COMPANY UPDATE

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BNK Financial Group (138930)

2Q review; needs to improve earnings quality

- BNK Financial Group's (BNKFG) 2Q net profit fell 35.2% y-y and 5.2% q-q to KRW200.4b, missing consensus by 19.6%. Excluding one-offs, its net profit came in at KRW244.4b, in line with expectations.
- Excluding the one-off item, group interest income rose 0.7% q-q, and asset quality metrics improved. Yet, key concerns persist: NIM contracted 4 bps q-q, ROE recovery remains sluggish, and CET-1 ratio has fallen for three consecutive quarters to 12.14%.
- We remain upbeat on the stock as it trades at 0.5x 2026 P/B and plans to increase its total payout ratio. The company needs to show sustained improvement in core metrics—particularly core earnings-generating capability, ROE, and CET-1 ratio.

AT A GLANCE

BUY

Target price	KRW23,000	33.2%
Current price	**KRW17,270**	
Market cap	KRW5.4t/USD3.7b	
Shares (float)	310,327,033 (84.6%)	
52-week high/low	KRW22,650/KRW13,810	
Avg daily trading value (60-day)	KRW21.4b/ USD14.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
BNK Financial Group (%)	8.8	5.4	19.7
Vs Kospi (%pts)	51.9	-9.5	-36.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	23,000	23,000	0.0%
2026E EPS	2,648	2,648	0.0%
2027E EPS	3,254	3,254	0.0%

SAMSUNG vs THE STREET

No of estimates	17
Target price	24,194
Recommendation	4.0

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

WHAT'S THE STORY?

2Q net profit hits KRW200.4b—growth in core earnings positive: BNK Financial Group's (BNKFG) 2Q net profit fell 35.2% y-y and 5.2% q-q to KRW200.4b, missing consensus by 19.6%. The shortfall was primarily due to a one-time accounting loss of KRW44b arising from the settlement related to the exercise of the preferential purchase right on a real estate fund. Without this one-off, its net profit would have risen 15.6% q-q to KRW244.4b, in line with the consensus of KRW249.4b. Excluding one-offs, core earnings (interest income and fee income) grew 0.5% q-q, signaling improved underlying fundamentals.

Announces quarterly dividend—confirmation of full-year total payout target in mid-40s range: BNKFG announced a DPS of KRW150. Alongside KRW60b in share buybacks during 1H26, the company reaffirmed its target to achieve a total payout ratio in the mid-40% range for 2026. Additional buyback size should be disclosed during its 3Q earnings release. A further KRW50b in buybacks would enable the company to reach a 45% payout ratio target.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Operating profit	235.7	(7.9)	(16.7)	(31.2)	-
Pre-prov op profit	482.9	11.6	3.9	(9.4)	-
Provisioning	228.5	41.0	39.7	33.2	-
Net profit	200.4	(35.2)	(5.2)	(18.4)	(19.6)
Major indicators (%, %pts)					
Loan growth	3.22	2.8	1.3		
NIM	1.82	(0.1)	(0.1)		
NPLs below subs	1.25	0.2	(0.0)		

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	6.1	6.5	5.3
P/B	0.5	0.5	0.5
Div yield (%)	4.6	4.7	5.4
EPS growth (% y-y)	14.0	2.2	22.9
ROE (%)	8.0	7.7	8.8
Total payout ratio (%)	40.4	44.7	50.7
Per-share data (KRW)			
EPS	2,592	2,648	3,254
BVPS	32,738	34,718	37,577
DPS	735	820	940

Restoring confidence in earnings key to accelerating valuation recovery: While robust core earnings growth is a positive signal, BNKFG's 2Q net profit again missed market expectations due to one-off items, weighing on investor sentiment. For valuation re-rating to materialize, restoring market confidence through consistent, transparent improvements in quarterly earnings should be paramount. Key financial metrics—eg, NIM recovery, stabilization of credit cost ratio (CCR), controlled growth of risk-weighted assets (RWA), and corresponding CET-1 ratio improvement—should be critical to achieving its ROE and payout ratio targets.

Mixed financial signals—market confidence hinges on clear, sustained improvement: BNKFG's 2Q results reflected a mix of positive and concerning trends. First, interest income declined on a reported basis but improved excluding one-off items. Second, loan growth rebounded positively, yet NIM contracted sharply again. Third, CCR and asset quality metrics improved 1H, but CCR spiked in 2Q. Fourth, CET-1 ratio remained above 12%, but declined for three consecutive quarters.

