SECTOR UPDATE

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Finance/Consumer Goods Team

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▶ **AT A GLANCE**

		Target price		
KB Financial Group	(105560 KS, 164,300)	KRW230,000	40%	BUY
Shinhan Financial Group	(055550 KS, 104,100)	KRW138,000	32.6%	BUY
Hana Financial Group	(086790 KS, 128,800)	KRW161,000	25%	BUY
IBK	(024110 KS, 20,000)	KRW26,000	30%	HOLD
BNK Financial Group	(138930 KS, 14,310)	KRW23,000	60.7%	BUY
iM Financial Group	(139130 KS, 17,180)	KRW24,000	39.7%	BUY
JB Financial Group	(175330 KS, 26,600)	KRW34,000	27.8%	HOLD
Kakao Bank	(323410 KS, 21,300)	KRW28,000	31.5%	HOLD
Kbank	(279570 KS, 6,180)	KRW7,200	28.1%	BUY

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Banking (OVERWEIGHT)

Structural re-rating gaining visibility

- The combined net profit of the banks under our coverage grew 6.7% y-y and 8.7% q-q to KRW7.4t in 2Q, a new all-time high. Both banking and non-banking segments contributed positively to overall earnings growth.
- Amid elevated volatility in the equity market, banking stocks have proven resilient. With banks' ROE set to top 10% this year, the sector is poised to re-rate, provided 2H earnings come in solid (as expected).
- We remain upbeat towards the banking sector, and suggest focusing on three key drivers: 1) clearing ROE growth visibility (supported by stronger earnings in 2H); 2) the upcoming valuation shift (anchored in 2027 P/B multiples); and 3) the anticipated start of tax-exempt dividends (from early 2027).

WHAT'S THE STORY?

Net profit makes new high; meaningful improvements at banking and non-banking segments: The combined net profit of the banks under our coverage hit an all-time high of KRW7.4t in 2Q, and the banking and non-banking segments delivered upbeat operating results. Banks' interest income growth (y-y) remained steady (vs the 1Q y-y growth figure), signaling enhanced earnings-generating capabilities. Despite loan growth rebounding, banks focused on RoRWA-driven expansion in 2Q, and their average CET-1 ratio rose 5bps q-q to 13.46%.

Global banks rally while domestic banks stall on perception that Korean banks' ROE capped at 10%: While shares in major global banks posted new ytd highs around the 2Q earnings season, domestic banking stocks have remained capped near KB Financial Group's (KBFG) previous P/B high of 1x. This divergence is attributed to the market's persistent belief that Korean banks' ROE cannot meaningfully exceed 10%, despite their earnings fundamentals improving.

Banks' ROE to surpass 10% on robust earnings: Banks' earnings are, however, poised to challenge this view, supported by sustained growth in net interest income and a recovery at non-banking businesses. As banks' ROE continues to improve, a sustained ROE breakout above 10% could trigger a sector-wide re-rating on the ushering in of new consensus relating to sustainable returns.

(Continued on the next page)

Three key positives that should drive bank ROE above 10%—Change in the phase of the industry cycle, non-banking earnings growth, and enhanced operating leverage: We expect banks' ROE to exceed 10% from 2026, supported by three key drivers: 1) a change in the phase of the banking cycle (to rising interest rates, loan growth, and declining credit costs); 2) structural earnings growth at non-banking businesses (led by securities subsidiaries; to lift group-wide ROE); and 3) digitization (which should result in revenue growth outpacing SG&A cost growth; to strengthen operating leverage).

Focus on players with superior shareholder returns and that run non-banking businesses that can lift group-level profits: KBFG is likely to lead the banking sector, thanks to stronger ROE from its non-banking businesses and enhanced shareholder returns. Shinhan Financial Group and Hana Financial Group are also worth watching—they are not far behind in terms of ROE and are already returning over 50% of their net profit to shareholders. The two firms are attractively valued in our view. For smaller financial groups and internet primary banks, the big question is whether they can boost profits in unique ways and then return more of those profits to shareholders.

2Q review: Focus on reasons for future outperformance, not just present solid results

Net profit up 6.7% y-y in 2Q26

2Q net profit of our covered banks hits all-time high

The combined net profit of the Korean banks under our coverage rose 6.7% y-y and 8.7% q-q to KRW7.4t in 2Q, reaching a new all-time high.

Solid results at large financial groups

KB Financial Group (KBFG) and Shinhan Financial Group (SFG) registered net profit growth of 14.6% y-y and 17.5% y-y, respectively. In contrast, most mid- and small-sized banks—except JB Financial Group (JBFG)—recorded net profit declines y-y.

Net income trend

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% y-y)	Chg (% q-q)
KBFG	1,697	1,738	1,686	712	1,892	1,992	14.6	5.3
SFG	1,488	1,549	1,424	511	1,623	1,820	17.5	12.2
HFG	1,128	1,173	1,132	569	1,210	1,193	1.7	(1.4)
WFG	617	935	1,244	328	604	1,005	7.4	66.4
IBK	809	694	747	463	749	684	(1.4)	(8.7)
BNKFG	167	309	294	45	211	200	(35.2)	(5.2)
iMFG	154	155	122	12	155	141	(9.0)	(8.7)
JBFG	163	208	208	132	166	220	5.7	32.2
Kakao Bank	137	126	111	105	187	141	11.5	(24.9)
Kbank	16	68	19	9	33	27	(60.6)	(19.1)
Total	**6,376**	**6,956**	**6,988**	**2,886**	**6,830**	**7,422**	**6.7**	**8.7**

Source: Company data, Samsung Securities

HFG: One-off factors weigh on 2Q results; earnings to pick up as won strengthens

Operating results at Hana Financial Group (HFG) proved sluggish in 2Q due to one-off factors (KRW154.b), including forex valuation losses and provisioning for a loan to a large company. Accordingly, its quarterly results did not improve significantly either q-q or y-y, despite its logging solid earnings at its core operations and non-banking units. Excluding these one-offs, HFG's net profit would have expanded 7.9% q-q to KRW1.3t.

However, with the won/dollar rate sliding (won strengthen against the US dollar) by KRW126/USD from end-June, expectations of an earnings rebound at HFG in 3Q have increased. Each KRW10/USD drop in the forex is estimated to boost its forex valuation gains by around KRW9.8b. If the current rate (KRW1,418/USD as of Aug 10) holds through end-3Q, this could translate to an earnings improvement of KRW123.5b.

