COMPANY UPDATE

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Finance/Consumer Goods Team

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▶ AT A GLANCE

BUY

Target price	KRW138,000	32.2%
Current price	**KRW104,400**	
Market cap	KRW49.3t/USD33.6b	
Shares (float)	469,450,239 (84.5%)	
52-week high/low	KRW109,200/KRW64,000	
Avg daily trading value (60-day)	KRW151.9b/ USD103.5m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinhan Financial Group (%)	6.2	23.7	52.4
Vs Kospi (%pts)	22.8	-13.0	-31.6

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	138,000	138,000	0.0%
2026E EPS	12,380	12,380	0.0%
2027E EPS	14,024	14,024	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	19
Target price	134,263
Recommendation	4.0

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

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Shinhan Financial Group (055550)

2Q review: Stronger earnings, better payout

- Shinhan Financial Group (SFG) reported a 2Q net profit of KRW1.82t, up 17.5% y-y and exceeding consensus by 7.9%. Both interest and non-interest income showed solid growth, warranting a positive assessment.
- SFG announced an additional KRW700b in share buybacks through October. If more than KRW300b is repurchased in 4Q, its full-year total payout ratio could reach 53%.
- We remain positive on SFG, as it is still attractively valued at 0.88x 2026 P/B and, as earnings grow, it is likely to return more to shareholders, which could push its valuation higher over time.

WHAT'S THE STORY?

2Q net profit rises 17.5% y-y to KRW1.82t—non-interest income drives additional upside amid interest income growth: Shinhan Financial Group (SFG) reported a 2Q net profit of KRW1.82t, up 17.5% y-y and exceeding consensus by 7.9%. Interest income grew 3.6% q-q, maintaining steady momentum, while non-interest income—led by brokerage fee income—rose 22%, further boosting earnings. The non-banking segment posted a sharp recovery, with profits up 17.4% q-q and 44.0% y-y, driven primarily by the securities brokerage business, where net profit surged 91.6% y-y (and 0.3% q-q) to KRW289.3b, benefiting from a bullish equity market.

Additional buyback of KRW700b over next three months announced: SFG announced an additional KRW700b in share buybacks over the next three months, maintaining its quarterly DPS at KRW740. With this, total buybacks through Oct 2026 are expected to reach KRW1.4t. If the company spends over KRW0.3t on buybacks in 4Q, it could achieve a full-year total payout ratio of 53%.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Operating profit	2,913.6	44.6	35.2	28.3	-
Pre-prov op profit	3,370.2	24.7	24.0	21.1	-
Provisioning	437.3	(31.3)	(15.8)	(11.3)	-
Net profit	1,820.1	17.5	12.2	9.9	7.9
Major indicators (%, %pts)					
Loan growth	0.45	0.04	(0.93)		
NIM	1.61	0.06	0.01		
NPLs below subs	0.31	(0.01)	0.02		

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	7.6	8.4	7.4
P/B	0.7	0.9	0.8
Div yield (%)	3.4	2.8	3.2
EPS growth (% y-y)	15.1	22.0	13.3
ROE (%)	9.7	10.9	11.2
Total payout ratio (%)	50.2	52.9	56.7
Per-share data (KRW)			
EPS	10,151	12,380	14,024
BVPS	105,947	117,027	128,676
DPS	2,590	2,960	3,352

Valuation still attractive, as ROE surpasses plan—positive view maintained: We remain positive on SFG, as: 1) it is still undervalued, trading at just 0.88x 2026 P/B; 2) thanks to stronger results from both its bank and non-bank businesses, ROE hit 12.4% in 2Q and we expect a full-year ROE of 10.9% in 2026; 3) as earnings grow, it is likely to return more to shareholders, which could push its valuation higher over time.

2Q earnings highlights—growing securities-related income, despite rising interest rates: SFG's 2Q earnings improvement was driven by non-interest income. While interest income rose by KRW110.2b q-q, non-interest income jumped by KRW261.7b q-q—primarily due to a KRW248.1b Q-Q jump in fee income, supported by bullish stock market.