Group interest income down, but improves excluding one-offs: Group interest income fell 5.1% q-q, primarily due to a KRW44b one-off accounting loss from a real estate fund. Excluding this item, group interest income rose 0.7% q-q. This suggests its underlying ability to generate core interest income remains solid.

Quarterly net interest income

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% y-y)	Chg (% q-q)
Net interest income	735.5	708.4	740.8	768.4	762.8	724.0	2.2	(5.1)
Excluding one-off costs		756.2				768.0	1.6	0.7

Note: Excluding one-off real estate fund-related costs in 2Q25 and 2Q26
Source: BNKFG, Samsung Securities

Loan growth drives interest income, but NIM volatility remains a concern: Loan growth rebounded strongly, contributing to the rise in interest income. BNKFG's won-denominated loans increased 3.2% q-q, led by corporate loans, bringing ytd loan growth to 5.2% as of 1H. This targeted acceleration in lending during 1H enhanced visibility into full-year interest income recovery—a positive development.

However, the group's consolidated NIM declined 4 bps q-q in 2Q. While NIM remained 1 bp higher y-y in 1H, the quarterly volatility raised concerns. We believe: 1) sustained NIM recovery is essential to achieving its ROE improvement targets; and 2) to bolster earnings predictability, it must better manage its relatively high NIM volatility compared to peers.

Loan growth, by bank

Chg (% y-y)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Busan Bank	1.7	2.7	3.2	3.6	4.0	7.1
Kyongnam Bank	3.7	4.6	4.2	5.1	7.4	10.0
Banks' total	2.5	3.5	3.6	4.2	5.4	8.3
(% q-q)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**
Busan Bank	0.6	0.4	1.3	1.2	1.0	3.4
Kyongnam Bank	0.9	0.6	1.9	1.6	3.1	3.0
Banks' total	0.7	0.5	1.6	1.4	1.9	3.2

Source: BNKFG, Samsung Securities

NIM trend

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%pts y-y)	Growth (%pts q-q)
NIM (quarterly)	1.84	1.86	1.80	1.81	1.88	1.84	(0.02)	(0.04)
NIM (cumulative)	1.84	1.85	1.83	1.83	1.88	1.86	0.01	(0.02)

Note: Based on Busan Bank and Kyongnam Bank
Source: BNKFG, Samsung Securities

Asset quality stabilizes, but credit cost volatility demands attention: BNKFG's asset quality metrics showed meaningful improvement in 2Q. Group NPL ratio fell 11 bps q-q to 1.46%, and the delinquency rate declined 8 bps q-q to 1.34%.

However, credit cost remains a concern. The CCR improved 13 bps y-y to 0.61% in 1H, but jumped 20 bps q-q to 0.71% in 2Q and exceeded its annual CCR guidance of 0.6%. For investor reassurance, the company must demonstrate consistent declines in credit cost.

Credit cost and asset quality

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%pts y-y)	Growth (%pts q-q)
NPL ratio	1.69	1.62	1.46	1.42	1.57	1.46	(0.15)	(0.11)
Delinquency ratio	1.12	1.39	1.32	1.14	1.42	1.34	(0.05)	(0.08)
Credit costs (quarterly)	0.93	0.55	0.45	0.68	0.52	0.71	0.16	0.20
Credit costs (cumulative)	0.93	0.74	0.63	0.64	0.52	0.61	(0.13)	0.09
Loan-loss provisioning (KRWb)	272.0	162.6	135.7	207.3	160.4	228.5	40.5	42.5

Source: BNKFG, Samsung Securities

CET-1 above target floor, but rebound is urgently needed: BNKFG's CET-1 ratio stood at 12.14% in 2Q, within its target range of 12–12.5%. Despite a 5.2% ytd loan growth in 1H, RWA expansion was tightly controlled at just 2.4% ytd—a sign of efficient capital utilization.

Yet, the three consecutive quarters of decline in CET-1, now nearing the lower bound of the target range, raise structural concerns. To support a higher total payout ratio, it needs to reverse this trend before year-end. 4Q typically sees lower net profit due to seasonal factors, and additional share repurchases would further pressure capital levels.

Capital adequacy

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%pts y-y)	Growth (%pts q-q)
CET-1 ratio (%)	12.25	12.56	12.59	12.34	12.30	12.14	(0.42)	(0.16)
RWA (KRWb)	77,608.3	77,192.1	78,453.0	78,149.4	78,749.9	80,003.7	3.6	1.6
RWA growth (% y-y)	2.1	0.6	1.0	1.6	1.5	3.6		
Loan growth (% y-y)	2.5	3.5	3.6	4.2	5.4	8.3		
Diff (%pts)	(0.4)	(2.9)	(2.6)	(2.6)	(3.9)	(4.6)		

Source: BNKFG, Samsung Securities

Revising down 2026 earnings estimate and target price to reflect one-offs: We reduce our 2026 earnings forecast by 5.3% from KRW855b to KRW810b, primarily reflecting the KRW44b one-off loss from the real estate fund in 2Q. Accordingly, we trim our target price from KRW24,000 to KRW23,000.