2Q25 one-off costs, by bank

KBFG	(KRWb)	SFG	(KRWb)	HFG	(KRWb)	WFG	(KRWb)
Provisioning for credit costs (bank, insurance, capital)	(49.0)	Reversal of ELS-related fine	83.7	Forex translation losses	(27.5)	Forex translation losses	(20.0)
		Provisioning for credit costs (real estate PF project viability assessment)	(36.8)	Change in insurance actuarial assumptions	(52.4)	Change in insurance actuarial assumptions	(43.0)
		Recognition of losses on large loan	(33.1)	Corporate rehabilitation-related provisioning	(74.9)	Provisioning for large loan	(44.0)
Total	**(49.0)**	**Total**	**13.8**	**Total**	**(154.8)**	**Total**	**(107.0)**

IBK	(KRWb)	BNKFG	(KRWb)	iMFG	(KRWb)	JBFG	(KRWb)
Forex translation losses	(35.6)	BNK Financial Tower fund settlement loss	(44.0)			LGD observation period change (capital)	3.4
Outperformance bonus	(86.0)						
Total	**(121.6)**	**Total**	**(44.0)**	**Total**	**0.0**	**Total**	**3.4**

Source: Company data, Samsung Securities

Steady growth in net interest income

We view net interest income (NII) as one of the key drivers behind the banking sector's 2Q earnings improvement. Total NII at our covered banks expanded KRW291b q-q and KRW1.18t y-y.

NII growth—the foundation for double-digit earnings growth in 2026

The sustained NII growth reflects improvement in banks' core earnings-generating capabilities. If the KRW1.2t y-y increase in interest income in 2Q were to be sustained each quarter, it would translate to annual interest income expansion of KRW4.8t, contributing around KRW3.4t in after-tax profit. This would represent 14.8% of the total net profit of our covered banks and financial groups last year (KRW23.2t)—robust NII growth is central to achieving double-digit consolidated earnings growth.

NIM disparities cause interest income to diverge

Interest income growth varied greatly across banks in 2Q. While KBFG saw a q-q decline in interest income, HFG posted the strongest q-q improvement among large banks. Among mid-sized financial groups, three players recorded similar q-q increases in interest income. But when considering BNK Financial Group's (BNKFG) interest income base is nearly double that at the other two, its q-q growth rate was roughly half the figure. Among internet primary banks, Kakao Bank's interest income growth significantly outpaced Kbank's.

The primary driver behind these differences was changes in net interest margin (NIM). Hana Bank's NIM rose 3bps q-q, aligning with its strong interest income growth. In contrast, KB Kookmin Bank's NIM declined 3bps q-q and Busan and Kyongnam Bank's slid 4bps q-q, correlating with their weaker interest income results. Among internet primary banks, Kakao Bank's NIM surged 13bps q-q, while Kbank's NIM increased only 4bps q-q.

Net interest income trend, by bank

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (q-q)	Change (y-y)
KB Kookmin Bank	2,597	2,608	2,683	2,770	2,768	2,744	(23.3)	136.7
Shinhan Bank	2,230	2,235	2,309	2,395	2,403	2,419	15.5	183.9
Hana Bank	1,936	1,962	2,041	2,133	2,184	2,280	96.0	317.8
Woori Bank	1,918	1,935	1,943	2,021	2,041	2,076	34.6	141.0
IBK	1,921	1,883	1,953	1,993	1,992	2,085	92.7	201.9
Busan + Kyongnam Bank	634	647	644	660	672	689	16.3	41.2
iM Bank	365	371	374	390	385	398	12.8	27.0
Jeonbuk + Gwangju Bank	360	366	378	383	376	391	15.0	24.8
Kakao Bank	323	319	320	356	373	402	28.8	83.7
Kbank	108	103	111	121	125	128	2.6	24.5
Total	**12,393**	**12,429**	**12,756**	**13,223**	**13,321**	**13,612**	**291.0**	**1,182.6**

Source: Company data, Samsung Securities

NIM trend, by bank

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (%pts q-q)	Change (%pts y-y)
KB Kookmin Bank	1.76	1.73	1.74	1.75	1.77	1.74	(0.03)	0.01
Shinhan Bank	1.55	1.55	1.56	1.58	1.60	1.61	0.01	0.06
Hana Bank	1.48	1.48	1.50	1.52	1.58	1.61	0.03	0.13
Woori Bank	1.44	1.45	1.48	1.49	1.51	1.51	(0.00)	0.06
IBK	1.63	1.55	1.57	1.57	1.60	1.59	(0.01)	0.04
Busan + Kyongnam Bank	1.84	1.86	1.80	1.81	1.88	1.84	(0.04)	(0.02)
iM Bank	1.78	1.77	1.82	1.83	1.82	1.82	0.00	0.05
Jeonbuk + Gwangju Bank	3.03	3.01	3.00	3.03	3.05	3.04	(0.01)	0.03
Kakao Bank	2.09	1.92	1.81	1.94	2.00	2.13	0.13	0.21
Kbank	1.41	1.36	1.38	1.43	1.57	1.61	0.04	0.25

Source: Company data, Samsung Securities

Loan growth solid—Annual loan growth of around 5% attainable if banks focus on RoRWA-based growth

Annual loan growth of around 5% achievable—positive for annual results and shareholder returns

Banks' loan growth came in at 1.4% q-q and 4.7% y-y in 2Q—strong enough to reinforce expectations that banks will achieve annual loan growth of around 5%. At the start of the year, banks signaled a target loan-growth rate of 4-5%, but many market participants were skeptical about its feasibility. Two opposing views dominated: 1) concerns that household loan growth—capped at around 1.5% *pa*—would constrain overall loan growth below 5%; and 2) optimism that corporate loan growth, driven by productive finance, could push total loan growth beyond 5%. Both scenarios carried investment implications. The first suggested that interest income growth might undershoot expectations, the second raised fears that excessive asset expansion might erode CET-1 ratios and limit shareholder returns. However, 1H26 results demonstrate that loan growth is progressing smoothly, staying firmly within the targeted range.

Won-denominated loan balance and growth, by bank

(KRWt)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)	Growth (% ytd)
KBFG	367	372	375	377	379	385	1.6	3.5	2.0
SFG	348	349	358	363	370	371	0.4	6.4	2.2
HFG	304	310	318	318	321	327	2.0	5.6	2.9
WFG	297	299	301	301	303	309	1.9	3.2	2.6
IBK	307	312	314	316	318	324	1.8	3.7	2.5
BNKFG	101	102	103	105	107	110	3.2	8.3	5.2
iMFG	57	58	58	58	59	60	1.5	4.7	4.3
JBFG	43	44	45	45	46	47	2.1	5.2	3.4
Kakao Bank	45	48	47	52	51	49	(3.4)	3.5	(5.0)
Kbank	23	21	24	24	23	21	(4.8)	3.6	(11.0)
Total	**1,893**	**1,914**	**1,943**	**1,959**	**1,976**	**2,004**	**1.4**	**4.7**	**2.3**

Source: Company data, Samsung Securities

Large-enterprise loans drive growth—reasonable from a RoRWA perspective

Loan growth at our covered banks in 2Q was led by corporate lending, particularly to large companies. Of the KRW32.1t in net loan growth, 68.8% was corporate loans, with large corporations accounting for 30.2% of the total loan growth. This reflects two key dynamics in 1H: 1) banks prioritized meeting their 'productive finance' targets, aligned with national policy goals; and 2) amid rising geopolitical risks and macroeconomic uncertainty, banks favored loans to large enterprises given their lower credit risk and the higher potential for cross-selling—both of which enhance RoRWA.