Despite a challenging environment, SFG's net profit grew 12.2% q-q and 17.5% y-y. Earnings details also look robust: 1) interest income grew steadily, supported by loan expansion and an improving NIM; 2) non-interest income rose sharply, led by an affiliated securities broker that benefited from higher stock market trading volumes in 1H; and 3) loan loss provisions continued to stabilize lower.

In 2Q, one-off items had little overall impact. Although the company reversed a provision of KRW83.7b due to reduced penalties related to Hong Kong ELS products, this was mostly offset by costs from reassessing real estate PF deals and losses on a few large exposures.

Quarterly and annual net profit

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
Net profit	1,549.1	1,423.5	510.6	1,622.6	1,820.1	12.2	17.5
		2022	2023	2024	2025		Chg (% y-y)
Annual net profit		4,665.7	4,368.0	4,450.2	4,971.6		11.7

Source: Company data, Samsung Securities

2Q26 one-off costs

2Q26	(KRWb)
Reversal of ELS-related fine	83.7
Provisioning for credit costs (Real estate PF project viability assessment)	(36.8)
Recognition of losses on large exposures	(33.1)
Total	13.8

Source: Company data, Samsung Securities

Interest income up 9.4% y-y, supported by both NIM improvement and loan growth: Group interest income rose by a solid 9.4% y-y, driven by: 1) a 0.4% q-q and 5.4% y-y increase in loans; and 2) a 1bp q-q improvement in bank NIM (group NIM was flat q-q).

NIM stalls, but solid improvement expected in 2H: SFG expects NIM to improve more quickly in 2H. In 2Q, rising market interest rates helped reprice loans, but due to higher funding costs, NIM stalled. In 2H, the company expects a solid improvement in NIM, supported by rate hikes and its strategic focus on profitable growth.

2Q loan growth of 0.4% q-q and 5.4% y-y—led by corporate loans, with household loans showing signs of recovery: Loan growth was 0.4% q-q and 5.4% y-y in 2Q. While corporate loans led growth in 1H, household loans rebounded in 2Q with a 3.6% y-y increase.

Interest income and key indicators

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
Interest income	2,864.0	2,947.6	3,028.1	3,024.1	3,134.4	3.6	9.4
NIM (bank) (%)	1.55	1.56	1.58	1.60	1.61	0.0	0.1
NIM (group) (%)	1.89	1.90	1.91	1.93	1.93	0.0	0.0
Won-denominated loans (KRWt)	322.8	331.5	334.2	338.8	340.3	0.4	5.4
Household	142.1	146.6	146.4	145.5	147.2	1.2	3.6
Corporate	180.7	184.9	187.8	193.4	193.1	(0.1)	6.9
SME	141.1	143.9	145.1	148.0	147.7	(0.3)	4.6
Large corporate	39.6	41.0	42.7	45.3	45.5	0.4	14.9

Source: Company data, Samsung Securities

Credit cost down 8bps q-q to 0.38% in 2Q—supporting expectations for improvement in loan loss cycle: Credit cost fell 21bps y-y and 8bps q-q to 0.38% in 2Q. Group NPL ratio dipped 2bps q-q to 0.79% while delinquency ratio climbed 2bps q-q to 0.34%, remaining broadly stable compared to the prior quarter. SFG attributed this to the effectiveness of its conservative asset quality management policy.

Geopolitical risks remain high, so macro uncertainty is still elevated—this could slow the pace of improvement in asset quality indicators compared to earlier expectations. However, considering the years of deleveraging, economic recovery driven by select export firms, and potential strength in domestic demand, SFG's credit cost is likely to keep stabilizing lower.

