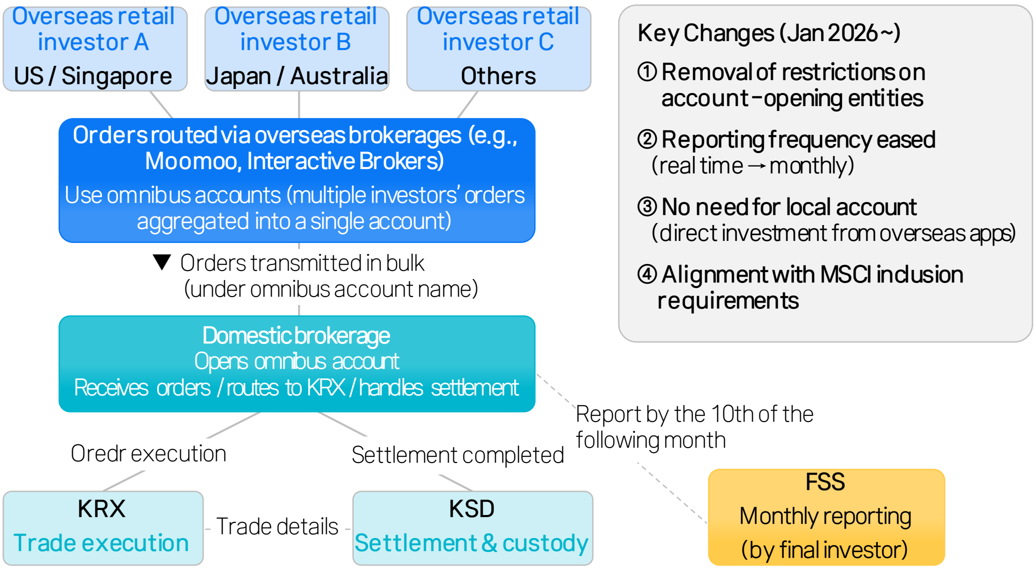
As a first step to improve foreign retail investors' access to the Korean stock market, the government in Dec 2023 abolished the mandatory Investment Registration Certificate (IRC) pre-registration system for foreign investors. Introduced in 1992 to limit how much Korean stocks foreign investors could own, the IRC stayed in place even after foreign ownership caps on most listed companies were removed in 1998. The IRC was officially abolished in Dec 2023, making it easier for foreign retail investors to open brokerage accounts with Korean securities firms.

Full opening of omnibus accounts begins Jan 2026—key step towards greater foreign access

Meanwhile, the full opening of omnibus accounts from Jan 2026 has begun to significantly enhance foreign investor access. An omnibus account allows foreign investors to trade Korean stocks through a single account opened with their local securities firm—eliminating the need to open a separate account in Korea. As the name implies, orders from many investors are aggregated into one consolidated account for processing. Foreign investors submit their orders through their local securities firms, which forward them on to a Korean securities firm. The Korean firm then places the orders with the exchange, with settlement and custody handled through the Korea Securities Depository (KSD).

The foreign securities firm, as the named holder of the omnibus account, transmits orders to the Korean securities firm. Final investor-level information is reported monthly to the FSS through the Korean firm. When the system was introduced in 2017, the reporting requirement was 'within T+2 days,' making it all but impossible to use—no real cases were ever recorded. After the requirement was relaxed in 2023, the structure became operationally viable. Starting Jan 2026, restrictions on who can open an omnibus account have been fully lifted—previously, only major shareholders or affiliates of Korean financial investment firms were eligible. Now, virtually any global securities firm can establish an omnibus account, significantly broadening access for international investors.

Omnibus-account order-flow structure



Source: Samsung Securities

Korean stocks now accessible on global investment platforms

The full opening of omnibus accounts is more than just a procedural simplification. Until now, foreign retail investors had to open an account directly with a Korean securities firm to invest in Korean stocks—a process often blocked by language barriers, complex documentation, and the requirement for a local (Korean) bank account. With omnibus accounts now fully operational, global brokerage platforms (like MooMoo, Interactive Brokers, and Webull) will let their users buy Korean stocks such as SEC and Hyundai Motor directly through their apps. It is as if a dedicated 'Korean stocks' tab has been added to global investment platforms.

Foreign retail investments in Korean equities in nascent stage—future expansion to be key

In May, foreign retail investors began gaining access to Korea's stock market, as Korean securities firms launched partnerships with international brokers. The momentum has since grown: Mirae Asset Securities recently announced a collaboration with UOB Kay Hian, a major Singapore-based broker, to launch an omnibus account service for overseas clients—reflecting a concerted effort by Korea's securities industry to embed itself into global retail trading ecosystems.

Looking ahead, we believe the Korean securities industry should prioritize expanding partnerships with additional global platforms.

Globally, several dominant retail trading platforms remain influential. Partnering with leading players—such as MooMoo, operated by Futu in Asia; eToro in Europe; Robinhood and Webull in the US; as well as traditional giants like Fidelity and Charles Schwab—will be critical to giving international investors better access to Korea's equity markets.

Financial authorities also working to attract foreign retail investors

The financial authorities are also actively working to attract foreign retail investors in response to evolving market conditions. For example, the head of the Financial Services Commission (FSC) recently announced plans to expand the unified account for foreign investors—currently limited to stocks—to include ETFs and ETNs. Officials are reportedly prepared to issue a non-action letter to accelerate implementation if legislative processes lag, signaling a strong commitment to opening the market.

Status of domestic brokers' foreign-omnibus-account business tie-ups

Broker	Global partner	Partner's nation	Status
Samsung Securities	IBKR	US	Service live (since Apr 2026)
Hana Securities	FUTU (MooMoo)	Hong Kong	In preparation
Kiwoom Securities	Webull	US	In preparation
Meritz Securities	Webull	US	In preparation
Mirae Asset Securities	UOB Kay Hian	Singapore	Service live (since Jun 2026)

Source: Media reports, Samsung Securities

Status of major global brokerage platforms

Platform	Client assets	Number of accounts (funded)	Type
Americas (US)			
Fidelity	USD16t	~50m	Traditional brokerage, wealth management
Schwab	USD12t	38.5m	Traditional brokerage, wealth management
Vanguard	USD10t	~20m	Traditional brokerage, wealth management
Robinhood	USD307b	27m	Digital, online
IBKR	USD820b	5m	Digital, online
Asia-Pacific (APAC)			
FUTU	USD157b	2.4m	Digital, online
Webull	USD24b	5.1m	Digital, online
Tiger	USD60.8b	1.25m	Digital, online

Source: Company data, Samsung Securities

Another key driver of money moves—Retirement pensions growing and portfolios changing

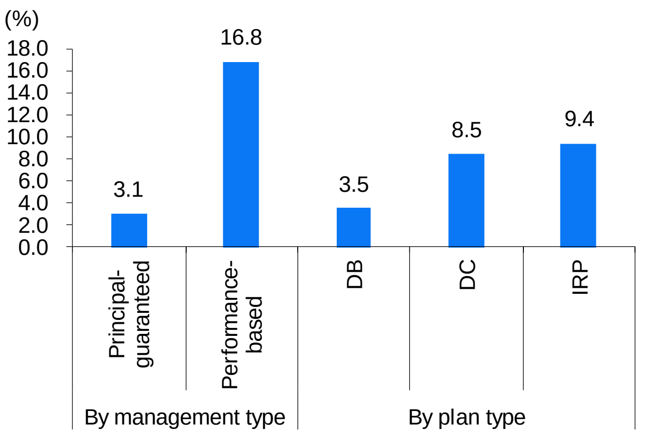
Retirement pensions—portfolio rebalancing underway

Retirement pension portfolios in Korea are undergoing a structural shift in terms of asset allocation, driven by hugely divergent investment returns. Historically, pension assets were allocated with a primary focus on capital preservation. However, persistently low real interest rates combined with the global stock-market rally have widened the performance gaps between asset classes, culminating in a pronounced reallocation trend since 2025.

Returns on performance-linked products outpace returns on principal-guaranteed options by 5x

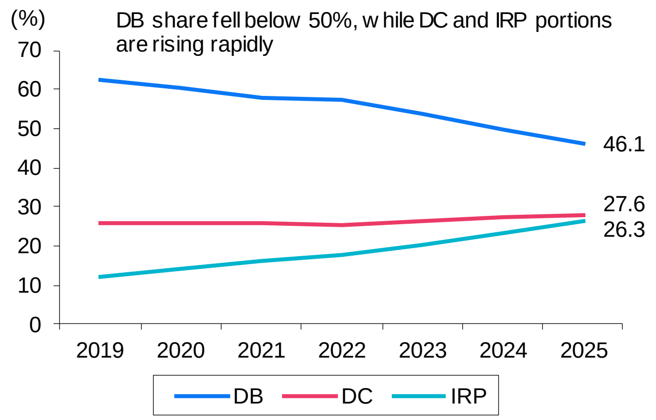
Korea's sharp market re-rating that began in 2H25 has accelerated this divergence. In 2025, returns on retirement pension investment options diverged dramatically. Principal-guaranteed products delivered a modest 3.1% return, whereas performance-linked products achieved a 16.8% return—over five times higher. Furthermore, 42.5% of securities companies' retirement pension holders achieved returns exceeding 10%—in stark contrast with the low yields generated by banking and insurance-linked products.

2025 annual return, by retirement-pension type



Source: Ministry of Employment and Labor, Samsung Securities

Retirement pension share trend by type



Source: FSS, Samsung Securities

Kospi surge deepens return gaps

The sharp rally in the Kospi in 2025 further widened the return gaps across retirement pension portfolios, with performance increasingly correlated to the level of domestic equity exposure. Analysis of 2025 annual returns by product type reveals two key drivers of the outperformance: 1) higher overall equity allocation; and 2) greater weightings of Korean stocks.

Estimated 2025 pension returns, by product portfolio

Assumed end-2024 pension balance (KRW)	100,000,000					
Assumed return by asset class						
Asset class	Deposits	S&P 500	Kospi			
2025 return	3%	16.4%	75.7%			
Returns, by assumed portfolio						
Assumption	**1. 100% deposits**	**2. 50% deposits vs 50% S&P 500**	**3. 30% deposits + S&P 500 70%**	**4. 30% deposits vs 70% Kospi**	**5. S&P 500 50% vs Kospi 50%**	**6. Kospi 100%**
Returns (%)	3.00	9.70	12.38	53.89	46.05	75.70

Note: Returns based on 2025 annual returns
Source: Samsung Securities estimates

Retirement pensions: Pace of portfolio reallocation accelerates

The extreme disparity in returns is now acting as a catalyst for structural rebalancing within retirement pension assets. Key indicators of this shift in 2025: 1) DC and IRP accounts grew 17.1% and 30.8% y-y, respectively, raising their combined share of total pension assets to 53.9% (up 3.6%pts y-y); 2) the allocation to performance-linked products rose 7.2%pts y-y to 24.6%; and 3) securities firms' market share among retirement pension service providers increased 2.1%pts y-y to 26.5%.

Performance-based share trend by financial channel

	Banks		**Securities**		**Life insurance**		**Non-life insurance**		**Korea Workers' Compensation & Welfare Service**		**Total**	
(KRWt, %)	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
End-2025	49.8	19.1	59.4	45.2	13.1	14.9	0.7	3.9	0.3	6.3	123.3	24.6
End-2024	29.2	12.9	35.7	34.4	9.8	11.9	0.3	2.2	0.2	4.2	75.2	17.4
Change (KRWt, %p)	20.6	6.2	23.7	10.8	3.3	3.0	0.4	1.7	0.1	2.1	48.1	7.2

Note: Shares based on total retirement pensions including DB
Source: Ministry of Employment and Labor, Samsung Securities

Retirement pension portfolio rebalancing still underway in 1H26

Rebalancing to persist in 2026, focusing on DC/IRP accounts and performance-linked products

Media reports indicate that retirement pension assets grew KRW11.9t in 1Q26, with Mirae Asset Securities accounting for KRW4.3t of this growth (36.4% of total net inflows). Given that DC/IRP products represented 84.4% of Mirae Asset Securities' pension assets at end-2025, it is reasonable to infer that the majority of these new inflows were directed into DC/IRP accounts, predominantly allocated to performance-linked products. Other securities firms, which also posted strong growth in terms of DC & IRP products last year, likely enjoyed similar momentum.

Retirement-pension reserves, by broker

	2024					2025					Growth (% y-y)				
(KRWt)	Total	DB	DC	IRP	DC + IRP	Total	DB	DC	IRP	DC + IRP	Total	DB	DC	IRP	DC + IRP
Mirae Asset	29.2	6.3	11.9	11.0	22.9	38.1	5.9	16.3	15.9	32.2	30.5	(5.7)	37.2	44.0	**40.5**
Samsung	15.4	4.1	5.0	6.3	11.3	21.1	4.2	7.7	9.1	16.8	36.9	1.9	55.8	44.9	**49.7**
Korea Investment	15.8	7.4	3.8	4.6	8.4	20.7	8.0	5.4	7.4	12.8	31.2	7.4	40.9	61.5	**52.2**
Hyundai Motor	17.5	15.2	0.6	1.7	2.3	19.2	16.4	0.7	2.0	2.8	9.6	7.6	32.4	19.6	**22.8**
NH Investment	8.1	3.8	1.7	2.6	4.3	10.2	4.1	2.5	3.6	6.2	25.8	6.2	45.3	41.8	**43.2**
KB	6.6	3.5	1.3	1.9	3.1	8.3	3.6	1.8	2.9	4.7	25.6	2.4	44.9	56.4	**51.8**
Shinhan Investment	5.8	2.5	1.6	1.7	3.3	6.9	2.3	2.0	2.6	4.6	20.5	(6.6)	27.1	53.9	**40.8**
Daishin	1.8	0.7	0.6	0.5	1.1	2.2	0.8	0.7	0.7	1.4	22.5	16.8	15.8	37.4	**25.9**
Hana	1.4	0.8	0.2	0.4	0.7	1.9	1.0	0.3	0.6	0.9	31.1	26.7	18.2	45.5	**36.0**
iM	0.7	0.4	0.1	0.2	0.3	0.7	0.3	0.1	0.3	0.4	(3.0)	(18.0)	12.5	13.1	**12.9**

Source: FSS, Samsung Securities

Korean stock market rally fuels further surge in the portion of performance-linked products

The unprecedented Kospi rally in 1H26—up 101% over January-May—likely further accelerated the reallocation towards performance-linked products. While official retirement pension statistics remain available only until end-2025, we estimate 1H26 trends using the following assumptions: 1) DC + IRP assets grew 13.3% over Jan-May 2026 (half of the 26.6% full-year 2025 growth rate); and 2) the share of performance-linked products increased 5.2%pts (half of the 10.4%pts rise in 2025).

Under these assumptions, we estimate: 1) the absolute value of performance-linked product assets increased KRW33t over January-May; and 2) the allocation to performance-linked products within DC/IRP accounts rose to 50.7%. Given the strength of the stock-market rally and the continued fund inflows, these estimates look somewhat conservative. Actual allocations might have been even higher.