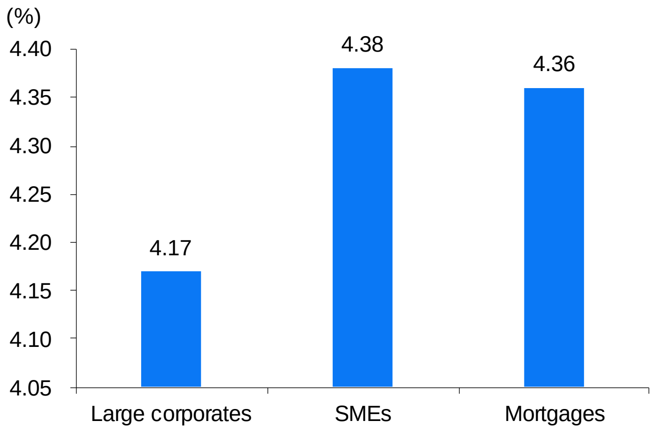
For reference, while large-enterprise loans carry lower NIM—the average rate for large corporations was 4.17% in June (vs 4.38% for SME loans and 4.36% for mortgages)—their true value emerges when viewed through the lens of RoRWA. Two factors make large-enterprise loans strategically attractive: 1) they enable deeper client relationships and greater opportunities for ancillary revenue, which ancillary revenue can boost non-interest income and RoRWA; and 2) credit costs associated with such loans are relatively low.

Bank loan balance, by loan type

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)	Growth (% ytd)
Households	769,172	781,010	791,879	797,818	797,779	807,726	1.2	3.4	1.2
Secured	530,409	538,015	547,331	551,840	552,090	556,812	0.9	3.5	0.9
Unsecured	234,830	238,797	240,280	241,597	240,817	245,688	2.0	2.9	1.7
Other	3,934	4,198	4,269	4,381	4,872	5,226	7.3	24.5	19.3
Corporation	1,082,682	1,093,248	1,108,647	1,112,771	1,130,985	1,153,179	2.0	5.5	3.6
Large corporates	160,572	163,763	167,952	168,876	176,711	186,347	5.5	13.8	10.3
SMEs	918,619	925,827	936,723	939,766	950,217	962,532	1.3	4.0	2.4
Other	10,761	11,076	12,144	12,498	13,093	14,028	7.1	26.6	12.2
Total	**1,851,855**	**1,874,258**	**1,900,526**	**1,910,589**	**1,928,764**	**1,960,905**	**1.7**	**4.6**	**2.6**

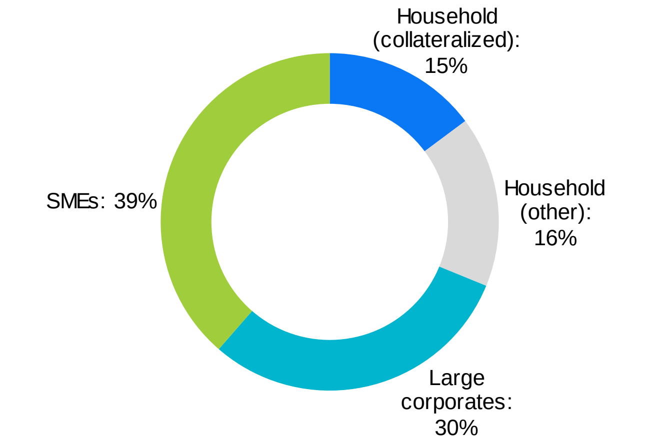
Note: Based on the banks under coverage
Source: Company data, Samsung Securities

Lending rates, by loan type



Note: As of Jun 2026
Source: BOK, Samsung Securities

Banks net loan growth mix, by borrower



Note: As of 2Q26, based on banks under coverage
Source: Company data, Samsung Securities

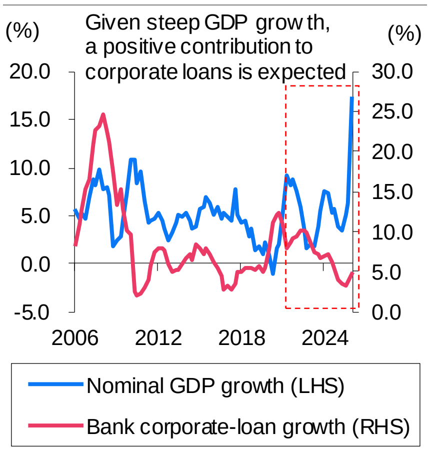
SME loan growth shows signs of rebounding, but full recovery to take some time

SME loan growth slightly improved q-q in 2Q, rising to 1.3% (vs 1.1% q-q in 1Q). However, this remains below the pace of large-enterprise loan growth and overall corporate loan growth—a reflection of banks' continued prioritization of asset quality and RoRWA-driven growth amid persistent macroeconomic haze.

Nonetheless, a meaningful rebound in SME loan growth should take some time to emerge. With macroeconomic uncertainties yet to fully subside and banks' having already met a portion of their annual productive finance and loan growth targets, banks are likely to adopt a more cautious, profitability- and capital-efficient growth strategy in 2H26.

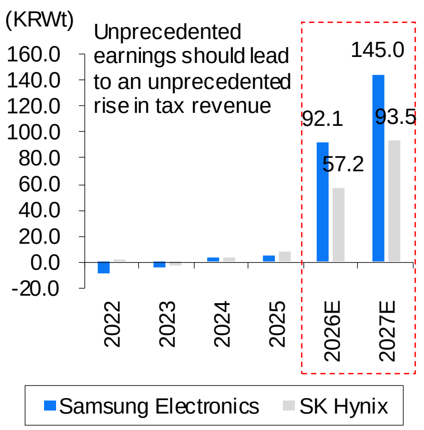
That said, a more visible recovery in SME lending is expected in 2027. First, as semiconductor companies should implement their capital investment plans, related suppliers and service providers are likely to take out more SME loans. Second, improving corporate earnings may translate to higher wages, which could spur domestic consumption. Third, if the government expands fiscal spending (amid a rise in tax revenue), this would further support domestic consumption. Under such a scenario, banks may not only see stronger loan demand but also adopt a more favorable lending attitude towards SMEs (thanks to reduced credit risk).