Changes to net profit estimates

(KRWb)	1Q26	2Q26	3Q26E	4Q26E	2025A	2026E	Chg (% y-y)
Old estimates	211.4	245.4	274.9	123.3	815.0	855.0	4.9
New estimates	211.4	200.4	274.9	123.3	815.0	810.0	(0.6)
Diff (%)						(5.3)	

Source: BNKFG, Samsung Securities estimates

Attractive valuation on prospect of better earnings and achieving its payout target: We remain upbeat on the stock, as: 1) it trades at 0.5x 2026 P/B, offering high valuation appeal within the banking sector; 2) underlying earnings performance is recovering; and 3) increasing shareholder returns via strong capital management should provide an impetus to the stock.

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash & equivalents	5,818	7,143	5,110	5,401	5,708
Financial securities	26,356	27,976	30,056	31,698	33,441
Net loans & credits	112,081	119,565	124,103	130,716	137,726
Interest-earning assets	**144,256**	**154,684**	**159,270**	**167,814**	**176,874**
Fixed assets	2,127	2,151	1,322	1,384	1,450
Other assets	6,087	4,261	8,549	8,544	8,500
Total assets	**152,470**	**161,095**	**169,141**	**177,743**	**186,824**
Customer deposits	107,855	224,994	116,937	122,949	129,291
Borrowings	11,302	11,446	13,074	13,904	14,792
Debentures	14,122	16,445	18,225	19,410	20,680
Interest-bearing liabilities	**133,279**	**129,923**	**148,236**	**156,262**	**164,762**
Other liabilities	125,526	19,835	9,240	9,337	9,407
Total liabilities	**141,323**	**149,854**	**157,574**	**165,702**	**174,277**
Paid-in capital	1,630	1,630	1,630	1,630	1,630
Hybrid securities	728	498	498	498	498
Capital surplus	791	791	792	792	792
Retained earnings	7,605	8,017	8,418	8,891	9,398
Capital adjustment	(20)	(0)	(0)	(0)	(0)
Other accumulated earnings and comprehensive income	(34)	(142)	(220)	(220)	(220)
Minority interest	449	449	449	449	449
Shareholder equity	**11,148**	**11,242**	**11,567**	**12,040**	**12,547**

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Interest income	6,949	6,473	6,459	6,788	7,159
Interest expenses	(3,972)	(3,519)	(3,428)	(3,562)	(3,817)
Net interest income before provisioning	**2,977**	**2,953**	**3,031**	**3,226**	**3,342**
Provisioning for loan losses	(895)	(785)	(779)	(761)	(702)
Net interest income after provisioning	**2,082**	**2,168**	**2,252**	**2,466**	**2,640**
Fee income	220	179	283	300	312
Other non-interest income	140	244	407	448	473
Gross profit	**2,443**	**2,592**	**2,942**	**3,213**	**3,425**
G&A expenses	(1,567)	(1,690)	(1,802)	(1,867)	(1,936)
Operating profit	**876**	**903**	**1,139**	**1,346**	**1,489**
Other non-operating income	116	192	2	2	2
Pre-tax profit	**992**	**1,095**	**1,141**	**1,348**	**1,490**
Taxes	242	259	310	364	403
Net profit	**750**	**836**	**832**	**984**	**1,087**
Minority interest	21	21	22	24	26
Consolidated net profit	**729**	**815**	**810**	**960**	**1,062**
Pre-provisioning operating profit	1,826	1,768	2,001	2,193	2,281

Asset quality

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
NPL ratio (below substandard)	0.7	1.2	1.3	1.2	1.1
NPL ratio (below precautionary)	1.7	2.3	2.4	7.1	6.5
Cumulative provisioning /NPL below substandard	218.5	123.7	109.3	114.8	125.9
Cumulative provisioning /NPL below precautionary	94.5	61.9	57.7	19.8	21.7
Cumulative provisioning/credit	1.6	1.4	1.4	1.4	1.4
Net write-offs /NPL below substandard	59.7	44.7	38.6	28.7	25.5
Net write-offs/credit	0.4	0.5	0.5	0.4	0.3
Loan loss provisioning charges /total credit	0.43	0.52	0.49	0.35	0.29