In short, the pace of rebalancing of the country's retirement pension portfolios has likely accelerated significantly in 2026.

Estimated increase in performance-based products within retirement pensions

(KRWt)	Banks	Securities	Life insurance	Non-life insurance	Korea Workers' Comp & Welfare Service	Total
Performance-based balance (end-2025)	49.8	59.4	13.1	0.7	0.3	123.3
Performance-based share						
End-2024 (%)	22.0	60.5	54.4	14.4	4.2	34.8
End-2025 (%)	31.4	70.1	60.3	26.7	6.5	45.3
Change (%p)	9.4	9.6	5.9	12.3	2.3	10.5
DC+IRP amount						
End-2024	132.4	59.1	18.5	2.6	4.5	217.1
End-2025	158.7	84.8	21.7	2.6	4.6	272.5
Growth (%)	19.9	43.5	17.4	2.3	1.3	25.5
Estimate as of May 2026						
DC+IRP growth (assumes 50% of 2025 rise, %)	9.9	21.7	8.7	1.2	0.6	13.3
DC+IRP estimate	174.5	103.2	23.6	2.7	4.6	308.6
Performance-based share increase (assumes 50% of 2025 rise, %p)	4.7	4.8	2.9	6.1	1.2	5.2
Performance-based share estimate (%)	36.1	74.9	63.2	32.8	7.7	50.7
Performance-based amount estimate	62.9	77.2	14.9	0.9	0.4	156.3
Performance-based amount change	**13.1**	**17.8**	**1.8**	**0.2**	**0.1**	**33.0**
Performance-based amount growth (%)	26.4	30.0	14.0	24.4	18.6	26.8

Source: FSS, Samsung Securities estimates

Retirement pension rebalancing drives growth of domestic ETF investments

The ongoing portfolio rebalancing within Korea's retirement pension system is increasingly channeling capital into ETFs.

Retirement pensions as a dominant force in the ETF market

Retirement pension plans have become a major driver of Korea's ETF market growth. According to the Ministry of Employment and Labor, ETF holdings within retirement pension accounts reached KRW48.7t in 2025—up 131.9% y-y and more than five times the 2023 figure of KRW9t. This surge reflects a broader shift: As participants seek higher returns, allocations to performance-linked products have risen sharply, with ETFs serving as the primary vehicle for equity exposure.

Retirement-pension accounts: ETF investment trends

(KRWt, %)	2023	2024	2025	Chg (% y-y, %pts y-y)
Retirement-pension ETF balance (A)	9.0	21.0	48.7	131.9
Performance-based products (B)	49.1	75.2	123.3	64.0
ETF share within performance-based (A/B)	18.3	27.9	39.6	11.7

Source: Ministry of Employment and Labor, Samsung Securities

For retirement pensions, allocation between domestic and overseas equity ETFs 50:50 in 1Q…

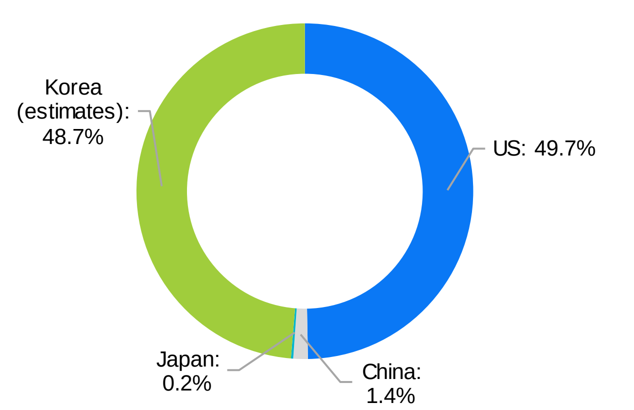
Because retirement pension portfolios include Korea-listed ETFs tracking overseas indices, not all ETF purchases represent direct inflows into the Korean stock market.

Historically, ETFs linked to overseas equities dominated pension allocations. However, the split between domestic and overseas equity ETF exposure within retirement portfolios roughly balanced out at 50:50 in 1Q26. Based on newly-disclosed fund-level data from the FSS (which began publishing net asset values of retirement pension-held funds & ETFs from 1Q26), we estimate 48.7% of ETF assets within pension portfolios track Korean equities, while 49.7% are tied to US stock markets.

…but the portion exposed to domestic equity ETFs to surge in 2026

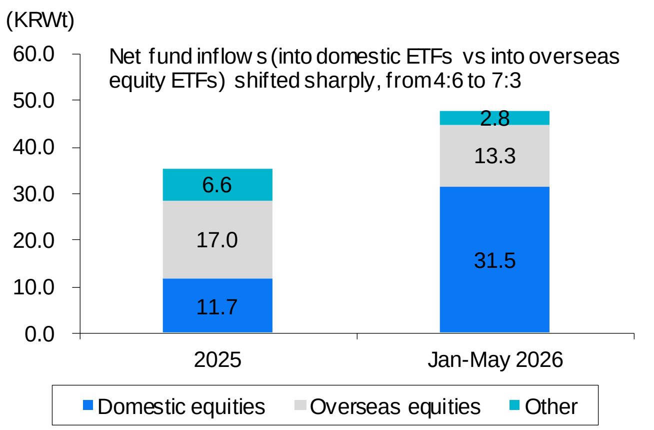
The balance has shifted sharply in favor of domestic equity ETFs this year. In 2025, individual investors net-bought KRW35.2t in Korea-listed ETFs—KRW11.7t in domestic equity ETFs and KRW17t in overseas equity ETFs (reflecting a 4:6 split). This dynamic has reversed this year. Over Jan-May 2026, net fund inflows reached KRW31.5t for domestic equity ETFs and KRW13.3t for overseas equity ETFs—implying a 7:3 allocation. This dramatic shift occurred despite the fact that the first single-stock ETFs were only launched on May 27, limiting their impact to just three trading days in May. Given the minimal time horizon, their contribution to the May cumulative figures was negligible.

Estimated country composition of ETFs held by Korean pensions



Note: As of 1Q26, based on on-sale product names and net asset value
Source: FSS, Samsung Securities estimates

Change in retail ETF net buying (2025 vs Jan-May 2026)



Source: KRX, Samsung Securities estimates

Retirement pension asset expansion and rebalancing to have more market impact

The continued growth and rebalancing of Korea's retirement pension assets should significantly amplify their influence on Korea's stock markets.

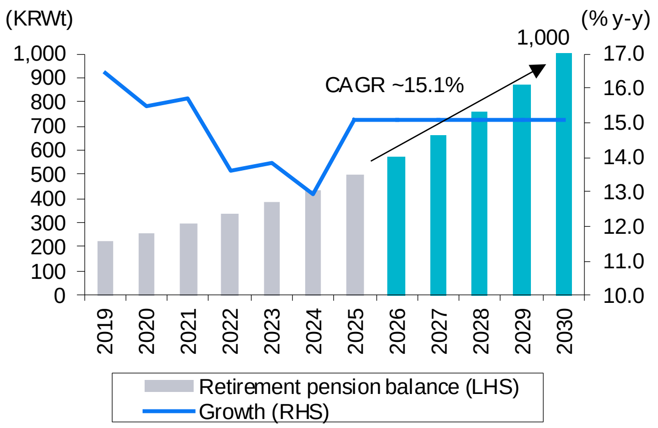
Catalyst 1: Sustained expansion of pension assets

Retirement pension assets are expanding at a robust pace. In 2025, total retirement pension assets grew 15.1% to KRW496.8t. Consensus has assets reached around KRW1,000t by 2030—if the 2025 growth rate is sustained, the KRW1,000t threshold would be achievable by 2030.

Catalyst 2: Accelerating shift towards DC and IRP plans

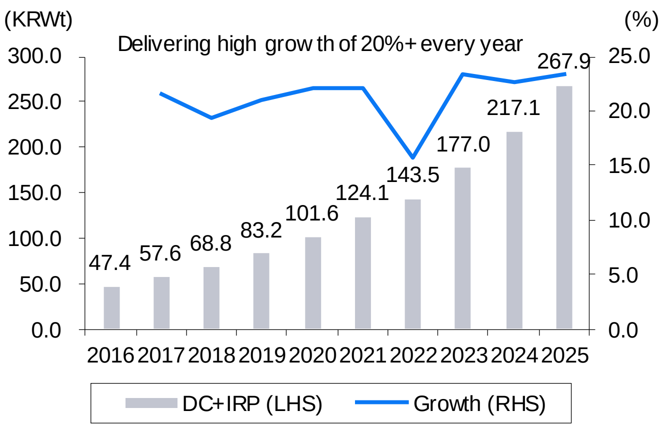
Growth is increasingly concentrated on DC and IRP plans, which plans are rapidly replacing DB plans. While DB plans still account for 46% of total pension assets, the transition to DC/IRP accounts is accelerating. In 2025, DC and IRP assets together grew 25.5%, nearly double the overall pension market growth rate of 15.1%.

Retirement-pension balance trend and growth outlook



Source: FSS, Korea Capital Market Institute, Samsung Securities

DC+IRP retirement-pension balance and growth trend



Source: FSS, Samsung Securities

Catalyst 3: Potential deregulation of performance-linked allocation limits

Substantial headroom remains for further rebalancing towards performance-linked products within retirement pensions. In 2025, the share of DC/IRP assets allocated to performance-linked products rose 10.5%pts y-y to 45.3%—still well below the statutory cap of 70%, leaving around 25%pts of regulatory headroom. More importantly, this increase largely reflects valuation gains from rising stock markets, not active allocation shifts. Many participants likely remain underweight to performance-linked products given their risk tolerance or long-term objectives.

Recent policy discussions have begun to consider relaxing or eliminating the 70% cap. These discussions are being driven by a growing disconnect: The top 10% of pension account holders by return in 2025 had allocated an average of 84% of their assets to performance-linked products—primarily due to the strong equity market. However, the current cap prevents these participants from buying more equities, even as their portfolios become increasingly equity-heavy through the market rally alone.

While the cap was originally designed as a safeguard to ensure pension stability, its rigidity now risks distorting portfolio optimization for long-term investors. Given that retirement pensions are inherently long-horizon, accumulation-based vehicles—typically spanning decades—the case for a more dynamic, market-responsive allocation framework is strengthening.

The 70% cap on performance-based products in retirement pensions

Category	Key details	Meaning
Risk-asset investment allowance	70%	Cap the risk-asset (performance-based, etc.) share of pension reserves at 70%
Performance-based products	Funds, ETFs, etc.	Classified as risk assets and subject to the 70% cap
When the 70% cap is exceeded	No new equity-type additions	Accounts over the cap may be restricted from adding equity-type investments

Source: Korea Insurance Research Institute, Samsung Securities

Comparison of top-10% pension returns vs bottom 10%

Category	Key features	
Top 10% return	Performance-based share	84%
	Share of reserve increase	67% from management returns
Bottom 10% return	Principal-guaranteed share	74%
	Share of reserve increase	77% from principal contributions

Note: As of 2025

Source: Ministry of Employment and Labor, FSS, Samsung Securities

Estimating annual capital flows into domestic equities from retirement pensions

Retirement pension flows are poised to become an increasingly significant source of domestic equity demand. To quantify this potential, we conducted a sensitivity analysis centered on net flows into DC and IRP accounts.

1. Annual net inflows to DC+IRP accounts

To assess the capital inflows into domestic equities, it is essential to isolate net contributions to DC and IRP plans—separate from valuation gains or outflows from benefit payments.

According to data from the Ministry of Employment and Labor, net flows into DC and IRP accounts expanded 14% to KRW34.3t in 2025 (vs KRW30.1t at end-2024). DC and IRP plans accounted for over 80% of the total annual net inflows into retirement pensions, significantly exceeding their share of total pension assets under management. With more people migrating from DB to DC & IRP plans, assets in DB accounts may decline in absolute terms.

Retirement-pension reserve change details and DC+IRP share (2024)

Change item	DB	DC	IRP	Total
Employer contributions	22.7	24.6	-	47.3
Subscriber contributions	-	0.1	9.5	9.6
Retirement-benefit payouts	(1.5)	(6.0)	(21.1)	(28.6)
Retirement-benefit transfers (→ IRP)	(10.3)	(13.1)	-	(23.4)
Reserve transfers (retirement insurance/trust → pension)	(6.7)	6.6	31.3	31.2
Management gains/losses	8.4	5.2	4.8	18.4
Other	(3.3)	(0.4)	(1.4)	(5.2)
Change (total)	9.3	17.0	23.1	49.3
Net inflow (= change - management gains/losses)	0.9	11.8	18.3	30.9
DC + IRP net inflow				
Amount			30.1	
Share of total net inflow (%)			97.4	

Source: Ministry of Employment and Labor, FSS, Samsung Securities

Retirement-pension reserve change details and DC+IRP share (2025)

(KRWt)	DB	DC	IRP	Total
End-2025 reserves	228.9	141.6	130.9	501.4
End-2024 reserves	214.6	118.4	98.7	431.7
Change	14.3	23.2	32.2	69.7
Change (%)	*6.7*	*19.6*	*32.6*	*16.1*
Change details (as in the white paper)				
Employer contributions	32.0	26.8	-	58.8
Subscriber contributions	-	0.1	11.5	11.6
Retirement-benefit payouts	(1.8)	(7.1)	(23.2)	(32.1)
Retirement-benefit transfers (DB·DC→IRP)	(10.8)	(14.2)	-	(25.1)
Reserve transfers (retirement insurance/trust → pension)	(18.4)	7.2	28.7	17.5
Management gains/losses	7.9	8.6	12.5	29.3
Other	5.4	1.8	2.7	9.9
Net inflow (= change - management gains/losses)	6.4	14.6	19.7	40.4
DC + IRP net inflow				
Amount			34.3	
Share of total net inflow (%)			84.9	

Source: Ministry of Employment and Labor, FSS, Samsung Securities

2. Major assumptions

To estimate domestic equity inflows from DC and IRP plans, we made four key assumptions.

1) Annual net DC and IRP inflow growth of 15%: We conservatively assume 15% net inflow growth in 2026 (vs +14% in 2025) given continued market momentum and rebalancing demand. This implies 2026 net DC and IRP inflows of KRW39.4t—comparable to the total 2025 retirement pension inflow of KRW40.4t.

2) 70% allocated to performance-linked products: The legal upper limit for performance-linked products in DC and IRP accounts is 70%, which figure we adopt as a baseline assumption. While the share of performance-linked assets rose 10.5%pts to 45.3% in 2025 (vs 34.8% in 2024), their contribution to net additions was even more pronounced: Performance-linked products last year accounted for 86.8% of total DC+IRP net inflows (KRW48.1t out of KRW55.4t). Thus, a 70% assumption is not so aggressive.