Nominal GDP growth vs bank corporate loan growth



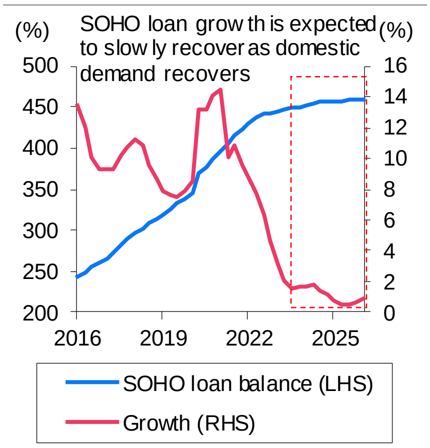
Source: BOK, Samsung Securities

Corporate taxes: Samsung Electronics vs SK Hynix



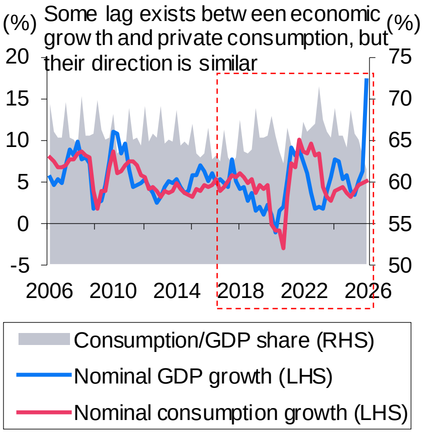
Note: 2026 and 2027 figures are our estimates
Source: Company data, Samsung Securities estimates

Banks: SOHO loan balance and growth



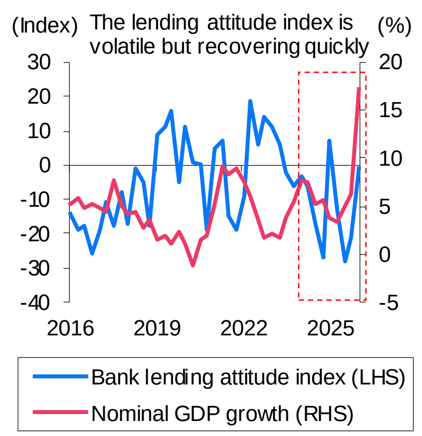
Source: BOK, Samsung Securities

Nominal GDP growth vs nominal consumption growth



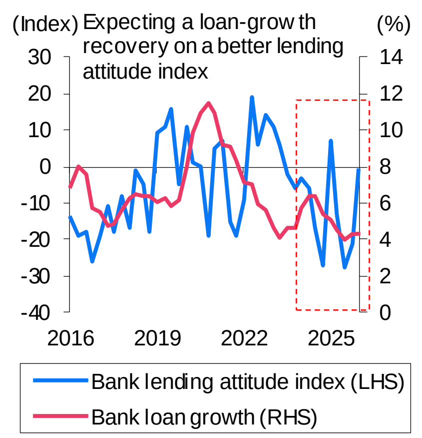
Source: BOK, Samsung Securities

Bank lending attitude index vs nominal GDP growth



Source: BOK, Samsung Securities

Bank lending attitude index vs bank loan growth



Source: BOK, Samsung Securities

Sluggish SOHO loan growth—opportunity emerges for internet primary banks

SOHO loan growth remains weak at traditional banks. Among our covered banks (KB Kookmin Bank, Shinhan Bank, Hana Bank, Woori Bank, Kakao Bank, and Kbank), SOHO loans grew just 0.2% q-q and 1.3% y-y in 2Q—significantly below overall SME loan growth (up 0.7% q-q and 3.2% y-y). This underperformance reflects two key factors: 1) banks are strategically allocating limited lending capacity to productive finance; and 2) SOHO loans, being more sensitive to macro volatility and carrying higher credit risk relative to yield, are less attractive to banks in terms of RoRWA.

However, this underperformance presents a clear opportunity for internet primary banks. Facing headwinds in terms of household loan growth (due to tighter regulatory controls), Kakao Bank and Kbank have actively pivoted towards SOHO loans, aiming to secure a new growth engine. In 2Q, their SOHO loan growth came to 8.3% q-q (Kakao Bank) and 19.9% q-q (Kbank)—far outpacing traditional banks'. Contrary to earlier concerns—that internet primary banks' entry into the SOHO segment might intensify competition and erode profitability across the banking sector—the data suggest that internet primary banks are filling a structural void left by traditional banks.

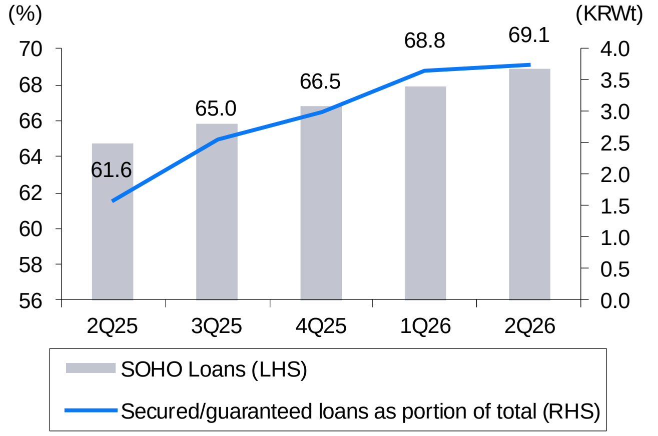
For reference, both internet primary banks are managing asset quality-related risks (associated with SOHO loans) by focusing on secured/guaranteed loans. The proportion of such loans in 2Q reached 69.1% at Kakao Bank (up 7.5%pts y-y) and 45% at Kbank (up 14.5%pts y-y).

SOHO loan balance, by bank

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
KB Kookmin Bank	94,120	94,614	94,690	94,366	94,420	94,316	(0.1)	(0.3)
Shinhan Bank	69,739	69,800	70,576	71,090	71,614	71,477	(0.2)	2.4
Hana Bank	57,060	57,266	57,963	58,111	58,475	59,117	1.1	3.2
Woori Bank	46,593	44,788	43,934	43,258	42,723	42,144	(1.4)	(5.9)
Kakao Bank	2,256	2,539	2,772	3,055	3,403	3,687	8.3	45.2
Kbank	1,313	1,582	1,928	2,311	2,753	3,301	19.9	108.7
Total	**271,081**	**270,588**	**271,863**	**272,190**	**273,388**	**274,042**	**0.2**	**1.3**

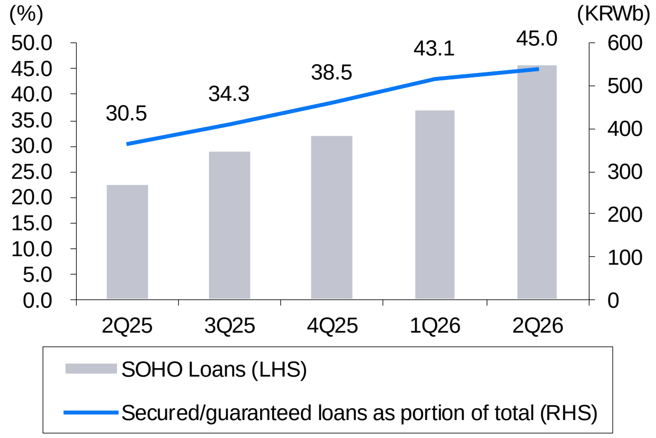
Source: Company data, Samsung Securities