Credit cost and asset quality

(%)	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%, %pts q-q)	Growth (%, %pts y-y)
Total credits (KRWt)	428.8	436.9	445.1	454.2	458.2	0.9	6.9
Loan loss provisioning (KRWb)	636.7	480.5	482.2	519.1	437.3	(15.8)	(31.3)
Credit costs (quarterly)	0.59	0.44	0.43	0.46	0.38	(0.08)	(0.21)
Credit costs (cumulative)	0.50	0.46	0.45	0.46	0.42	(0.04)	(0.08)
NPL ratio	0.80	0.76	0.72	0.81	0.79	(0.02)	(0.01)
Delinquency ratio	0.32	0.31	0.28	0.32	0.34	0.02	0.02
		2022A	2023A	2024A	2025A		Chg (% y-y)
Credit costs		0.34	0.57	0.49	0.45		(0.04)

Source: Company data, Samsung Securities

Non-bank earnings improvement positive: Non-bank operations contributed a net profit of KRW761.9b in 2Q (up 44% y-y). The non-bank portion of earnings expanded 5.1%pts y-y to 35.4%. Securities brokerage drove non-bank earnings growth for a second straight quarter, delivering a net profit of KRW289.3b (up 91.6% y-y).

However, the pace of improvement in securities brokerage earnings slowed slightly in 2Q, which is a concern. Going forward, achieving more stable earnings growth amid high volatility in equity markets and trading volumes will be critical.

Non-banking earnings

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)	2024	2025	Chg (% y-y)
Card	110.9	133.8	96.3	115.4	138.0	19.5	24.4	572.1	476.7	(16.7)
Securities	151.0	100.5	22.3	288.4	289.3	0.3	91.6	179.2	381.6	113.0
Life insurance	179.2	170.2	(6.8)	103.1	187.5	81.8	4.6	528.4	507.7	(3.9)
Capital	32.6	28.0	16.3	61.8	32.9	(46.8)	0.9	116.9	108.3	(7.4)
Asset trust	6.8	7.2	0.2	3.1	4.8	57.2	(28.5)	(320.6)	19.6	n/a
Other	17.3	16.5	26.5	39.0	64.4	65.0	272.6	178.8	76.9	(57.0)
Total	497.8	456.2	154.8	610.9	716.9	17.4	44.0	1,254.9	1,570.9	25.2
Non-banking portion (%, %pts)	30.3	29.4	26.9	34.5	35.4	1.0	5.1	25.3	29.3	4.0

Source: Company data, Samsung Securities

CET-1 ratio rises 13bps q-q to 13.43%—sufficient buffer above 13% indicates ample capacity for shareholder returns: SFG's CET-1 ratio rose 13bps q-q to 13.43%. This is seen as positive because: 1) it is comfortably above 13%, indicating ample capacity for shareholder returns; 2) despite headwinds from currency appreciation in 2Q, RWA growth was well controlled at just 1.6% q-q; and 3) the improvement also reflects the positive impact of rising ROE.

Shareholder returns and CET-1 ratio

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%, %pts q-q)	Growth (%, %pts y-y)	2024	2025	Growth (%, %pts y-y)
CET-1 ratio (%)	13.62	13.56	13.35	13.30	13.43	0.13	(0.19)	13.02	13.35	0.33
RWA (KRWt)	340.0	348.2	352.9	361.8	367.6	1.6	8.1	342.4	352.9	3.1
Total shareholder returns	776.7	545.7	745.5	756.1	643.9	(14.8)	(17.1)	1,791.3	2,496.5	39.4
Share repurchases	500.0	278.0	322.0	404.3	295.7	(26.9)	(40.9)	700.0	1,250.0	78.6
Dividends	276.7	267.7	423.5	351.8	348.2	(1.0)	25.8	1,091.3	1,246.5	14.2
Total payout ratio (%, %pts)	50.1	38.3	146.0	46.6	35.4			40.3	50.2	10.0

Source: Company data, Samsung Securities

Faster ROE improvement, disciplined RWA growth, and steady shareholder return enhancements key to rerating: SFG is still trading at a discount, with a 2026 P/B of just 0.88x. To unlock higher valuation, it needs to show: 1) faster improvement in ROE; 2) better control over how quickly its RWA is growing; and 3) steady increases in shareholder returns, based on strong profits and smart capital use. We expect SFG's 2026 ROE to reach 10.9%—outpacing its original roadmap—and project total payout ratio to rise gradually to 53% this year and 60% three years later.