3) ETFs account for 60% of performance-linked products: We assume that at least 60% of performance-linked assets are invested in ETFs. While ETFs represented 27.9% and 39.5% of year-end balances in 2024 and 2025, respectively, their share of new inflows in 2025 reached 57.6%. Given that rising investor demand for higher returns is the primary driver of increased DC+IRP contributions, it is reasonable to assume that new capital is being allocated to ETFs at an even higher rate.

4) Exposure to domestic equities—50% or more: We assume a minimum 50% allocation to Korean equities within ETF portfolios. As of 1Q26, domestic and foreign equity exposure in ETFs was evenly split at 50:50. However, over Jan-May, 70% of individual investors' net ETF purchases were directed towards the Korean stock market. While the actual allocation may be higher, we adopt a conservative 50% assumption to reflect the risk-averse nature of retirement savings, where capital preservation remains a key consideration alongside investment returns.

Check of key assumptions

(%)	2024	2025	Change (%p)
1) Assume 15% DC+IRP net-inflow growth			
Pension net increase (incl. DB)	30.9	40.4	30.7
DC+IRP	30.1	34.3	14.0
2) Assume 70% performance-based			
(KRWt)	2024	2025	Net increase and net-increase-based ratio
Performance-based balance	75.2	123.3	48.1
DC+IRP balance	217.1	272.5	55.4
Performance-based share (%)	34.6	45.2	86.8
3) ETF-management share within performance-based (%) - balance basis			
(%)	2024	2025	Net increase and net-increase-based ratio
ETF balance	21.0	48.7	27.7
Performance-based	75.2	123.3	48.1
ETF-management share within performance-based (%)	27.9	39.5	57.6

Source: Ministry of Employment and Labor, FSS, Samsung Securities estimates

3. Implications of sensitivity analysis: Retirement pensions act as stable, cumulative equity catalyst

Under the established assumptions, annual flows from retirement pension into domestic equities could reach KRW8.3t-20t. More importantly, given the inherent structure of retirement plans—where funds are contributed steadily and systematically on a monthly and annual basis—their market impact carries two key advantages: 1) inflow effects should grow each year as contributions accumulate; and 2) these regular, predictable inflows could serve as a reliable buffer against market volatility, providing structural demand that supports price stability over time.

Furthermore, if regulatory limits on performance-linked products were raised to 100%, the additional capital flowing into equities could increase by 30% above the current estimate. Under such a scenario, the annual impact could exceed KRW10t and potentially reach over KRW30t.

Sensitivity test of domestic-market investment contribution from DC+IRP net increase

(KRWt)		2025				
DC+IRP net inflow (2025)		34.3				
Growth assumption		10%	15%	20%	25%	30%
Estimated annual net inflow (2026)		37.7	39.4	41.2	42.9	44.6
Performance-based assumption		70%				
Performance-based net inflow		26.4	27.6	28.8	30.0	31.2
ETF-management share assumption		60%	70%	80%	90%	100%
Domestic-equity share of ETFs assumption	50%	8.3	9.7	11.0	12.4	13.8
	60%	9.9	11.6	13.3	14.9	16.6
	70%	11.6	13.5	15.5	17.4	19.3
	80%	13.3	15.5	17.7	19.9	22.1
	90%	14.9	17.4	19.9	22.4	24.9
Note. If performance-based assumption is 100%						
Performance-based net inflow		37.7	39.4	41.2	42.9	44.6
ETF-management share assumption		60%	70%	80%	90%	100%
Domestic-equity share of ETFs assumption	50%	11.8	13.8	15.8	17.8	19.7
	60%	14.2	16.6	18.9	21.3	23.7
	70%	16.6	19.3	22.1	24.9	27.6
	80%	18.9	22.1	25.2	28.4	31.6
	90%	21.3	24.9	28.4	32.0	35.5

Source: Samsung Securities estimates

Investment ideas in the financial sector: Assessing benefits to securities and banking sectors

With money moves being seen, the securities industry should prove to be the prime beneficiary within the financial sector. As for the banking industry, which is considered a laggard, focus should be given to large financial groups that own major securities arms—particularly as their fundamentals are improving and they are benefiting from cyclical factors.

1. Securities—Potential for inflows of capital (money moves) to evolve into sustained long-term investments; evolution of brokerage business models into brokerage 3.0

The securities industry remains the prime beneficiary of the ongoing money moves.

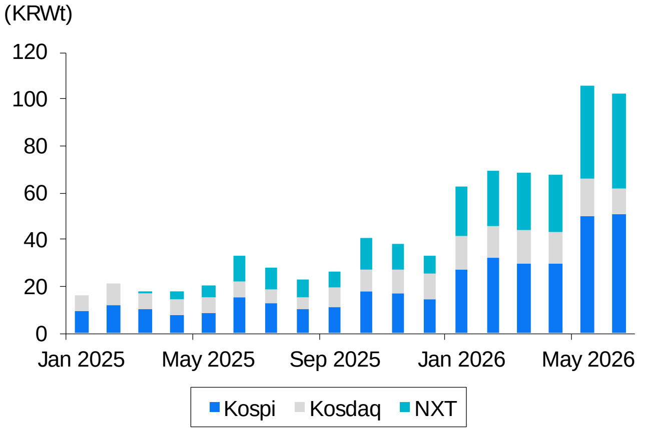
Recent capital flows into equity and capital markets have driven short-term earnings improvements through higher trading volumes and mark-to-market gains. Going forward, the key to sustained earnings upgrades and valuation re-rating lies in: 1) the potential for capital inflows (money moves) to evolve from short-term speculation into sustained long-term investment; and 2) the evolution of brokerage business models into brokerage 3.0.

Earnings momentum from money moves: Synergy between trading volume and market liquidity

The most direct driver of securities' stock performance is the earnings momentum from money moves.

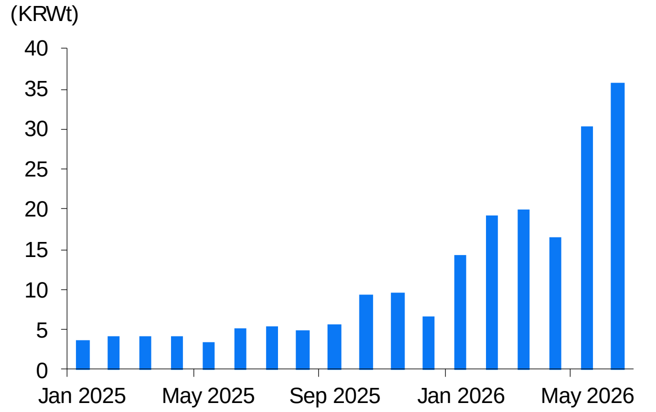
Driven by the Kospi's re-rating and the semiconductor industry's strong performance, the equity market's average daily trading volume surged from KRW33t in Dec 2025 to KRW106t in May 2026 (Figure 2). Also contributing to the trading volume growth was inflows from retirement savings accounts (*eg*, pension funds) and the growth of the ETF market (driven by the launch of leveraged ETFs). The average daily ETF trading volume rose from KRW7t in Dec 2025 to KRW36t in May 2026.

Market average daily trading value trend



Source: KRX, NXT, Samsung Securities

ETF average daily trading value trend

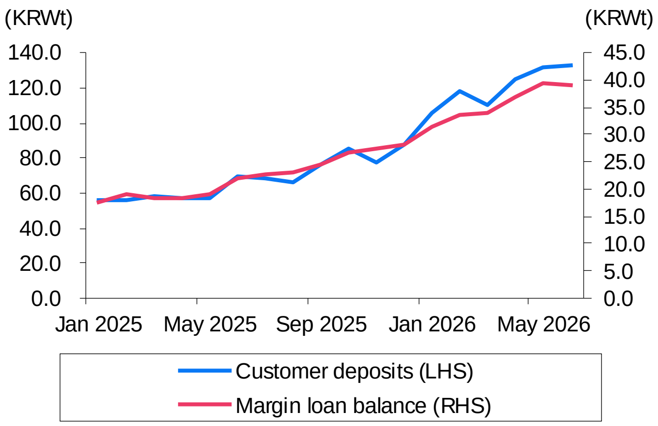


Source: KRX, Samsung Securities

Beyond trading volume, idle capital waiting to be deployed (*eg*, customer deposits and margin-loan balances) have also grown significantly, fueling expectations for: 1) higher idle cash yields from customer deposits; and 2) increased interest income from margin lending. Customer deposits rose 50% over Jan-May 2026 (from KRW88t to KRW132t), and margin loan balances increased 40% from KRW28t to KRW39t.

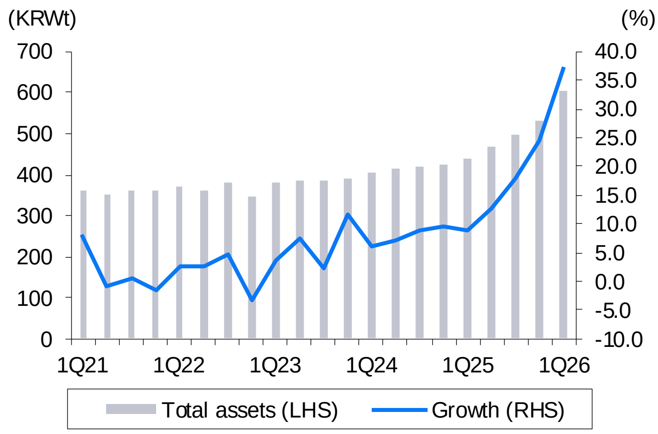
As such, domestic brokers are expected to log solid earnings growth in 2026—their operating profit (excluding volatile investment asset valuation gains) should rise 20-30% in 2026. Commission income, driven by higher trading fees and asset management fees, is expected to climb over 80%, while interest income is set to grow 20% on an expanded asset base (on the back of money movements).

Securities firms' market-peripheral funds: Customer deposits vs margin-loan balance



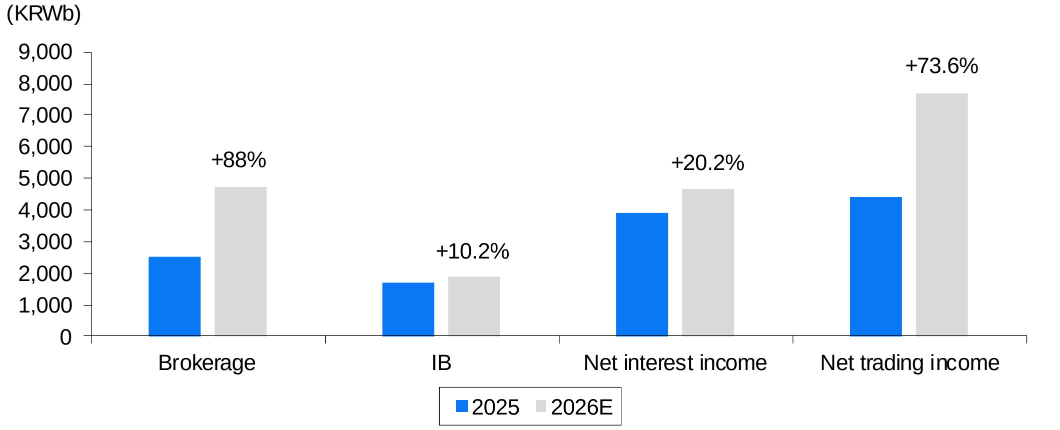
Source: KOFIA, Samsung Securities

Total assets held by five major securities firms



Source: FISIS, Samsung Securities

Net operating revenue at securities firms under our coverage, by business



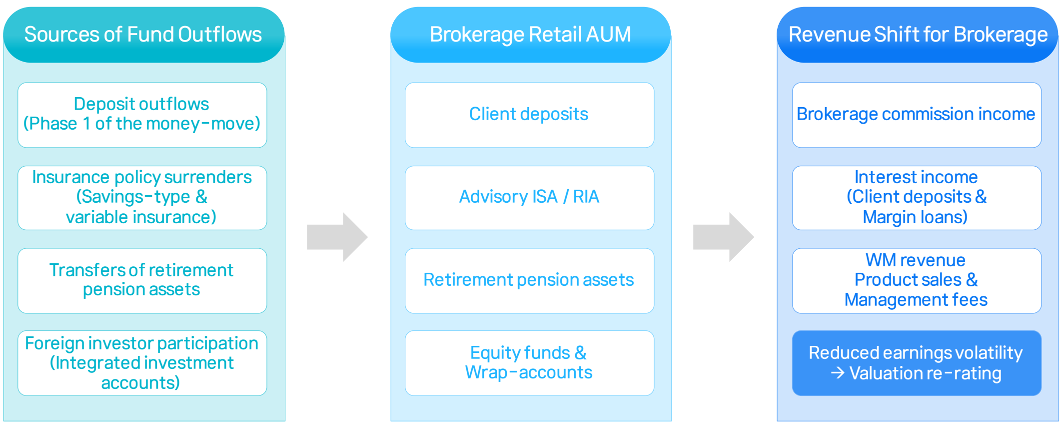
Source: Samsung Securities estimates

Achievement of long-term earnings sustainability—via retail AUM accumulation—to be key

Beyond short-term gains, what securities brokers can capture from the money moves is stable and diversified revenue streams (enabled by the sustained shift of retail capital into securities accounts). If funds previously held in savings accounts, insurance policies, and bank deposits flow into products offered by securities firms (*eg*, customer deposits, commercial paper, investment management accounts (IMA), and pensions), and if these funds generate stable income (for the securities industry; through asset management fees and interest income), we believe that earnings volatility for securities firms will diminish even if the trading volume declines.

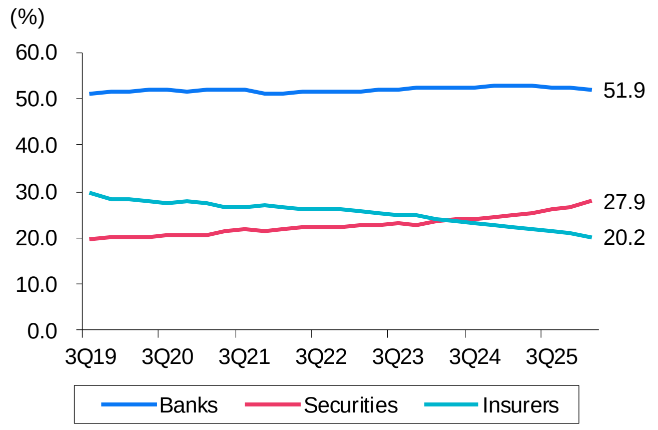
Notably, securities firms now hold a higher portion of pensions: 19.6% in 2019 vs 27.8% in 1Q26 (the bank portion has held steady at 51% during this period while the insurance portion has fallen from 29.5% to 20.2%). This trend is even more pronounced for Individual Retirement Plans (IRP), where securities firms' portion jumped from 20% in 2019 to 37% in 1Q26.