Kakao Bank: SOHO loan balance vs secured/guaranteed loans as portion of total



Source: Company data, Samsung Securities

Kbank: SOHO loan balance vs secured/guaranteed loans as portion of total



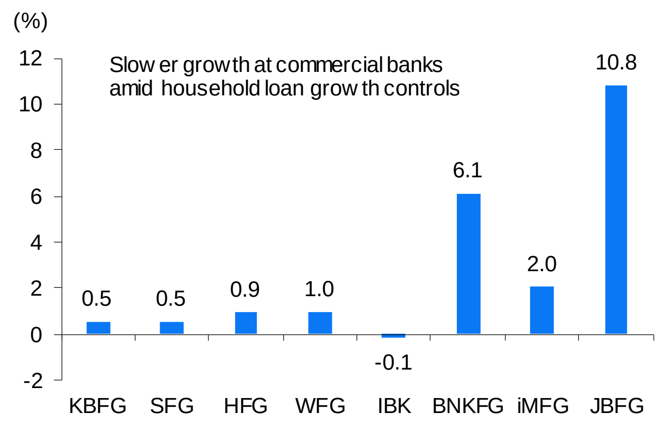
Source: Company data, Samsung Securities

Household loan growth recovers in 2Q but to slow in 2H

Banks' household loans rose 1.2% q-q in 2Q. While secured loans (*eg*, mortgages) grew at a modest pace (up 0.9% q-q), the main driver of the household loan recovery was a 2% q-q increase in unsecured loans amid the explosive rally in the equity market.

That said, banks' overall household loan growth in 1H26 remained tight at 1.2% y-y. The four major banks—KB Kookmin Bank, Shinhan Bank, Hana Bank, and Woori Bank—have reportedly been operating under strict annual growth targets set in April: 0.59% for Kookmin, 0.7-0.71% for the others.

Household loan growth in 1H26, by bank



Note: As of 1H26
Source: Company data, Samsung Securities

Four major banks' household loan balance target

(KRWb)	Target growth	Target balance	Net increase	Portion of target
Kookmin	0.59%	909.2	984.1	108.2
Shinhan	0.70%	850.0	795.7	93.6
Hana	0.70%	880.8	1,317.7	149.6
Woori	0.71%	826.6	1,437.0	173.8
Total		3,466.6	4,534.5	130.8

Source: Media reports, company data, Samsung Securities

These tight guidelines by the government mean that banks should come under pressure to slow the pace loan growth in 2H. Media reports indicate that in July these four banks exceeded their annual loan-growth targets due to credit loans (*eg*, overdraft accounts). To stay within the parameters, banks are now actively: 1) reducing credit limits on mortgages, credit loans, and overdraft accounts; 2) encouraging the early repayment of loans; and 3) tightening approval criteria for new loans.

Status of overdraft accounts

(KRWt)	Amount
Balance as of June 2026	43.0
Increase amount compared to previous month	1.8
Limit utilization rate	45%
Additional available amount	95.6

Note: Based on 5 major banks
Source: Media reports, Samsung Securities estimates

Total household loan target and consumption status

Category	As of	Amount	Remarks
Annual target increase for the five major banks	2026	Approximately KRW4.34t	Policy loan excluded
Actual increase by the five major banks	July 15, 2026	KRW4.69t	108% of target
Exceeding around 150% of the target	July 2026	3 of the 5 banks	

Note: Based on 5 major banks
Source: Media reports

Measures for managing household loans, by bank

Bank	Measure type	Implementation timing	Limit/Standard	Details
Kookmin	Unsecured loan limit	Jun 16, 2026	General KRW100m, credit card KRW50m	General credit loan reduced to a maximum of KRW100m, overdraft account reduced to KRW50m
	Mortgage loan limit	July 2026	KRW600m → KRW300m	Reduction in mortgage limits for home purchase
Shinhan	Reduction in credit card limit	June 2026	Maximum -20% when utilization rate is less than 10%	For customers exceeding the KRW30m limit, if the utilization rate is less than 10% in the three months prior to contract termination, the limit will be reduced by up to 20% upon maturity extension
Hana	Unsecured loan limit	Jun 12, 2026	KRW100m	Unsecured loan limit capped at KRW100m regardless of annual income
	Reduction in credit card limit	June 2026	Limit reduction if unused	Reduction upon extension of maturity for customers who did not use the limit during the commitment period. Existing exception clauses abolished
Kakao Bank	Reduction in credit card limit	June 2026	KRW50m	Overdraft limit reduced to KRW50m
Toss Bank	Reduction in credit card limit	June 2026	KRW50m	Overdraft limit reduced to KRW50m

Source: Media reports, Samsung Securities

Loan growth to slow in 2H; focus on NIM improvements

All things considered, we believe banks' 2H loan growth will slow h-h. Banks have consistently maintained a 'growth-first, risk-management later' approach when announcing their: 1) annual targets in January-February; 2) 1Q results in April-May; and 3) 2Q results in July-August. This reflects their strategic preference for achieving annual growth targets early, which accomplishment eases pressure on year-end capital adequacy and capital ratio planning.

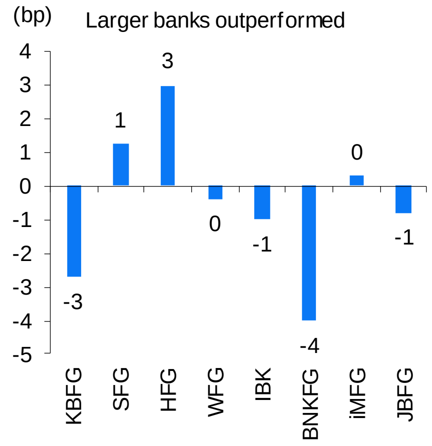
However, slower loan growth does not necessarily imply weaker interest income. On the contrary, bank interest income growth could rise in 2H for three reasons: 1) corporate loan growth is expected to remain robust in 3Q; 2) even as banks tighten their household lending limits, demand persists in less controllable segments—such as overdraft facilities (which grew again in August) and mortgages (spurred by the end of the grace period for heavy capital gains taxes in May); and 3) rising market interest rates are enhancing banks' margins on new and repriced loans, supporting NIM recovery. When combined with the impact of average loan balances, these factors are likely to contribute to stronger interest income growth in 4Q. For reference, banks' interest income growth in 2Q underscored the increasing importance of NIM.