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash & equivalents	40,689	40,407	42,018	43,704	45,470
Financial securities	206,801	217,672	227,484	233,632	240,246
Net loans & credits	450,560	465,488	493,229	517,671	543,792
Interest-earning assets	**698,050**	**723,567**	**762,660**	**794,829**	**829,215**
Fixed assets	7,544	7,850	4,361	4,619	4,887
Other assets	34,170	54,597	71,607	74,340	77,183
Total assets	**739,764**	**786,013**	**838,628**	**873,788**	**911,285**
Customer deposits	423,378	449,171	478,439	501,402	525,900
Borrowings	49,920	55,395	57,259	58,739	60,272
Debentures	94,027	93,279	89,528	91,815	94,198
Interest-bearing liabilities	**619,713**	**649,909**	**674,931**	**702,162**	**731,080**
Other liabilities	61,230	75,732	100,287	105,394	111,209
Total liabilities	**680,943**	**725,641**	**775,218**	**807,555**	**842,289**
Paid-in capital	2,970	2,970	2,970	2,970	2,970
Hybrid securities	4,600	4,750	4,720	4,720	4,720
Capital surplus	12,095	12,099	2,233	2,233	2,233
Retained earnings	39,021	41,796	53,872	56,589	59,247
Capital adjustment	(807)	(1,180)	(773)	(773)	(773)
Other accumulated earnings and comprehensive income	(1,824)	(2,475)	(2,107)	(2,107)	(2,107)
Minority interest	2,767	2,413	2,495	2,601	2,707
Shareholder equity	**58,821**	**60,372**	**63,410**	**66,233**	**68,997**

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Interest income	29,209	27,989	29,030	30,519	32,003
Interest expenses	(17,807)	(16,294)	(16,509)	(17,297)	(18,275)
Net interest income before provisioning	**11,402**	**11,694**	**12,521**	**13,221**	**13,728**
Provisioning for loan losses	(1,960)	(2,049)	(2,181)	(2,058)	(2,023)
Net interest income after provisioning	**9,442**	**9,645**	**10,341**	**11,163**	**11,704**
Fee income	2,715	2,921	3,911	4,132	4,325
Other non-interest income	418	859	429	237	86
Gross profit	**12,575**	**13,426**	**14,680**	**15,532**	**16,116**
G&A expenses	(6,116)	(6,403)	(6,787)	(6,942)	(7,132)
Operating profit	**6,459**	**7,023**	**7,893**	**8,590**	**8,983**
Other non-operating income	(430)	(94)	206	212	220
Pre-tax profit	**6,029**	**6,929**	**8,099**	**8,802**	**9,203**
Taxes	(1,471)	(1,844)	(2,189)	(2,421)	(2,531)
Net profit	**4,558**	**5,085**	**5,910**	**6,382**	**6,672**
Minority interest	(108)	(113)	(106)	(106)	(106)
Consolidated net profit	**4,450**	**4,972**	**5,804**	**6,275**	**6,566**
Pre-provisioning operating profit	8,572	9,257	10,178	10,720	11,070

Asset quality

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
NPL ratio (below substandard)	0.7	0.7	0.8	0.8	0.8
NPL ratio (below precautionary)	1.6	1.6	1.6	1.7	1.7
Cumulative provisioning /NPL below substandard	149.8	133.6	161.3	164.7	166.8
Cumulative provisioning /NPL below precautionary	65.9	61.4	80.1	81.9	83.0
Cumulative provisioning/credit	1.1	1.0	1.3	1.4	1.4
Net write-offs /NPL below substandard	56.6	72.8	7.6	38.7	36.2
Net write-offs/credit	1.1	1.0	1.3	1.4	1.4
Loan loss provisioning charges /total credit	0.46	0.46	0.46	0.42	0.39