Securities firms' AUM accumulation and revenue transition from money moves



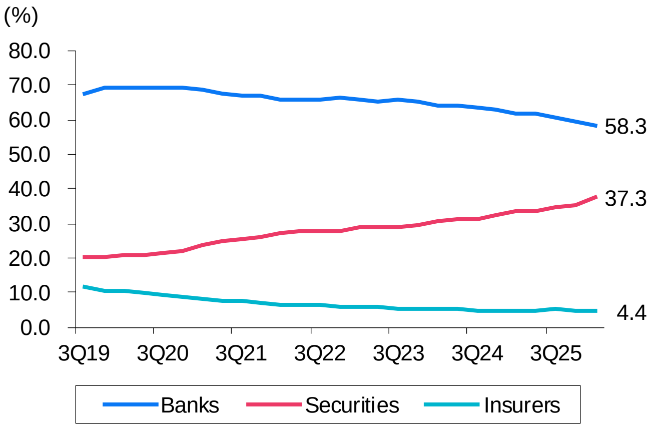
Source: Samsung Securities

Retirement-pension reserve share trend, by channel



Source: FSS, Samsung Securities

IRP share, by channel



Source: FSS, Samsung Securities

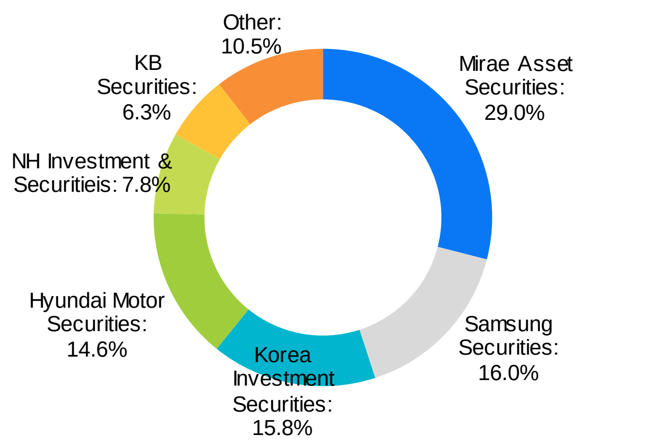
Differences in competitiveness in retirement pension segment results in disparate brokerage M/S

Securities firms' disparate competitiveness in the retirement pension segment is increasingly being reflected in brokerage market shares. Retirement pension businesses currently center on top-tier players: Mirae Asset Securities (brokerage market share of 29%), Samsung Securities (16%), and Korea Investment Holdings (19.8%). In contrast, Kiwoom Securities' brokerage market share fell from 20% at end-2024 to 18.2% at end-2025 and to 16.6% in May 2026.

Kiwoom Securities attributes its decline to: 1) traders focusing more on large-cap stocks; 2) growth in the number of retail customers that opened accounts at branches (rather than online); and 3) its lacking a dedicated retirement pension business. The firm notes that as retirement pension allocations increasingly shift towards ETFs and performance-based products, securities firms without retirement pension infrastructure: 1) are seeing slower AUM growth; 2) missing out on long-term client engagement; and 3) failing to fully cash in on ETF market growth.

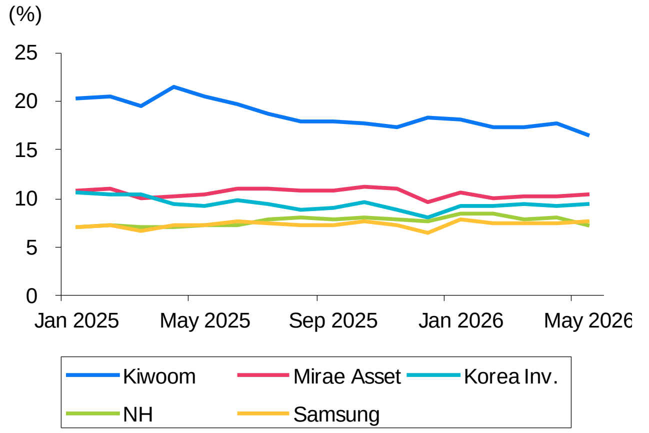
Importantly, retirement pension businesses are fundamentally B2B—they require long-term relationships with corporate HR and finance departments to secure retirement pension assets, limiting the possibility of latecomers rapidly expanding their market share. Leading firms have built competitive moats through: 1) deep corporate networks (via offering IB and WM services); and 2) establishing dedicated corporate sales teams and securing track records (in terms of custody, asset management performance, and service delivery (over many years)). In contrast, online-only entrants, despite having superior UI/UX, lack meaningful differentiation in the eyes of corporate decision makers (*eg*, corporate finance and HR managers). As a result, stable, fee-based revenue pools should be increasingly captured by early movers, creating a winner-takes-most dynamic.

Securities firms: Retirement pension assets as portion of total assets



Source: FSS, Samsung Securities

Securities firms: Brokerage market share, by company



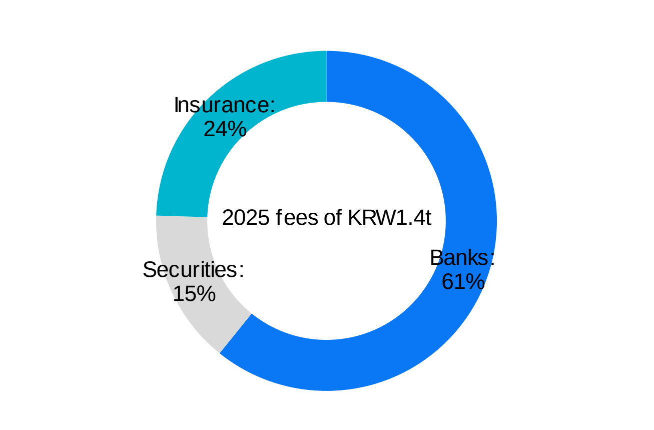
Source: Infomax, Samsung Securities

Low-fee margins for retirement pensions: Improvements required

Currently, the average fee rate for retirement pensions in the securities industry remains low at 0.25% (as of end-2025)—that at its peers is much higher (*eg*, banks: 0.41%; and insurers: 0.36%).

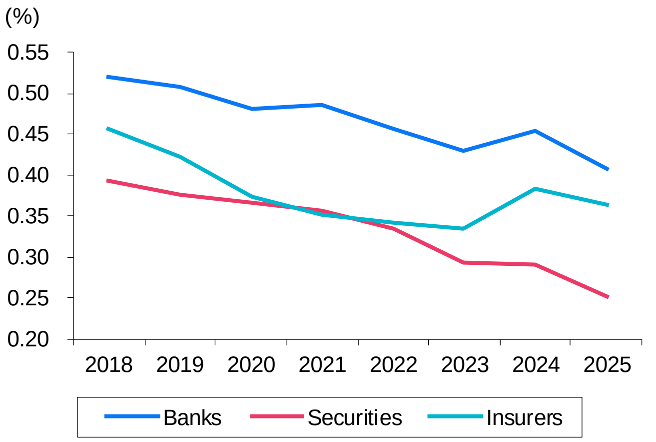
This low fee rate reflects: 1) their aggressive efforts to attract assets; and 2) a cost-efficient, digital-first model (which is dominated by small, individual IRP accounts). In summary, retirement pension businesses should only become profitable after competition with banks and insurers—*eg*, in the area of in-kind transfer systems for retirement pensions—stabilizes. At that stage, securities firms' ability to differentiate themselves through offering value-added services (such as expanded product lineups, enhanced advisory capabilities, and integration with commercial paper/IMA offerings) should determine their competitiveness over the longer term.

Retirement pension fee-income share, by channel (2025 basis)



Source: FSS, Samsung Securities

Retirement pension fee-rate trend, by channel



Source: FSS, Samsung Securities

Brokerage 3.0: 1) Capturing foreign retail inflows as new revenue stream

In the Brokerage 3.0 era, the expansion of brokerage services—*ie*, securing more individual foreign investors and expanding their range of tradable assets (including digital assets)—should be central to securities companies' earnings growth.

Samsung Securities in early May 2026 launched its first integrated account with Interactive Brokers (IBKR; US), triggering a wave of similar initiatives by its rivals. The media reported that Hana Securities has partnered with FUTU (Hong Kong), Kiwoom Securities and Meritz Securities with Webull (US), and Mirae Asset Securities UOB Kay Hian (Singapore).

While foreign integrated accounts typically charge low fees (1bp; lower than retail or institutional rates), their potential scale is immense. As global investors are expected to remain highly interested in Korean equities, especially semiconductors (which are globally irreplaceable), partnerships with overseas brokerage houses should become more important for domestic securities firms.

Looking ahead, as Korea's equity market and key sectors solidify their positions within global markets, and further as foreign investor interest in Korea continues to expand, we can expect increased trading traffic to flow into the Kospi/Kosdaq through integrated accounts that are offered by global platforms (which manage account pools numbering in the millions to tens of millions and trading volumes in the trillions of the won). Korean securities firms may consider partnerships not only with digital-first brokers such as IBKR, FUTU, and Webull, but also with legacy giants like Charles Schwab and Fidelity.

Domestic brokers' foreign-omnibus-account business

Broker	Global partner	Partner base	Status
Samsung Securities	IBKR	US	Live (since Apr 2026)
Hana Securities	FUTU (MooMoo)	Hong Kong	In preparation
Kiwoom Securities	Webull	US	In preparation
Meritz Securities	Webull	US	In preparation
Mirae Asset Securities	UOB Kay Hian	Singapore	Live (since Jun 2026)

Source: Media reports, Samsung Securities

Major global brokerage platforms

Platform	Client assets	Number of funded accounts	Type
Americas (US)			
Fidelity	USD16t	~50m	Traditional brokerage, WM
Schwab	USD12t	38.5m	Traditional brokerage, WM
Vanguard	USD10t	~20m	Traditional brokerage, WM
Robinhood	USD307b	27m	Digital, online
IBKR	USD820b	5m	Digital, online
Asia-Pacific (APAC)			
FUTU	USD157b	2.4m	Digital, online
Webull	USD24b	5.1m	Digital, online
Tiger	USD60.8b	1.25m	Digital, online

Source: Company data, Samsung Securities

Brokerage 3.0: 2) Expanding into digital assets

Another future growth driver for brokerage services should come from digital assets.

Financial institutions are aggressively acquiring stakes in crypto exchanges: 1) Mirae Asset Group (via Mirae Asset Consulting) has acquired 92% of Korbit for KRW133.5b; 2) Hanwha Investment & Securities has secured a 9.84% stake in Upbit (Dunamu; its third-largest shareholder), and Hana Bank (6.55%) and Samsung Group (Samsung Securities, SDS, and Samsung Card, together 4%) have also bought stakes in Upbit; and 3) Korea Investment & Securities has acquired 20% of Coinone for KRW80b (its third-largest shareholder).

Traditional financial firms: Acquisitions of crypto exchanges

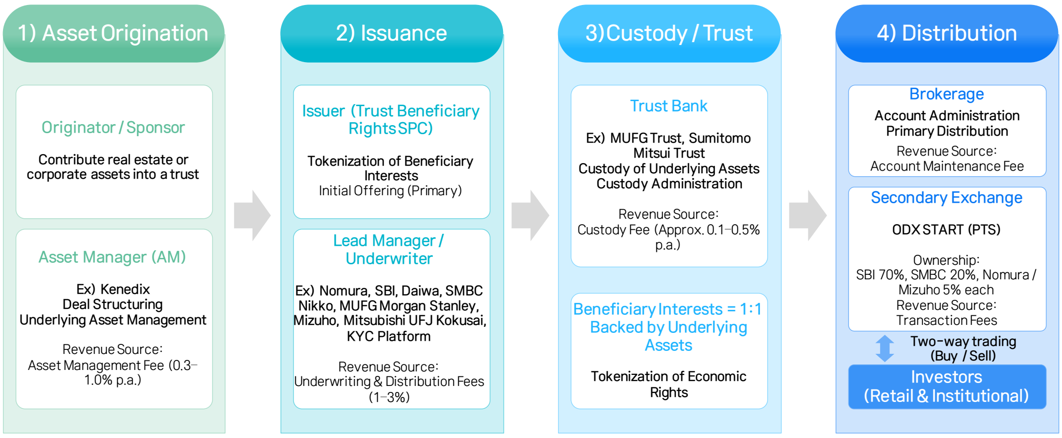
Financial firm	Exchange	Stake acquired	Investment	Note
Mirae Asset Consulting	Korbit	92%	KRW133.5b	-
Korea Investment & Securities	Coinone	20%	KRW80b	3rd-largest shareholder (jointly with OKX)
Hanwha Investment & Securities	Upbit (Dunamu)	9.84%	-	3rd-largest shareholder
Hana Bank	Upbit (Dunamu)	6.55%	-	-
Samsung Group (Securities·SDS·Card)	Upbit (Dunamu)	4%	-	-

Source: Media reports, compiled by Samsung Securities

When the digital asset issuance & brokerage market formally takes off, Japan's Progmat case is likely to serve as a short-term benchmark for Korea's domestic ecosystem. Progmat, developed by Mitsubishi UFJ Trust and backed by joint investments (with three major megabanks, JPX, and NTT Data), is neutral issuance infrastructure that has established itself as the *de facto* industry standard, with: 1) cumulative tokenized securities issuances reaching around JPY217b (63% of Japan's total tokenized securities market); and 2) cumulative AUM of roughly JPY440b. It primarily issues tokenized real estate and corporate bonds, and has announced plans to expand into tokenized equities in 2026, as well as migrate to a public blockchain (Avalanche).

The key implication for Korean consortiums lies in securities firms' revenue structure within the value chain: While trust banks earn trust fees by holding underlying assets and issuing income rights, and technology platforms collect issuance and management service fees, securities firms capture fee income through primary underwriting and distribution, as well as delivering custody and brokerage services. Notably, in the final stage of token trading and brokerage, the Osaka Digital Exchange (ODX) serves as the designated exchange. Its ownership structure is dominated by traditional financial institutions: SBI Holdings (70%), SMBC (20%), and Nomura and Daiwa (5% each).

Japan's Progmat: Structure of security-token (STO) ecosystem



Source: Progmat, ODX, Ledger Insights, Samsung Securities

Investment view: Use price corrections to raise exposure

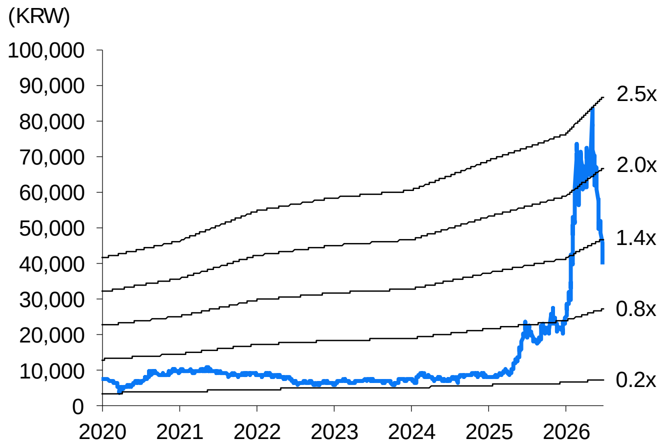
We remain OVERWEIGHT on the securities sector.