NIM stable q-q, but banks show divergence—focus on 2H improvement potential

NIM largely flat q-q, but divergence among banks becomes clearer

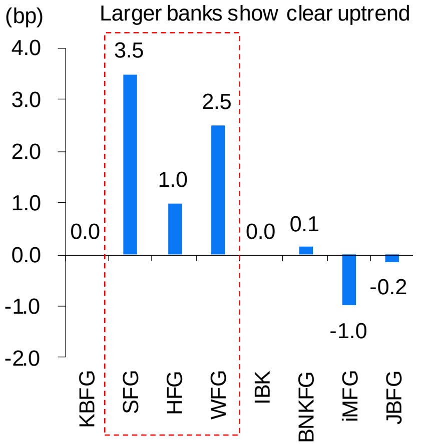
Banks' NIMs stayed flat overall q-q in 2Q, but differences between banks became clearer. This divergence stemmed mainly from variations in funding and lending mix. Amid concerns over household fund outflows, large banks saw their NIM supported by repriced household loan rates and inflows of short-term corporate deposits. Smaller banks, with less exposure to corporate funding, faced steeper funding-cost pressures, widening the NIM gap with their larger peers. Meanwhile, internet-primary banks, with personal loan exposure exceeding 80%, drove NIM expansion as rising market interest rates accelerated the pace of loan repricing (vs that at their peers).

2Q26 NIM change, by bank



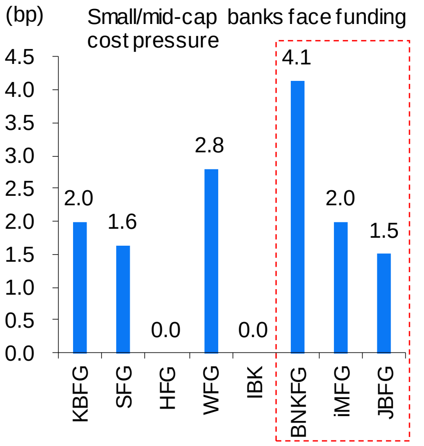
Source: Company data, Samsung Securities

2Q26 lending rate, by bank



Source: Company data, Samsung Securities

2Q26 funding rate, by bank



Source: Company data, Samsung Securities

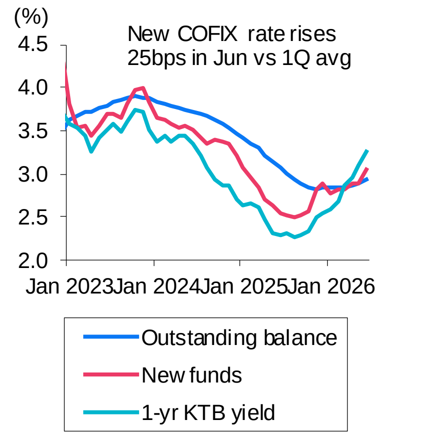
Focus on 2H NIM improvement potential

We expect banks' NIM to improve in 2H, as: 1) the COFIX rate rose sharply m-m in mid-July; 2) the BOK raised its policy rate on Jul 16 (lifting short-term rates); and 3) these rate hikes should gradually flow through to higher loan prices, supporting higher NIM over time.

Room to manage LDR also warrants attention

Some banks also have room to boost NIM by increasing their loan-to-deposit ratio (LDR): 1) Shinhan Bank's LDR fell to 92.2% in 2Q (down 1.3%pts q-q and 4.9%pts y-y), leaving substantial room given the 100% threshold (room to raise its LDR and lift NIM); and 2) Kakao Bank and K Bank have LDRs of 71.8% and 74.3% respectively—they can significantly increase lending without hitting their limits.

COFIX rate vs 1-year KTB yield

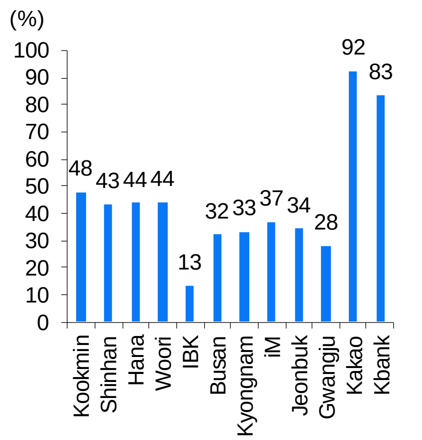


Source: KOFIA, BOK, Samsung Securities

Banks: Average 1-yr time deposit rate

Source: BOK, Samsung Securities

Household loan share, by bank



Note: As of 2Q26
Source: FISIS, Samsung Securities

Loan-to-deposit ratio, by bank

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (%pts q-q)	Change (%pts y-y)
KBFG	98.5	98.4	98.6	98.1	97.9	98.1	0.2	(0.3)
SFG	96.3	97.1	96.5	96.0	93.6	92.2	(1.3)	(4.9)
HFG	95.3	95.9	95.7	92.6	96.1	96.1	(0.0)	0.2
WFG	97.8	98.2	98.5	98.2	97.1	97.2	0.1	(1.0)
BNKFG	98.2	97.7	98.6	97.5	97.7	97.8	0.1	0.0
iMFG	96.1	98.0	97.9	97.5	97.8	97.1	(0.7)	(0.9)
JBFG	97.8	98.2	98.8	98.7	98.0	98.0	(0.0)	(0.2)
Kakao Bank	73.3	70.4	68.8	68.7	68.8	71.8	3.0	1.4
Kbank	61.0	64.9	58.7	64.6	66.5	74.3	7.8	9.4

Source: Company data, Samsung Securities

Non-interest income improves, driven by fee income; NII to decline in 2H?

Non-interest income grows, driven by fee income

Non-interest income (NII) at financial groups grew a solid 31.9% q-q and 27.4% y-y, helping their overall earnings. This growth was driven by two key components: 1) fee income, which makes up the largest share of non-interest income, rose 20.4% q-q and 48.5% y-y, leading the overall NII increase; and 2) other non-interest income, which weakened in 1Q due to rising interest rates, rebounded sharply with a 145.5% q-q gain. Notably, the improvement in other non-interest income despite higher rates suggests improved resilience in this area.