Key ratios

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
Return on avg assets	0.6	0.7	0.7	0.7	0.7
Return on avg equity	9.0	9.7	10.9	11.2	11.1
Loan growth* (% y-y)	10.3	4.4	4.7	4.9	5.0
Deposit growth* (% y-y)	11.1	5.6	6.3	4.9	5.0
Asset growth (% y-y)	6.9	6.3	6.7	4.2	4.3
Loan/deposit ratio*	118.2	118.3	117.4	117.4	117.4
Net interest margin**	1.58	1.56	1.60	1.59	1.55
Net interest spread**	1.88	1.77	1.78	1.78	1.74
Cost-to-income ratio	41.7	41.3	41.3	40.6	40.9
BIS CAR**	15.7	15.9	15.6	15.7	15.8
Tier-1 ratio**	14.7	15.0	14.7	14.8	14.9
Tier-2 ratio**	1.0	0.9	0.9	0.9	0.8
Common Equity Capital Ratio	13.0	13.4	13.3	13.4	13.5
Equity/assets	8.0	7.7	7.6	7.6	7.6

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2024	2025	2026E	2027E	2028E
EPS	8,816	10,151	12,380	14,024	15,320
BVPS	99,328	105,947	117,027	128,676	140,523
DPS	2,160	2,590	2,960	3,352	3,849
Dividend payout ratio	24.5	25.1	23.6	24.0	25.3
Total Shareholder Payout Ratio	40.3	50.2	52.9	56.7	59.5

Year-end Dec 31	Pre-prov op prof (KRWb)	Net prof (KRWb)	EPS (KRW)	Chg (%)	BVPS (KRW)	P/E (x)	P/B (x)	ROAA (%)	ROAE (%)	CET-1 Ratio (%)	Div yield (%)
2024	8,572	4,450	8,816	3.7	99,328	5.4	0.5	0.6	9.0	13.0	4.5
2025	9,257	4,972	10,151	15.1	105,947	7.6	0.7	0.7	9.7	13.4	3.4
2026E	10,178	5,804	12,380	22.0	117,027	8.4	0.9	0.7	10.9	13.3	2.8
2027E	10,720	6,275	14,024	13.3	128,676	7.4	0.8	0.7	11.2	13.4	3.2
2028E	11,070	6,566	15,320	9.2	140,523	6.8	0.7	0.7	11.1	13.5	3.7

Source: Company data, Samsung Securities estimates

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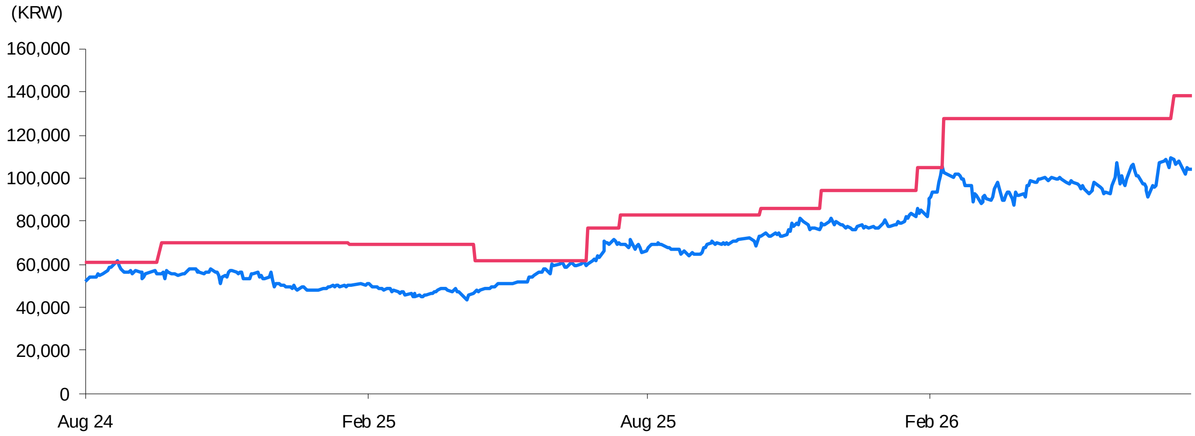
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/12	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
Target price (KRW)	61000	70000	69000	62000	77000	83000	86000	94000	105000	128000	138000
Gap* (average)	-7.88	-24.09	-31.23	-11.85	-12.80	-17.74	-11.41	-16.22	-12.96	-24.12	
(max or min)**	0.66	-17.00	-25.94	-1.61	-6.75	-12.41	-5.35	-10.74	0.95	-14.69	

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

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Industry

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* 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 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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