Since mid-May, the securities sector has significantly underperformed the Kospi, driven by three key factors: 1) increased market volatility since 2Q, which has amplified volatility for securities stocks due to their role as a market proxy; 2) despite equity trading volume rising more than 50% q-q in 2Q, investors' growth expectations for the securities sector have outpaced its actual performance; and 3) strong demand and price momentum in leading sectors—particularly semiconductors—have triggered profit-taking and capital reallocation away from financial stocks.

Current stock prices, trading at a P/B of 0.9-1.1x, appear attractive on a simple valuation basis alone. Even when using conservative assumptions for S&T income in 2H26 through next year—factoring in potential interest-rate hikes and the base effect (strong equity performance in 1H26)—most firms are expected to maintain an ROE of around 15%, supported by rising trading volumes and interest income. This resilience provides a compelling risk-reward rationale for investing in the securities sector.

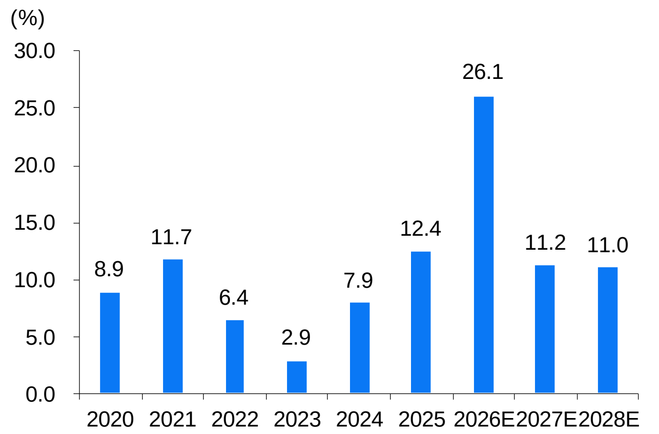
Moreover, new-growth opportunities related to the long-term continuation of the money-move trend (increased inflows and greater contributions from retirement pension funds; onboarding more foreign retail investors; growth of tradable assets such as digital assets) should reinforce the sector's long-term growth prospects. While these tailwinds have not yet translated into near-term expansions in multiples (due to these ventures' limited earnings visibility), they remain additional re-rating catalysts. Their impact should depend on how clearly individual securities firms articulate and execute their strategic roadmaps. The re-rating inflection point may be nearer than market sentiment suggests.

Mirae Asset Securities: P/B band



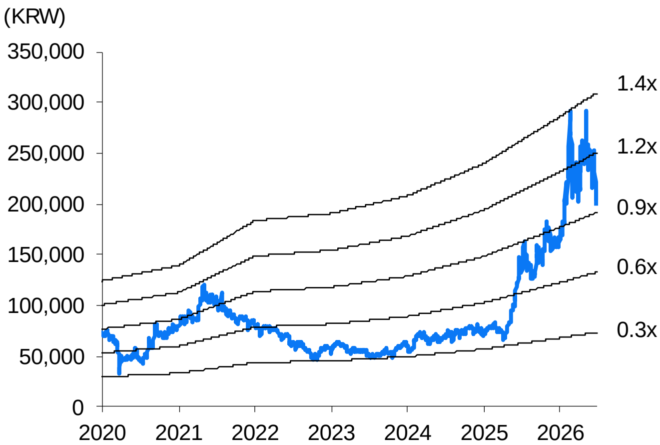
Note: As of Jun 26
Source: WiseFn, Samsung Securities

Mirae Asset Securities: ROE trend



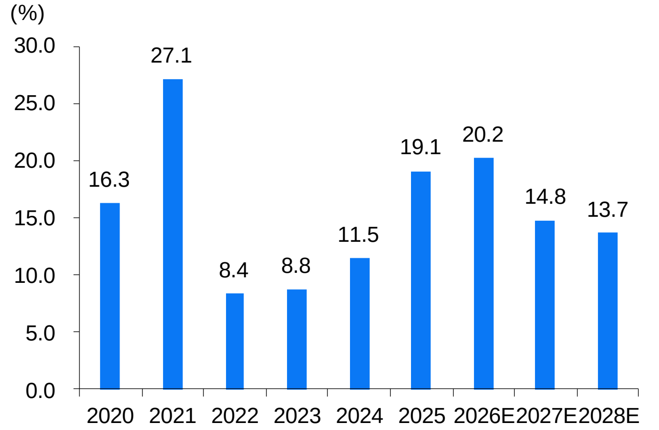
Source: WiseFn, Samsung Securities estimates

Korea Investment Holdings: P/B band



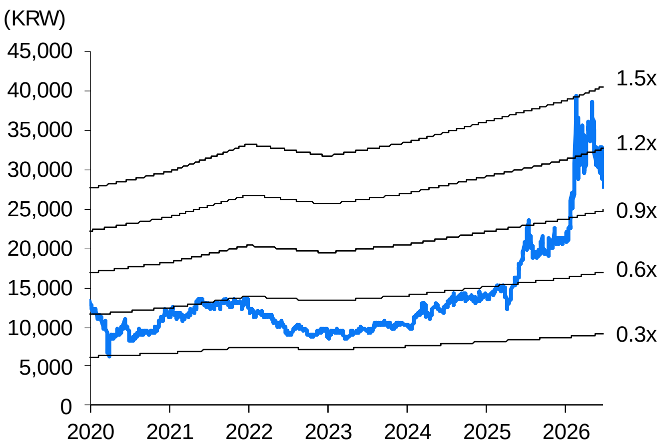
Note: As of Jun 26
Source: WiseFn, Samsung Securities

Korea Investment Holdings: ROE trend



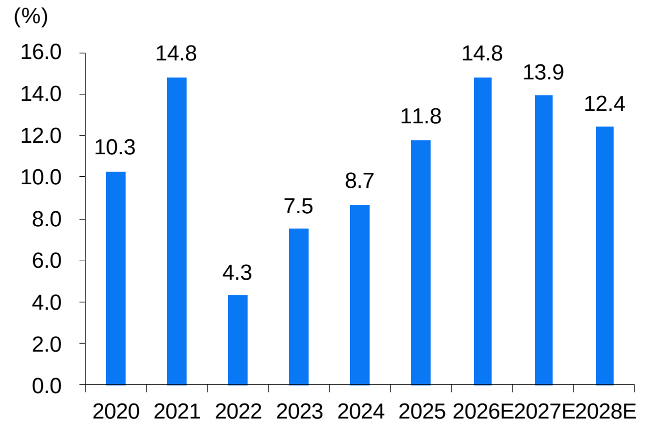
Source: WiseFn, Samsung Securities estimates

NH Investment & Securities: P/B band



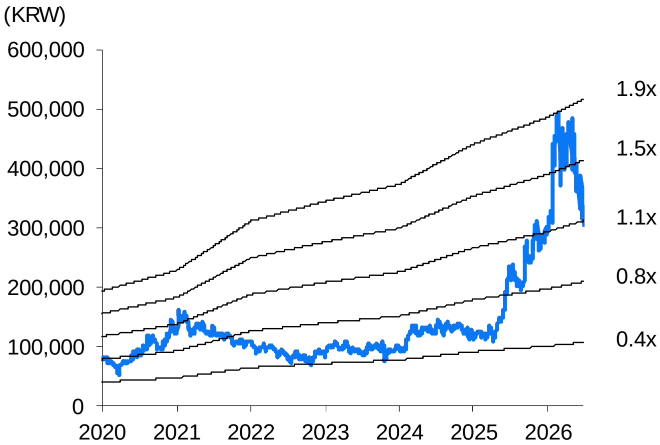
Note: As of Jun 26
Source: WiseFn, Samsung Securities

NH Investment & Securities: ROE trend



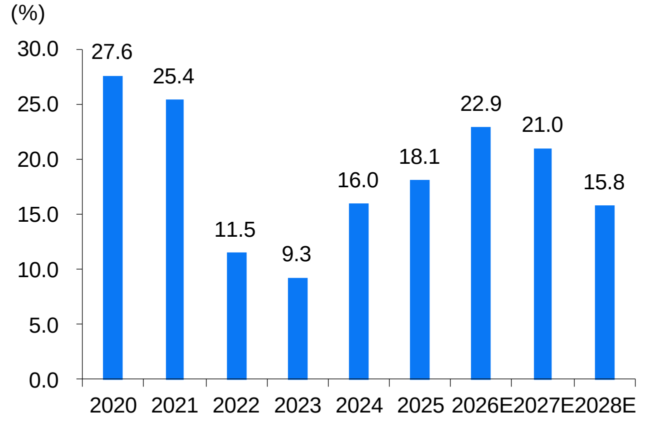
Source: WiseFn, Samsung Securities estimates

Kiwoom Securities: P/B band



Note: As of Jun 26
Source: WiseFn, Samsung Securities

Kiwoom Securities: ROE trend



Source: WiseFn, Samsung Securities estimates

2. Banking sector—Improvement in bank-owned securities firms' earnings driving up group-level ROE

Contrary to concerns surrounding money moves, bank deposit growth remains robust—unlike the trend seen in past cycles

Historically, bank stocks were viewed as laggards during large money moves—declining net interest margins (NIM) caused by deposit outflows were expected to erode profitability. Indeed, in the mid-2000s, Korean banks experienced a paradox: Despite steady loan growth, interest income stagnated due to NIM compression.

However, amid the recent money moves, this dynamic no longer holds. In 1Q26, our covered banks' average won-denominated loan growth was 1% q-q and 4.3% y-y, while NIM rose by an average of 3bps. As a result, bank interest income grew at a solid pace (up 0.6% q-q and 7.2% y-y).

Banks: Won-denominated loan growth

Chg (% y-y)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
KBFG	5.2	6.4	7.6	6.4	6.8	5.9	3.8	3.8	3.3
SFG	3.9	8.3	9.6	10.9	7.4	3.6	3.4	3.4	6.3
HFG	8.1	9.7	5.9	4.0	2.3	0.5	4.1	5.2	5.7
WFG	8.2	9.5	12.2	6.3	3.9	2.5	(2.3)	0.3	2.0
IBK	4.0	3.7	4.0	4.7	5.9	6.3	5.8	5.0	3.4
BNKFG	5.8	3.1	1.7	2.2	2.5	3.5	3.6	4.2	5.4
iMFG	10.0	9.6	5.2	6.0	3.1	1.1	2.1	0.8	3.6
JBFG	4.7	5.7	3.2	4.4	5.0	6.8	7.5	6.9	6.7
Total	5.9	7.2	7.3	6.2	5.1	3.8	3.1	3.6	4.3

Source: Each company, Samsung Securities

Banks: NIM trend

(%)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	Chg (%p q-q)
KBFG	1.87	1.84	1.71	1.72	1.76	1.73	1.74	1.75	1.77	0.02
SFG	1.64	1.60	1.56	1.52	1.55	1.55	1.56	1.58	1.60	0.02
HFG	1.55	1.46	1.41	1.46	1.48	1.48	1.50	1.52	1.58	0.06
WFG	1.50	1.47	1.40	1.40	1.44	1.45	1.48	1.49	1.51	0.02
IBK	1.74	1.71	1.67	1.67	1.63	1.55	1.57	1.57	1.60	0.03
BNKFG	1.93	1.90	1.85	1.84	1.84	1.86	1.80	1.81	1.88	0.07
iMFG	2.02	1.97	1.84	1.80	1.78	1.77	1.82	1.83	1.82	(0.01)
JBFG	3.20	3.17	3.10	3.04	3.03	3.01	3.00	3.03	3.05	0.01
Average	1.93	1.89	1.82	1.81	1.81	1.80	1.81	1.82	1.85	0.03

Source: Company data, Samsung Securities

Banks: Interest income trend

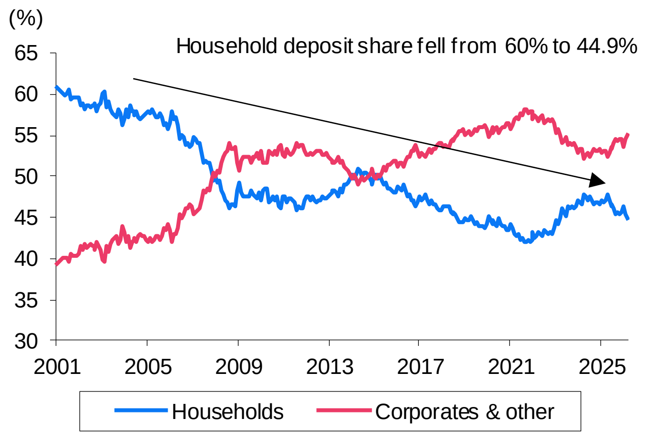
(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	Chg (% q-q)	Chg (% y-y)
KBFG	2,553	2,580	2,516	2,575	2,597	2,608	2,683	2,770	2,768	(0.1)	6.6
SFG	2,184	2,196	2,225	2,233	2,230	2,235	2,309	2,395	2,403	0.3	7.8
HFG	1,969	1,914	1,900	1,956	1,936	1,962	2,041	2,133	2,184	2.4	12.8
WFG	1,875	1,876	1,881	1,934	1,918	1,935	1,943	2,021	2,041	1.0	6.4
IBK	1,978	1,975	1,957	1,982	1,921	1,883	1,953	1,993	1,992	(0.1)	3.7
BNKFG	642	639	634	638	634	647	644	660	672	1.9	6.0
iMFG	388	391	380	380	365	371	374	390	385	(1.2)	5.5
JBFG	374	370	367	366	360	366	378	383	376	(1.8)	4.6
Total	11,963	11,941	11,859	12,064	11,961	12,007	12,324	12,746	12,822	0.6	7.2

Source: Company data, Samsung Securities

Key driver: Structural shift in composition of deposits (households, corporates, *etc*)

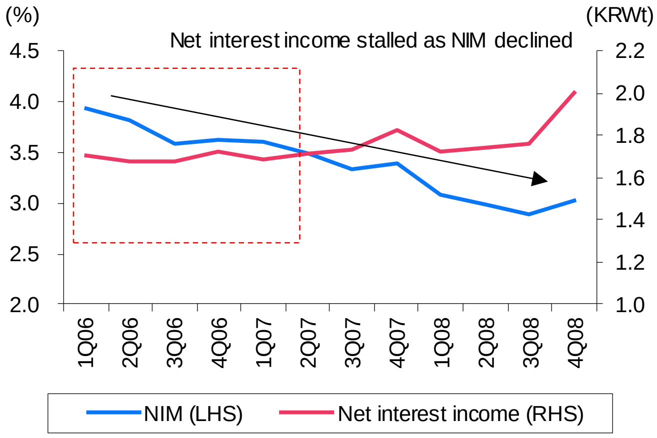
The reason for sustained bank deposit growth lies in the fundamental shift in deposit structure. Before the mid-2000s, most Korean households relied almost exclusively on bank deposits as their primary financial investment vehicle. Over the past two decades, however, household investment options have diversified significantly—encompassing mutual funds, ETFs, overseas real estate, and cryptocurrencies. Consequently, the household share of total bank deposits fell from 60% at end-2003 to 44.9% as of Mar 2026. The decline in the household deposit portion has been offset by sustained inflows from corporates and from other non-household sources.