Non-interest income trend, by financial group

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
KBFG	1,292.0	1,431.3	1,015.7	1,133.1	1,650.9	1,978.3	19.8	38.2
SFG	939.3	1,265.0	964.9	574.9	1,188.2	1,449.9	22.0	14.6
HFG	662.7	737.5	625.7	187.3	583.6	1,029.4	76.4	39.6
WFG	358.9	527.4	557.0	483.2	434.1	628.9	44.9	19.3
IBK	125.2	127.5	132.7	135.0	128.9	135.1	4.8	6.0
BNKFG	118.8	108.9	153.5	35.6	104.0	174.0	67.3	59.8
iMFG	118.3	134.0	88.6	55.0	128.1	137.3	7.2	2.5
JBFG	70.3	77.3	56.9	90.1	41.6	84.5	103.2	9.3
Total	**3,685.5**	**4,408.9**	**3,595.0**	**2,694.2**	**4,259.4**	**5,617.4**	**31.9**	**27.4**

Source: Company data, Samsung Securities

Fee income trend, by financial group

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
KBFG	934.0	1,032.0	986.4	1,145.9	1,359.3	1,601.9	17.8	55.2
SFG	678.1	762.0	768.1	713.0	940.8	1,188.9	26.4	56.0
HFG	521.6	558.9	570.0	576.0	667.8	819.6	22.7	46.7
WFG	511.4	522.3	563.6	563.0	576.8	702.0	21.7	34.4
IBK	157.4	157.8	167.7	156.5	154.5	168.5	9.1	6.8
BNKFG	50.4	38.0	49.8	41.3	68.7	68.0	(1.0)	78.9
iMFG	51.6	56.4	51.0	59.3	84.6	83.0	(1.9)	47.2
JBFG	14.8	9.2	17.2	13.2	15.4	24.5	59.1	166.1
Total	**2,919.3**	**3,136.6**	**3,173.8**	**3,268.2**	**3,868.0**	**4,656.4**	**20.4**	**48.5**

Source: Company data, Samsung Securities

Other non-interest income

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
KBFG	358.0	399.3	29.3	12.8	291.6	376.4	29.1	(5.7)
SFG	261.2	503.1	196.8	138.1	247.4	261.0	5.5	(48.1)
HFG	141.1	178.7	55.7	388.6	84.2	209.8	(349.1)	17.4
WFG	152.5	5.0	6.6	79.8	142.7	73.0	(48.8)	(1,549.2)
IBK	32.2	30.3	35.0	21.5	25.6	33.4	30.5	10.2
BNKFG	68.4	70.9	103.7	5.7	35.3	106.0	200.3	49.5
iMFG	66.7	77.6	37.6	4.3	43.5	54.3	24.8	(30.0)
JBFG	55.5	68.1	39.7	76.9	26.2	60.0	129.2	(11.9)
Total	**766.2**	**1,272.3**	**421.2**	**574.0**	**391.4**	**961.0**	**145.5**	**(24.5)**

Source: Company data, Samsung Securities

Fee income growth may decline in 2H

But fee income growth may slow in 2H. The strong fee income growth in 2Q came mostly from non-banking affiliates—not banks. In 2Q, group fee income from non-banking businesses (up 23.3% q-q and 59.8% y-y) contributed 1.7x more than that from banking units (up 15.7% q-q and 32.4% y-y). However, this also implies that if the decline in equity trading volume in 2H (htd) continues, fee income from securities brokers (a key driver of fee income growth in 2Q) could weaken.

Bank fee income will also inevitably come under pressure when equity markets decline. For example, KB Kookmin Bank's fee income growth in 2Q was largely driven by fees from trust management accounts, which fees rose amid a bullish stock-market environment in 1H. Downwards pressure on bank-fee income in 2H may also emerge from cooling retail sentiment towards equities.

Fee income, by financial group

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
KBFG	270.2	301.9	294.4	337.0	373.0	407.8	9.3	35.1
SFG	281.5	314.7	351.9	268.5	323.5	426.9	31.9	35.7
HFG	249.6	252.3	281.7	242.3	297.3	316.9	6.6	25.6
WFG	235.4	241.1	249.6	267.0	275.8	333.0	20.7	38.1
IBK	157.4	157.8	167.7	156.5	154.5	168.5	9.1	6.8
BNKFG	19.6	7.5	15.1	15.1	24.6	21.8	(11.4)	190.7
iMFG	20.9	22.9	21.9	22.0	30.0	23.5	(21.7)	2.6
JBFG	2.8	2.3	8.8	2.9	4.0	16.9	321.3	(829.5)
Total	**1,237.3**	**1,295.8**	**1,391.1**	**1,311.3**	**1,482.7**	**1,715.3**	**15.7**	**32.4**

Source: Company data, Samsung Securities

Fee income at non-banking businesses, by financial group

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
KBFG	663.8	730.1	692.0	808.9	986.3	1,194.1	21.1	63.6
SFG	396.7	447.3	416.2	444.5	617.3	762.1	23.4	70.4
HFG	272.0	306.6	288.3	333.6	370.5	502.6	35.7	64.0
WFG	276.1	281.3	314.0	296.0	301.0	369.0	22.6	31.2
IBK	0.0	0.0	0.0	0.0	0.0	0.0	n/a	n/a
BNKFG	30.8	30.5	34.7	26.2	44.1	46.2	4.8	51.5
iMFG	30.7	33.5	29.1	37.3	54.6	59.5	9.0	77.6
JBFG	12.0	11.5	8.4	10.3	11.4	7.6	(33.0)	(33.7)
Total	**1,682.0**	**1,840.7**	**1,782.7**	**1,956.9**	**2,385.3**	**2,941.1**	**23.3**	**59.8**

Source: Company data, Samsung Securities

KB Kookmin Bank: Breakdown of fee income

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
Total fee income	301.9	294.4	337.0	373.0	407.8	9.3	35.1
Trust fees	49.2	66.5	83.7	126.2	163.8	29.8	232.9
Fee revenue	252.7	227.9	253.3	246.8	244.0	(1.1)	(3.4)
Card fees	(10.6)	(13.2)	(11.8)	(9.4)	(10.1)	7.4	(4.7)
Guarantee fees	21.6	14.0	19.7	20.4	21.9	7.4	1.4
KRW-denominated fees	216.6	191.0	214.0	193.2	196.1	1.5	(9.5)
FX fees	25.1	36.1	31.4	42.6	36.1	(15.3)	43.8

Source: Company data, Samsung Securities

Loan-loss provisioning—Credit costs stabilize at lower level

Credit costs stabilize at lower level

Credit costs at banks and financial groups are stabilizing at a lower level. The industry-average credit cost stood at 0.45% for financial groups in 2Q (up 2bps q-q) and 0.31% for banks (up 3bps q-q). However, as credit costs often rise at end-1H due to asset write-downs and credit rating reassessments, it is more meaningful to compare them on a y-y basis. Credit costs in 2Q actually declined 6bps y-y for financial groups and 2bps y-y for banks. In our view, y-y changes more accurately reflect the underlying trend in credit costs.