Key ratios

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
Return on avg assets	0.8	0.9	0.9	1.0	1.1
Return on avg equity	7.5	8.0	7.7	8.8	9.4
Loan growth* (% y-y)	2.1	3.8	4.7	4.8	4.8
Deposit growth* (% y-y)	0.3	5.9	1.8	4.8	4.8
Asset growth (% y-y)	2.7	5.7	3.0	4.6	4.7
Loan/deposit ratio*	95.0	92.8	95.6	95.6	95.6
Net interest margin**	1.89	1.85	1.88	1.88	1.84
Net interest spread**	2.19	2.10	2.14	2.14	2.10
Cost-to-income ratio	47.8	49.8	48.9	48.0	48.4
BIS CAR**	14.1	15.2	15.7	15.5	15.2
Tier-1 ratio**	13.6	13.3	13.8	13.7	13.6
Tier-2 ratio**	0.6	1.9	1.9	1.8	1.7
Common Equity Capital Ratio	12.3	12.3	12.2	12.2	12.1
Equity/assets	7.3	7.0	6.8	6.8	6.7

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2024	2025	2026E	2027E	2028E
EPS	2,274	2,592	2,648	3,254	3,743
BVPS	31,117	32,738	34,718	37,577	40,890
DPS	650	735	820	940	1,070
Dividend payout ratio	28.5	28.1	31.1	28.8	28.7
Total Shareholder Payout Ratio	33.0	40.4	44.7	50.7	52.3

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	1,826	729	2,274	14.5	31,117	4.5	0.3	0.8	7.5	12.3	6.3
2025	1,768	815	2,592	14.0	32,738	6.1	0.5	0.9	8.0	12.3	4.6
2026E	2,001	810	2,648	2.2	34,718	6.5	0.5	0.9	7.7	12.2	4.7
2027E	2,193	960	3,254	22.9	37,577	5.3	0.5	1.0	8.8	12.2	5.4
2028E	2,281	1,062	3,743	15.0	40,890	4.6	0.4	1.1	9.4	12.1	6.2

Source: Company data, Samsung Securities estimates

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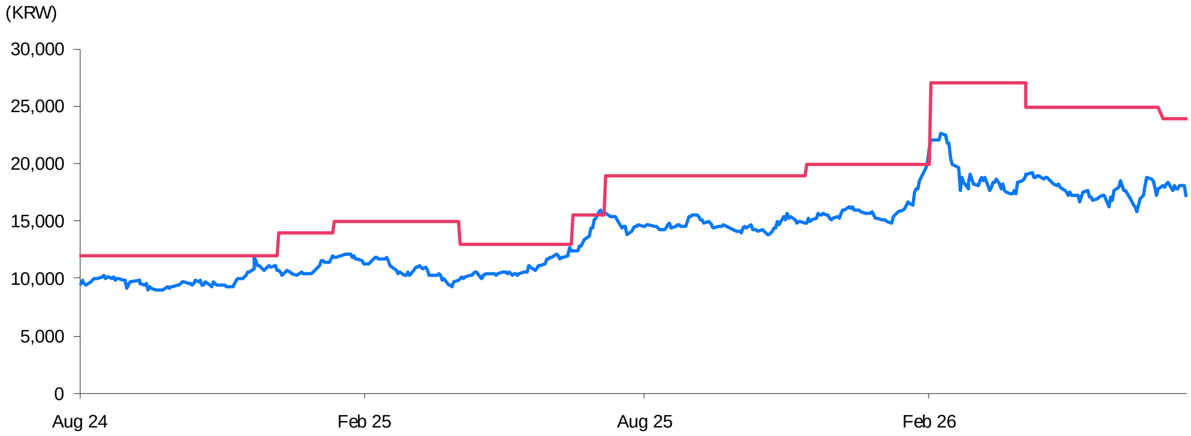

Rating changes over past two years (adjusted share prices)

Date	2024/7/12	7/31	12/18	2025/1/23	4/15	6/27	7/18	11/25	2026/2/13	4/16	7/13	7/29
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	10500	12000	14000	15000	13000	15600	19000	20000	27000	25000	24000	23000
Gap* (average)	-16.59	-18.16	-22.55	-27.38	-16.06	-8.05	-22.78	-19.30	-30.12	-29.32	-25.27	
(max or min)**	-9.43	-1.00	-14.57	-18.93	-2.23	2.24	-17.79	7.25	-16.11	-23.24	-23.63	

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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Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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