Households' share of bank deposits vs corporates + others'



Source: BOK, Samsung Securities

KB: NIM vs interest income



Source: KBFG, Samsung Securities

Limited room for further household deposit outflows; corporate deposit inflows sustained

While residual household deposits (at banks) still face some outflow pressure, a repeat of the past (strong deposit outflows) is unlikely. We believe the remaining household deposits consist mainly of older, risk-averse savers who prioritize capital preservation over yield.

More importantly, corporate deposit inflows are set to continue. So far in 2026, corporate earnings strength has centered on AI-related exporters. Looking ahead, as the broader domestic economy benefits from spillover effects, liquidity conditions for domestic consumption-driven firms should improve swiftly.

Money moves? Banks have securities businesses too!

Attention must also be paid to structural changes within bank-centric financial groups. In the past, banks dominated group profitability. In 2018, non-banking subsidiaries contributed only 23.5% of total group profit at the four major financial groups. Including credit card businesses in the banking segment—as is common in Western banking models—the true non-banking contribution fell to just 14.4%. Thus, under global benchmarks, Korean financial groups were effectively bank-centric groups.

Since the mid-2010s, however, Korean banks have aggressively strengthened their non-banking arms—and the results of these endeavors are now materializing. Although real estate-related losses from 2022 weighed on these non-banking units' earnings until 2025, by 1Q26, the average non-banking profit contribution at the four major groups had risen to 31.9%, with the non-card non-banking contribution reaching 26.2%. KB Financial Group (KBFG) led the pack with a non-banking contribution of 43.4%.

Crucially, the primary driver of this rise was bank-affiliated securities firms. All major bank-centric financial groups—except JB Financial Group—own securities subsidiaries, which businesses have benefited directly from the recent rally in the equity market. In 1Q26, net profit at these bank-owned securities firms (combined) reached KRW0.7t (up 103.7% y-y), with their average profit contribution to their group rising from 8% in 1Q25 to 14.6% in 1Q26 (up 6.6%pts y-y).

Four major financial groups' profit contribution from their non-banking businesses

(KRWt)	2018	2019	2020	2021	2022	2023	2024	2025	1Q26
Bank	8.7	8.4	7.8	10.0	12.0	12.3	13.4	14.0	3.9
Non-bank	2.7	3.0	3.5	5.6	4.6	3.6	4.3	4.7	1.8
Total	11.3	11.4	11.3	15.6	16.7	16.0	17.6	18.7	5.7
Non-bank profit contribution (%)	23.5	25.9	31.4	35.7	27.8	22.9	24.2	25.1	31.9
Card company	1.0	1.0	1.2	1.5	1.4	1.3	1.3	1.2	0.3
Non-bank ex-card	1.6	2.0	2.3	4.0	3.2	2.4	2.9	3.5	1.5
Non-bank ex-card profit contribution (%)	14.4	17.2	20.7	25.9	19.3	15.0	16.6	18.8	26.2

Source: Company data, Samsung Securities

Non-banking businesses' profit contribution, by major financial group (quarterly)

(KRWb, %)		1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
KB Financial	Bank	931.5	927.0	996.9	406.1	389.5	1,116.4	1,112.0	633.9	1,026.4	1,161.2	1,176.9	487.7	1,101.0
	Non-bank	656.5	624.2	432.5	(91.8)	742.1	680.2	609.1	131.0	747.2	629.8	626.8	255.2	845.4
	Profit contribution	41.3	40.2	30.3	(29.2)	65.6	37.9	35.4	17.1	42.1	35.2	34.8	34.4	43.4
Shinhan Financial	Bank	934.0	753.1	921.9	462.6	931.9	1,126.2	1,051.7	593.5	1,130.3	1,142.6	1,092.4	420.0	1,160.3
	Non-bank	543.5	582.1	388.9	145.4	493.3	422.4	428.9	(163.9)	462.8	499.5	457.9	155.5	612.3
	Profit contribution	36.8	43.6	29.7	23.9	34.6	27.3	29.0	(38.2)	29.1	30.4	29.5	27.0	34.5
Hana Financial	Bank	970.7	868.3	927.4	710.2	843.2	907.7	1,029.9	575.6	992.9	1,092.2	1,048.2	614.2	1,104.2
	Non-bank	198.2	114.3	99.9	(232.6)	244.7	182.6	159.5	48.9	195.6	93.3	186.3	48.9	244.0
	Profit contribution	17.0	11.6	9.7	(48.7)	22.5	16.7	13.4	7.8	16.5	7.9	15.1	7.4	18.1
Woori Financial	Bank	861.7	610.3	817.8	215.8	789.5	884.0	850.8	515.0	634.1	923.6	735.6	296.3	531.2
	Non-bank	93.1	72.7	79.8	(59.1)	74.9	93.1	98.1	25.9	65.1	96.1	110.3	97.8	123.0
	Profit contribution	9.8	10.6	8.9	(37.7)	8.7	9.5	10.3	4.8	9.3	9.4	13.0	24.8	18.8

Source: Company data, Samsung Securities

Bank-affiliated securities firms' profit and profit contribution trend (quarterly)

(KRWb, %)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	%, %p y-y
KB	198.0	178.1	170.7	38.9	179.9	159.0	157.8	177.2	347.8	93.3
Profit contribution	17.5	9.9	9.9	5.1	10.1	8.9	8.7	23.9	17.9	7.7
Shinhan	75.7	131.5	41.7	(69.7)	107.9	151.0	100.5	22.3	288.4	167.4
Profit contribution	5.3	8.5	2.8	(16.2)	6.8	9.2	6.5	3.9	16.3	9.5
Hana	89.9	41.3	50.6	43.3	75.3	31.5	62.8	42.4	103.3	37.1
Profit contribution	8.3	3.8	4.3	6.9	6.3	2.7	5.1	6.4	7.7	1.3
Total	363.6	350.8	263.0	12.6	363.1	341.5	321.1	241.8	739.4	103.7
Profit contribution	10.0	7.9	6.0	0.7	8.0	7.4	7.0	12.2	14.6	6.6

Note: Based on the 3 major financial holding groups

Source: Company data, Samsung Securities

Strength of bank-affiliated securities firms (1): Capital enhancement capability

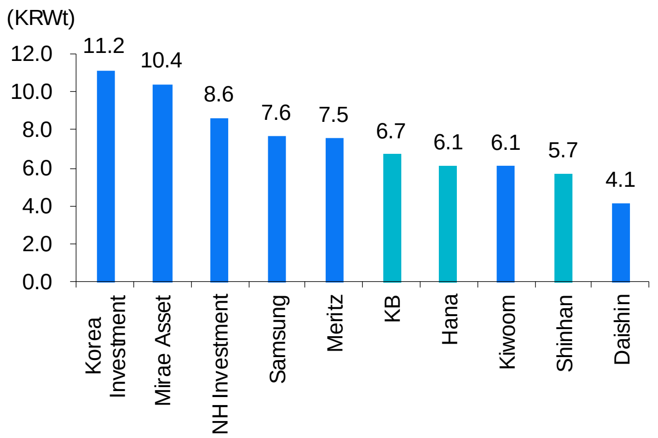
Bank-affiliated securities firms possess two key differentiators.

First, they boast superior capital-raising capacity. As wholly owned subsidiaries of financial groups, they can raise capital via rights offerings with direct parent support. This helps them secure at a more rapid pace licenses for activities such as investment trust management and commercial paper underwriting—where capital strength is a critical eligibility criterion. Indeed, the four major financial groups have rapidly expanded their securities arms' licensing through capital increases. In 2026 alone, KBFG conducted two separate capital raises totaling KRW1.7t for affiliate KB Securities, positioning it to secure an investment management account (IMA) license by end-2028. As a result, three of the top-ten securities firms (by capital) are now bank-affiliated firms.

Strength of bank-affiliated securities firms (2): Synergies with the parent bank

The second key advantage is their deep integration with their parent bank. Historically, synergies between banks and securities firms were limited to shared branch networks and fund distributions. Today, the role of securities firms has expanded dramatically: From equity brokerage to wealth management for HNW clients, corporate finance advisory, and large-scale capital raising. This evolution has enabled bank-affiliated securities firms to leverage: 1) their parent banks' retail customer base and corporate client relationships (including deposit and loan clients); 2) their parent banks' lending capabilities; and 3) their groups' ecosystem (to unlock new revenue streams). Notably, large-scale capital raises are increasingly being structured by bank-affiliated securities firms, with funding provided by affiliated banks or financial institutions. Under this 'productive finance' trend, the strategic importance of securities subsidiaries within financial groups is growing rapidly.

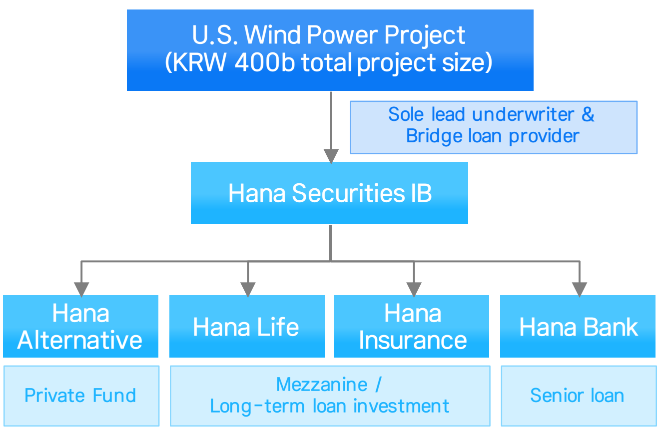
Top-10 securities firms, by total equity (as of end-2025)



Note: Excludes the KRW1t resolved in June among KBFG's two rights issues in KB Securities

Source: FISIS, Samsung Securities

Hana Financial's US wind-farm IB deal



Source: Media reports, Samsung Securities

Securities subsidiaries' earnings growth to drive group-wide ROE improvement

One of the most notable features of financial groups' 2026 earnings should be the role of their securities subsidiaries in lifting group-level ROE. In 1Q26, combined net profit at the top-three financial groups' bank-affiliated securities firms reached 58.3% of these security firms' full-year 2025 net profit. Those securities firms' contributions to group profit rose from 5.2% in 1Q25 to 6.6% in 1Q26. Moreover, considering the increase in equity trading volume in 2Q, these securities firms likely continued to record sharp profit improvements in 2Q.

Assuming conservative net profit growth (y-y) for the remainder of the year—*ie*, that in 2Q and 3Q matches that booked in 1Q; the 4Q figure is half of the 1Q-3Q average due to year-end effects—these securities subsidiaries' net profit could double in 2026. This would: 1) raise their annual profit contribution to 16.4% (vs group earnings in 2025; up 8.4%pts y-y); and 2) boost group-level ROE by 0.8%pts (based on end-2025 capital).

Sensitivity test of profit-contribution enhancement from securities-firm profit growth

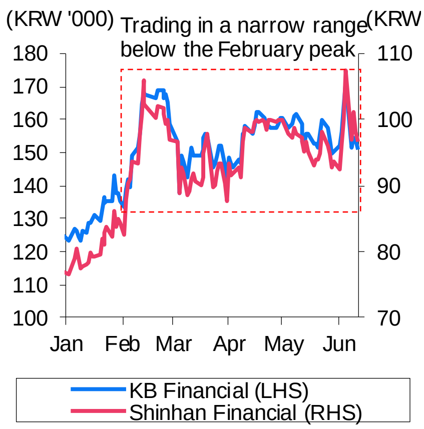
(KRWb, %)	1Q26	2025	1Q26 vs 2025 (%)	2025 group net profit	2025 basis securities vs group	1Q26 x 3.5	vs 2025 group (%)	Profit-contribution difference (%p)	2025 consolidated total equity	ROE improvement effect (%pts)
KB	347.8	673.9	51.6	6,111.2	11.0	1,217.3	19.9	8.9	60,830.0	0.9
Shinhan	288.4	381.6	75.6	5,360.9	7.1	1,009.3	18.8	11.7	60,372.3	1.0
Hana	103.3	212.0	48.7	4,271.6	5.0	361.4	8.5	3.5	45,645.6	0.3
Total	739.4	1,267.5	58.3	15,743.7	8.1	2,588.0	16.4	8.4	166,847.9	0.8

Note: Annual group profit based on the sum of subsidiaries
Source: Company data, Samsung Securities

Bank stocks struggle to exceed P/B of 1x amid Kospi surge

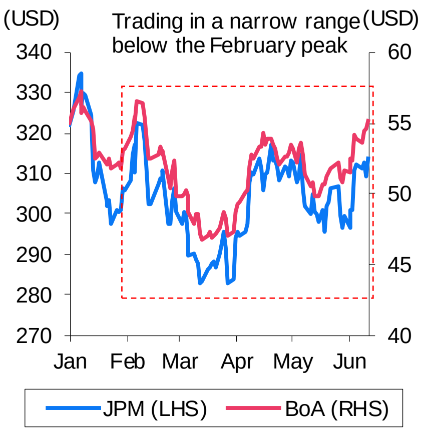
Despite the Kospi's historic rally, bank stocks have failed to break above their February highs. The primary reason is geopolitical uncertainty, which has raised macroeconomic risks: Prolonged macro instability in the Middle East could fuel inflation in Korea, dampen domestic GDP growth, and worsen bank asset quality (through higher rates). This apparent ceiling for banking stocks is not unique to Korea—it is also being observed for shares in major US and European banks—further supporting our view that geopolitical risks, rather than domestic fundamentals, are the key constraint.

Major banks: Share-price trend (Korea)



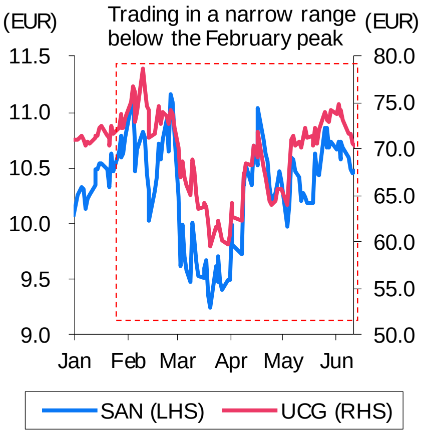
Source: QuantiWise, Samsung Securities

Major banks: Share-price trend (US)



Source: Bloomberg, Samsung Securities

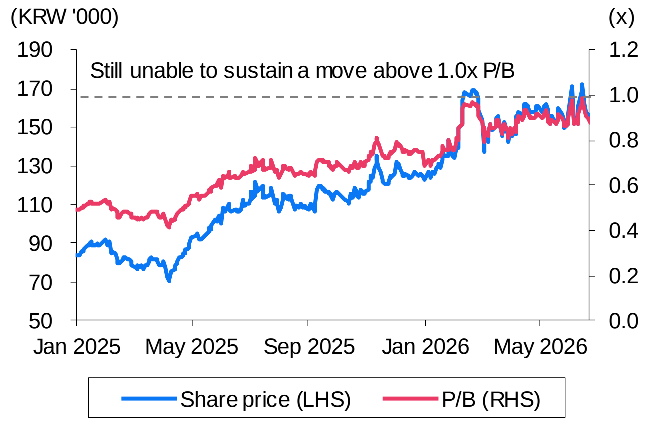
Major banks: Share-price trend (Europe)



Source: Bloomberg, Samsung Securities

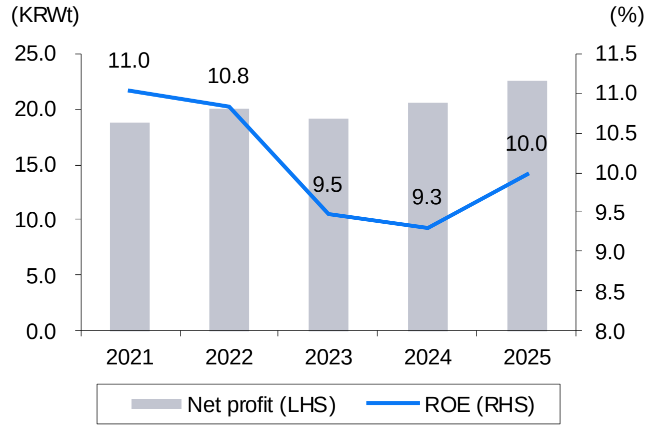
In addition, attention should be paid to the fact that the domestic banking sector's historical high (share-price basis) has repeatedly aligned with KBFG's P/B reaching 1x. The banking sector's upwards momentum has stalled again and again as KBFG's P/B approached 1x. This is attributed to the prevailing perception that Korean banks' ROE equals 10%. In reality, the banking sector's ROE has consistently failed to exceed 10% over the long term, reinforcing the implicit belief that the upper bound of the Korean banking sector's P/B is 1x.

KB Financial: Share price vs P/B trend



Source: QuantiWise, Samsung Securities

Banking sector's ROE vs net profit trend



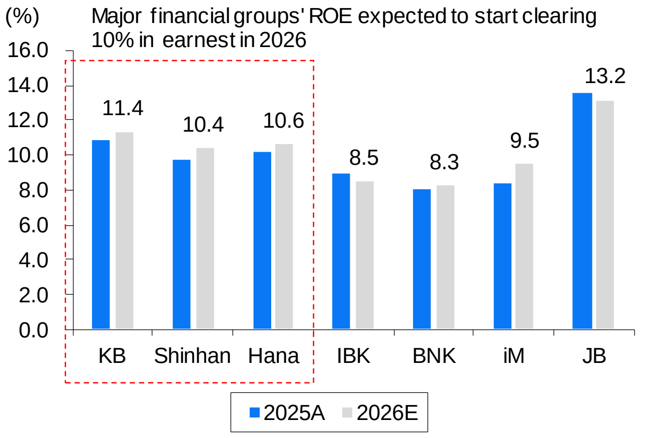
Note: Average ROE and aggregate net profit banks under our coverage
Source: Company data, Samsung Securities

2026: The year to break the '10% ROE' myth

We believe 2026 will be the year the myth, that an ROE of 10% is the upper bound for the domestic banking sector, is proven false. As previously outlined, we expect: 1) banks to see solid earnings growth in 2026, led by interest-income growth and lower loan-loss provisioning; and 2) non-banking profit contributions, led by securities firms, to surge. These two factors should lift the banking sector's ROE above 10% in 2026. As this upward ROE trend will likely continue in 2027, bank stocks' P/Bs are likely to exceed 1x for a sustained period.

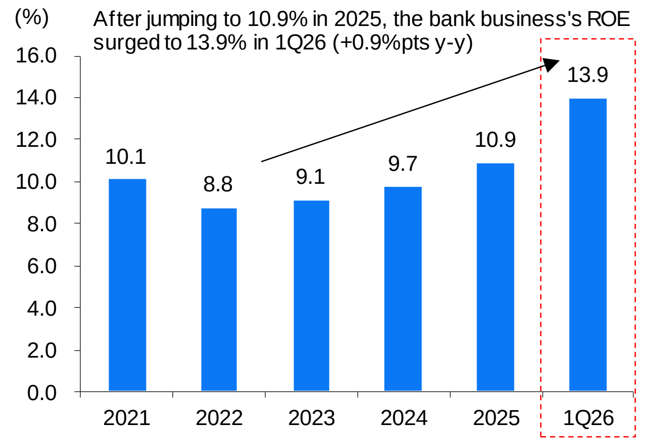
The shift has already begun. KBFG posted a full-year 2025 ROE of 10.9%, and in 1Q26 its ROE rose to 13.9% (up 0.9%pts y-y). The strong earnings momentum from KB Securities alone could push KBFG's 2026 ROE close to 12%.

ROE, by financial group (2025 vs 2026)



Source: Company data, Samsung Securities estimates

KBFG: ROE trend



Note: 1Q26 annualized
Source: KBFG, Samsung Securities

Banks: Valuation matrix

(KRW)		KBFG	SFG	HFG	IBK	BNKFG	iMFG	JBFG	Kakao Bank	Kbank	Sector
Ticker		105560 KS	055550 KS	086790 KS	024110 KS	138930 KS	139130 KS	175330 KS	323410 KS	279570 KS	
Recommendation		BUY	BUY	BUY	HOLD	BUY	BUY	HOLD	HOLD	BUY	OVERWEIGHT
Current price		168,800	101,800	133,400	21,200	17,700	17,900	26,450	22,550	6,200	
Target price		230,000	138,000	161,000	26,000	24,000	24,000	34,000	28,000	7,500	
Upside (%)		36.3	35.6	20.7	22.6	35.6	34.1	28.5	24.2	21.0	
Target P/B (x)		1.39	1.18	1.04	0.67	0.69	0.68	1.10	1.89	1.09	
Target P/E (x)		11.8	11.1	9.4	7.9	8.3	7.2	8.6	21.6	21.1	
Market cap (KRWt)		59.9	48.3	36.6	16.9	5.5	2.8	5.0	10.8	2.5	188.3
P/E (x)	2025	7.7	7.6	6.5	6.6	6.1	5.7	6.8	21.5	-	7.5
	2026E	8.7	8.2	7.8	6.4	6.1	5.3	6.7	17.4	17.4	8.2
	2027E	7.7	7.3	7.0	6.3	5.4	4.5	6.0	15.5	11.8	7.6
P/B (x)	2025	0.8	0.7	0.7	0.6	0.5	0.5	0.9	1.5	-	0.7
	2026E	1.0	0.9	0.9	0.5	0.5	0.5	0.9	1.5	0.9	0.9
	2027E	0.9	0.8	0.8	0.5	0.5	0.5	0.8	1.4	0.8	0.8
EPS	2025	16,267	10,151	14,382	3,184	2,592	2,739	3,757	1,007	300	0.8
	2026E	19,509	12,380	17,046	3,302	2,881	3,354	3,938	1,295	356	0.8
	2027E	21,918	14,024	19,038	3,364	3,259	3,956	4,433	1,452	528	
BVPS	2025	151,973	105,947	144,244	37,049	32,738	32,350	28,532	14,150	5,781	
	2026E	165,581	117,027	155,468	38,638	35,029	35,327	30,880	14,788	6,855	
	2027E	180,949	128,676	170,753	40,650	37,902	38,747	33,817	16,240	7,383	
ROA (%)	2025	0.8	0.7	0.6	0.6	0.9	0.5	1.0	0.7	0.4	0.7
	2026E	0.8	0.7	0.7	0.6	0.9	0.5	1.0	0.8	0.4	0.7
	2027E	0.9	0.7	0.7	0.5	1.0	0.5	1.0	0.8	0.6	0.7
ROE (%)	2025	10.9	9.7	10.2	8.9	8.0	8.4	13.6	7.2	5.4	9.9
	2026E	12.1	10.9	11.2	8.7	8.4	9.5	13.1	8.9	5.8	10.7
	2027E	12.4	11.2	11.4	8.5	8.8	10.2	13.6	9.4	7.4	10.9
DPS	2026E	4,626	2,960	4,600	1,184	830	840	1,311	650	-	
Div. yield (%)	2026E	2.7	2.9	3.4	5.6	4.7	4.7	5.0	2.9	-	
Total payout ratio (%)	2026E	55.4	52.9	50.3	36.0	44.7	43.2	50.0	50.0	-	
Total shareholder yield (%)	2026E	6.2	6.4	6.4	6.0	7.1	8.0	7.3	2.9	-	

Note: As of Jul 20
Source: QuantiWise, Samsung Securities estimates

Securities brokers: Valuation matrix

Company		Mirae Asset Securities	Korea Investment Holdings	NH Investment & Securities	Kiwoom Securities
Ticker		006800 KS	071050 KS	005940 KS	039490 KS
Market cap (KRWb)		22,503	12,912	11,349	8,052
Recommendation		HOLD	BUY	BUY	BUY
Target price (KRW)		75,000	320,000	41,000	520,000
Current price (KRW)		37,050	216,500	29,500	307,000
Upside (%)		102.4	47.8	39.0	69.4
P/E (x)	2025	8.7	4.9	10.7	7.5
	2026E	5.6	4.7	6.3	4.5
	2027E	6.9	5.2	6.5	5.0
P/B (x)	2025	0.77	0.82	1.17	1.19
	2026E	0.98	0.95	1.11	1.02
	2027E	0.85	0.80	0.94	0.84
EPS (KRW)	2025	2,670	32,808	2,749	40,798
	2026E	6,571	46,500	4,700	67,762
	2027E	5,403	41,503	4,522	61,795
BVPS (KRW)	2025	30,209	197,134	25,187	258,926
	2026E	37,641	227,564	26,694	302,336
	2027E	43,844	271,332	31,225	367,476
ROA (%)	2025	0.7	1.0	1.2	1.6
	2026E	0.9	1.7	1.4	1.7
	2027E	1.0	1.1	1.3	1.7
ROE (%)	2025	12.4	19.1	11.8	18.1
	2026E	24.9	23.1	18.2	25.5
	2027E	16.7	17.5	15.6	19.5
DPS (KRW)	2025	300	8,690	1,300	11,500
	2026E	450	12,300	2,000	19,000
	2027E	450	13,530	2,000	20,900
Dividend yield	2025	1.3	5.4	4.4	3.7
(common shares, %)	2026E	1.2	5.7	6.8	6.2
	2027E	1.2	6.2	6.8	6.8
Total shareholder yield*	2025	3.0	5.4	4.4	4.2
(common shares, %)	2026E	4.9	5.7	6.8	6.2
	2027E	4.3	6.2	6.8	6.8
Dividend payout ratio	2025	11.1	25.1	47.3	27.1
(%)	2026E	7.2	25.0	42.5	27.4
	2027E	8.9	30.8	44.2	33.0
Total payout ratio** (%)	2025	22.6	25.1	47.3	30.2
	2026E	23.3	25.1	42.5	27.4
	2027E	25.6	30.9	44.2	33.0

Note: As of Jul 20,
*(Cash dividend + share buyback) / market cap;
**(Cash dividend + share buyback) / net profit
Source: Company data, Samsung Securities estimates

Compliance notice

- During the one year prior to 7/20 2026, Samsung Securities had participated as an underwriter in an IPO for Kbank.
As of 7/20 2026, BNK Financial Group served as a trustee for the company covered in this report to acquire and dispose of its own shares.
- As of 7/20 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 7/20 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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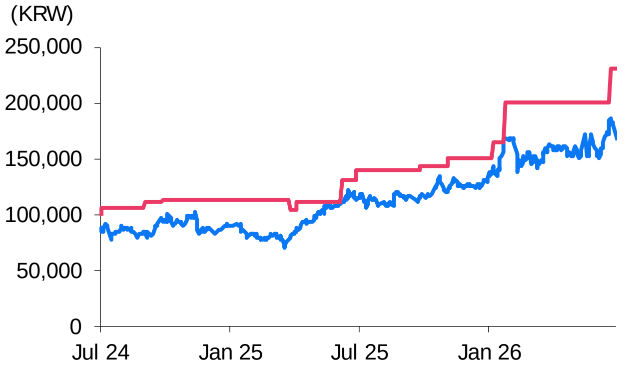
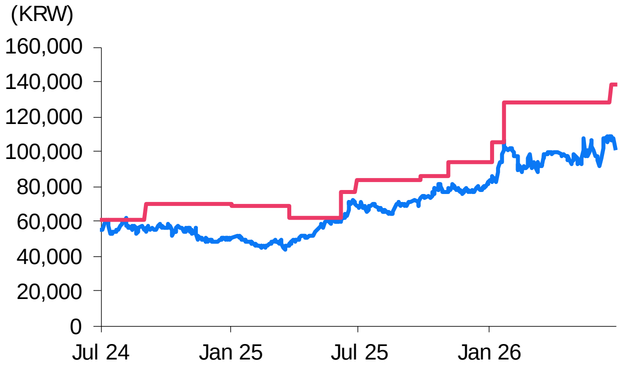
Target price changes in past two years

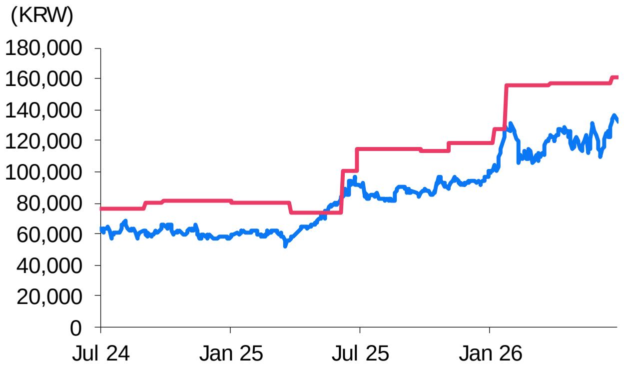
KB Financial Group



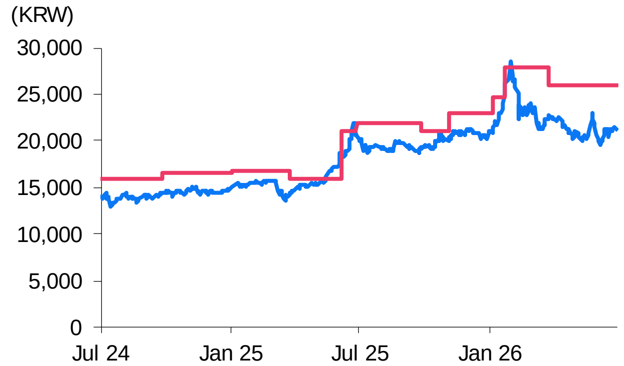
Shinhan Financial Group



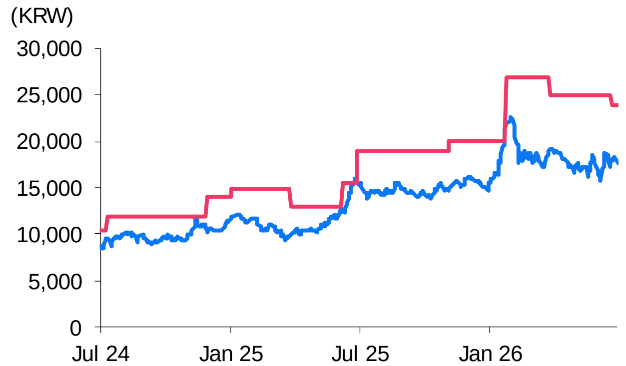
Hana Financial Group



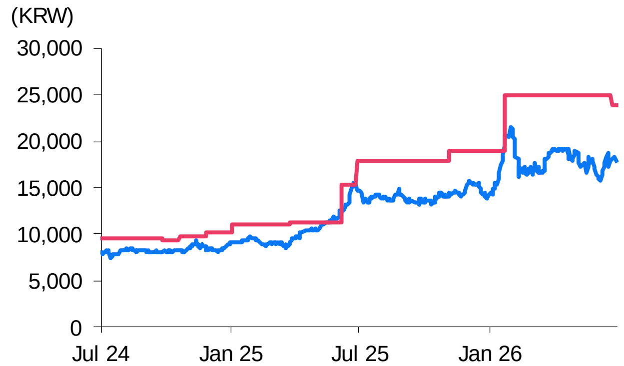
IBK



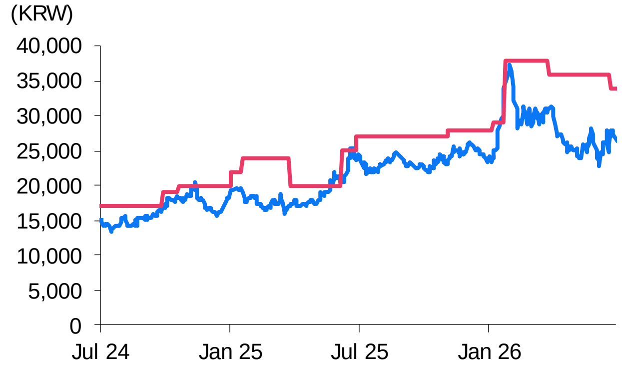
BNK Financial Group



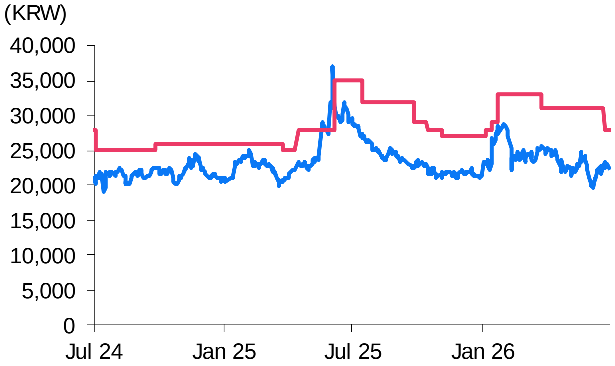
iM Financial Group



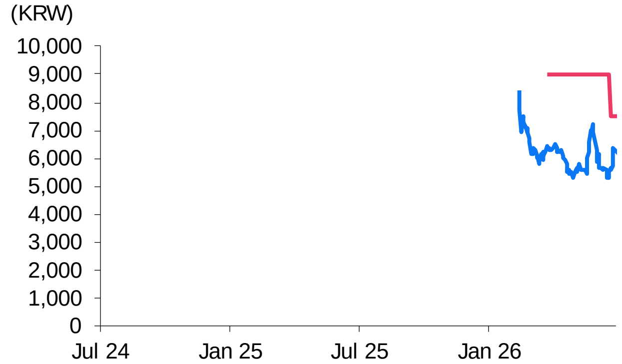
JB Financial Group



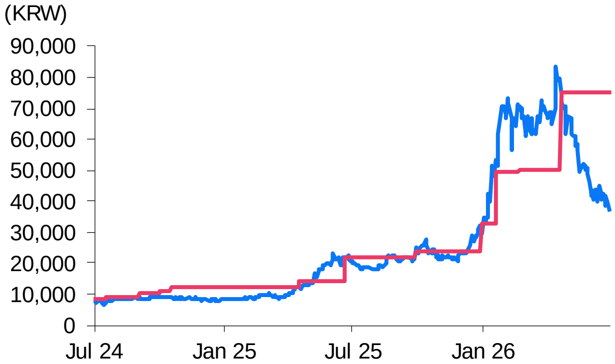
Kakao Bank



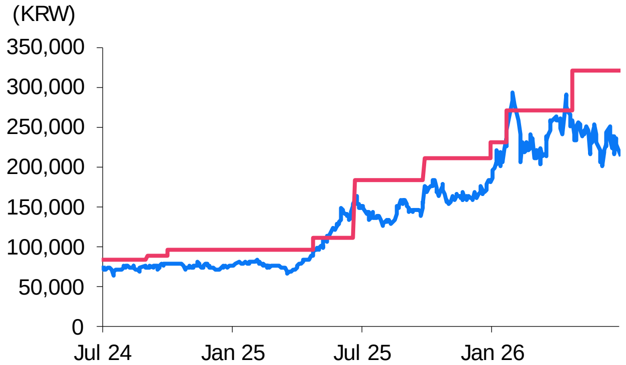
Kbank



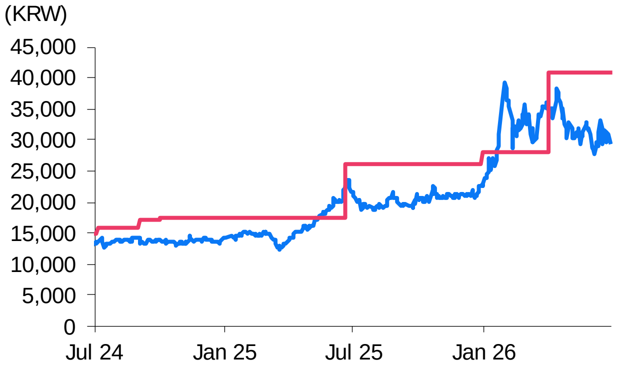
Mirae Asset Securities



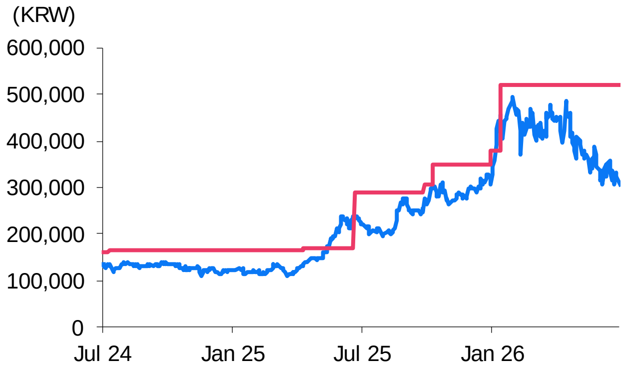
Korea Investment Holdings



NH Investment & Securities



Kiwoom Securities



Rating changes over past two years (adjusted share prices)

KB Financial Group

Date	2024/3/5	7/12	7/24	9/23	10/17	2025/4/15	4/25	6/27	7/18	10/17	11/25	2026/1/27
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	80000	100000	105000	110000	113000	104000	110000	130000	140000	143000	150000	165000
Gap* (average)	-5.45	-14.59	-19.39	-21.04	-23.75	-20.54	-8.40	-11.01	-19.36	-14.92	-14.99	-11.40
(max or min)**	10.25	-11.70	-13.52	-11.64	-10.44	-18.27	2.09	-6.15	-14.57	-5.80	-8.80	2.12

Date	2/13	7/13
Recommendation	BUY	BUY
Target price (KRW)	200000	230000
Gap* (average)	-21.62	
(max or min)**	-7.80	

Shinhan Financial Group

Date	2024/3/5	7/12	9/23	2025/1/23	4/15	6/27	7/18	10/17	11/25	2026/1/27	2/13	7/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	54000	61000	70000	69000	62000	77000	83000	86000	94000	105000	128000	138000
Gap* (average)	-13.16	-7.88	-24.09	-31.23	-11.85	-12.80	-17.74	-11.41	-16.22	-12.96	-24.12	
(max or min)**	-0.93	0.66	-17.00	-25.94	-1.61	-6.75	-12.41	-5.35	-10.74	0.95	-14.69	

Hana Financial Group

Date	2024/4/15	7/12	9/23	10/17	2025/1/23	4/15	6/27	7/18	10/17	11/25	2026/1/27	2/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	72000	76000	80000	81000	80000	74000	101000	115000	113000	119000	128000	156000
Gap* (average)	-16.33	-17.99	-23.57	-25.40	-24.86	-5.81	-10.23	-25.24	-20.20	-20.43	-11.60	-26.52
(max or min)**	-8.06	-9.47	-17.75	-17.90	-21.75	12.84	-4.46	-19.57	-14.69	-14.96	1.56	-15.83

Date	4/16	7/13
Recommendation	BUY	BUY
Target price (KRW)	157000	161000
Gap* (average)	-22.81	
(max or min)**	-15.92	

IBK

Date	2024/3/5	7/12	10/17	2025/1/23	4/15	6/27	7/18	10/17	11/25	2026/1/27	2/13	4/16
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	15400	16000	16500	16800	16000	21000	22000	21000	23000	24600	28000	26000
Gap* (average)	-10.19	-13.03	-11.68	-9.61	-0.86	-5.01	-11.84	-5.60	-9.51	-5.95	-16.00	
(max or min)**	1.95	-9.25	-8.06	-5.95	17.44	4.76	-7.95	-1.19	-7.17	6.30	1.96	

BNK Financial Group

Date	2024/4/15	7/12	7/31	12/18	2025/1/23	4/15	6/27	7/18	11/25	2026/2/13	4/16	7/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	10400	10500	12000	14000	15000	13000	15600	19000	20000	27000	25000	24000
Gap* (average)	-19.85	-16.59	-18.16	-22.55	-27.38	-16.06	-8.05	-22.78	-19.30	-30.12	-29.32	
(max or min)**	-15.38	-9.43	-1.00	-14.57	-18.93	-2.23	2.24	-17.79	7.25	-16.11	-23.24	

iM Financial Group

Date	2024/4/15	7/12	10/17	11/11	12/18	2025/1/23	4/15	6/27	7/18	11/25	2026/2/13	7/13
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	10100	9500	9300	9800	10200	11000	11300	15400	18000	19000	25000	24000
Gap* (average)	-19.25	-14.48	-11.94	-12.15	-16.48	-16.85	-4.73	-7.91	-22.67	-20.20	-28.58	
(max or min)**	-14.46	-11.05	-11.08	-4.80	-10.29	-11.18	11.33	0.71	-17.44	6.58	-13.40	

JB Financial Group

Date	2024/4/15	7/12	10/17	11/11	2025/1/23	2/7	4/15	6/27	7/18	11/25	2026/1/27	2/13
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	15000	17000	19000	20000	22000	24000	20000	25000	27000	28000	29000	38000
Gap* (average)	-8.89	-12.61	-6.18	-10.99	-11.17	-27.13	-7.02	-7.20	-14.05	-11.68	-3.39	-18.83
(max or min)**	5.73	-2.94	-2.74	2.25	-10.14	-22.04	9.50	1.40	-7.78	-6.07	17.41	-1.32
Date	4/16	7/13										
Recommendation	HOLD	HOLD										
Target price (KRW)	36000	34000										
Gap* (average)	-27.40											
(max or min)**	-13.06											

Kakao Bank

Date	2024/1/17	7/12	10/17	2025/4/15	5/7	6/27	8/6	10/17	11/5	11/25	2026/1/27	2/4
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	28000	25000	26000	25000	28000	35000	32000	29000	28000	27000	28000	29000
Gap* (average)	-9.02	-14.31	-14.15	-13.63	-6.99	-16.34	-23.19	-20.16	-22.51	-19.53	-17.71	-6.06
(max or min)**	-27.68	-9.40	-3.27	-10.80	32.14	-8.57	-15.00	-18.45	-19.46	-12.96	-15.71	-1.55
Date	2/13	4/16	7/13									
Recommendation	HOLD	HOLD	HOLD									
Target price (KRW)	33000	31000	28000									
Gap* (average)	-24.27	-26.10										
(max or min)**	-13.03	-18.23										

Kbank

Date	2026/4/17	7/13
Recommendation	BUY	BUY
Target price (KRW)	9000	7500
Gap* (average)	-34.20	
(max or min)**	-20.00	

Mirae Asset Securities

Date	2024/2/6	8/8	9/23	10/22	11/7	2025/5/8	7/11	10/20	2026/1/20	2/10	5/12
Recommendation	HOLD	BUY	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	8264	9160	10455	10953	11948	13940	21905	23896	32858	49784	75000
Gap* (average)	-6.34	-9.64	-16.61	-17.60	-25.86	26.25	-8.57	0.55	24.05	35.53	
(max or min)**	-19.76	-3.58	-13.81	-16.09	-0.16	67.49	3.86	-14.79	61.82	2.60	

Korea Investment Holdings

Date	2024/2/16	5/8	9/23	10/22	2025/5/15	7/11	10/20	2026/1/20	2/12	5/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	80000	84000	88000	95000	110000	183000	210000	230000	270000	320000
Gap* (average)	-15.15	-16.49	-14.41	-19.81	11.30	-21.88	-20.51	-9.29	-9.97	
(max or min)**	-7.38	-10.00	-11.25	-5.89	40.09	-10.60	-12.95	2.39	8.33	

NH Investment & Securities

Date	2024/4/22	7/26	9/23	10/22	2025/7/11	2026/1/20	4/24
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	15000	16000	17000	17500	26000	28000	41000
Gap* (average)	-16.23	-14.48	-19.53	-13.81	-21.03	12.38	
(max or min)**	-9.53	-11.25	-17.18	27.43	-9.81	40.00	

Kiwoom Securities

Date	2024/4/22	5/2	7/31	2025/4/30	7/11	10/20	10/30	2026/1/20	2/4
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	150000	160000	165000	170000	290000	307000	350000	380000	520000
Gap* (average)	-12.58	-18.43	-23.65	8.95	-21.27	-8.59	-16.57	1.68	
(max or min)**	-11.73	-9.63	-14.85	41.18	-4.14	-2.77	-5.71	19.74	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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

Industry

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

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

Percentage of ratings in 12 months prior to 2026.03.31

BUY (85.2%)·HOLD (14.8%)·SELL (0%)

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