Credit cost ratio, by financial group

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (%pts q-q)	Change (%pts y-y)
KBFG	0.56	0.55	0.30	0.57	0.40	0.42	0.01	(0.14)
SFG	0.41	0.59	0.40	0.46	0.45	0.38	(0.07)	(0.20)
HFG	0.29	0.32	0.27	0.37	0.21	0.39	0.18	0.08
WFG	0.45	0.53	0.58	0.58	0.52	0.42	(0.10)	(0.11)
IBK	0.38	0.53	0.41	0.77	0.45	0.52	0.07	(0.01)
BNKFG	0.93	0.55	0.45	0.68	0.52	0.71	0.20	0.16
iMFG	0.43	0.52	0.64	0.47	0.51	0.45	(0.06)	(0.07)
JBFG	1.06	0.82	0.76	0.91	0.88	0.79	(0.09)	(0.03)
Kakao Bank	0.54	0.49	0.48	0.53	0.51	0.46	(0.05)	(0.03)
Kbank	0.94	0.80	0.86	1.08	0.89	0.96	0.07	0.16
Total	**0.47**	**0.51**	**0.41**	**0.56**	**0.43**	**0.45**	**0.02**	**(0.06)**

Source: Company data, Samsung Securities

Credit cost ratio, by bank

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (%pts q-q)	Change (%pts y-y)
KBFG	0.28	0.33	0.08	0.31	0.16	0.19	0.02	(0.14)
SFG	0.12	0.26	0.18	0.11	0.20	0.15	(0.05)	(0.11)
HFG	0.14	0.13	0.14	0.19	0.08	0.26	0.18	0.13
WFG	0.28	0.32	0.38	0.42	0.41	0.30	(0.11)	(0.02)
IBK	0.38	0.53	0.41	0.77	0.45	0.52	0.07	(0.01)
BNKFG	0.78	0.35	0.20	0.41	0.38	0.49	0.11	0.14
iMFG	0.40	0.49	0.60	0.43	0.41	0.40	(0.01)	(0.09)
JBFG	0.76	0.51	0.54	0.47	0.55	0.52	(0.03)	0.01
Kakao Bank	0.54	0.49	0.48	0.53	0.51	0.46	(0.05)	(0.03)
Kbank	0.94	0.80	0.86	1.08	0.89	0.96	0.07	0.16
Total	**0.30**	**0.33**	**0.26**	**0.37**	**0.28**	**0.31**	**0.03**	**(0.02)**

Source: Company data, Samsung Securities

Asset quality indicators still improving slowly—room exists for further improvement

Despite improvements in credit costs, asset quality metrics have been slow to improve. Group NPL ratios climbed 2bps q-q and 1bps y-y to 0.91% in 2Q. Bank delinquency ratios were also largely unchanged y-y and q-q, coming in at 0.54%.

However, this also suggests that banks have meaningful room to further improve their credit costs. First, both NPL and delinquency ratios remain below the peak levels seen over 2015-2016. Second, conditions in the real-estate market and domestic-consumption sector, which previously drove asset quality deterioration, have significant potential to improve as the economy recovers. Third, even though NPLs have risen recently, credit costs have still improved—banks have already set aside enough reserves and therefore do not face a big extra cost to cover future losses.

Bank NPL coverage ratios have recently fallen to around 100%, leading some to worry that banks may have been overly passive in their loan-loss provisioning. However, under IFRS rules, banks are required to set aside provisioning based on expected credit losses. Given strong credit enhancements already in place (*eg*, collateral, guarantees) and the fact that many banks built up provisioning before recent asset quality pressure emerged, the decline in coverage ratios reflects reduced risk of future losses—not inadequate reserves.

NPL ratio, by financial group

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (%pts q-q)	Change (%pts y-y)
KBFG	0.76	0.72	0.70	0.63	0.73	0.67	(0.06)	(0.05)
SFG	0.81	0.80	0.76	0.72	0.81	0.81	0.00	0.01
HFG	0.70	0.75	0.73	0.72	0.80	0.93	0.12	0.17
WFG	0.69	0.71	0.70	0.63	0.68	0.73	0.05	0.02
IBK	1.34	1.37	1.35	1.28	1.28	1.27	(0.00)	(0.10)
BNKFG	1.69	1.62	1.46	1.42	1.57	1.46	(0.11)	(0.15)
iMFG	1.63	1.64	1.51	1.49	1.38	1.41	0.03	(0.23)
JBFG	1.19	1.15	1.21	1.23	1.41	1.43	0.02	0.28
Kakao Bank	0.51	0.54	0.55	0.53	0.53	0.54	0.01	0.00
Kbank	0.61	0.51	0.54	0.57	0.58	0.59	0.01	0.08
Total	**0.90**	**0.90**	**0.87**	**0.82**	**0.89**	**0.91**	**0.02**	**0.01**

Source: Company data, Samsung Securities

Delinquency ratio, by bank

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (%pts q-q)	Change (%pts y-y)
KBFG	0.35	0.31	0.34	0.28	0.35	0.27	(0.08)	(0.04)
SFG	0.34	0.32	0.31	0.28	0.32	0.32	(0.00)	(0.01)
HFG	0.32	0.35	0.36	0.32	0.39	0.40	0.01	0.05
WFG	0.37	0.40	0.36	0.34	0.38	0.43	0.06	0.03
IBK	0.91	0.91	1.00	0.89	0.95	0.94	(0.01)	0.03
BNKFG	1.12	1.39	1.32	1.14	1.42	1.34	(0.08)	(0.05)
iMFG	1.09	0.93	0.82	0.83	0.86	0.87	0.01	(0.06)
JBFG	1.24	1.11	1.03	1.20	1.37	1.41	0.04	0.30
Kakao Bank	0.50	0.52	0.53	0.51	0.51	0.51	0.00	(0.01)
Kbank	0.66	0.59	0.56	0.60	0.61	0.60	(0.01)	0.01
Total	**0.52**	**0.53**	**0.53**	**0.48**	**0.55**	**0.54**	**(0.01)**	**0.01**

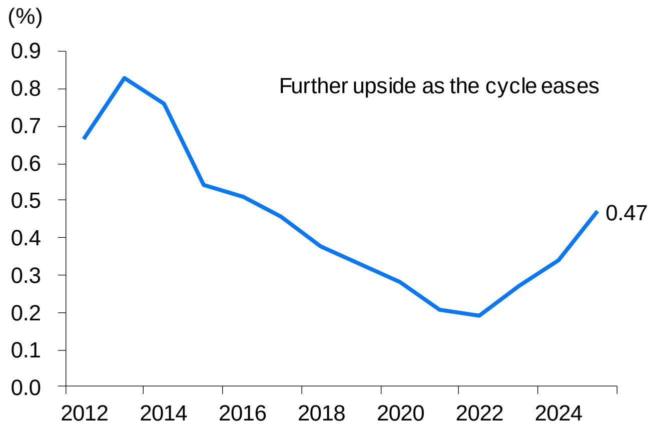
Source: Company data, Samsung Securities

NPL coverage ratio, by financial group

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (%pts q-q)	Change (%pts y-y)
KBFG	133.1	138.5	133.4	148.3	127.1	135.4	8.3	(3.1)
SFG	128.8	126.9	124.1	126.0	113.6	115.5	2.0	(11.4)
HFG	115.2	106.2	105.0	109.8	95.6	86.4	(9.3)	(19.8)
WFG	132.7	127.0	130.0	129.9	124.8	112.9	(11.8)	(14.0)
IBK	111.3	105.7	106.0	107.7	105.2	100.9	(4.3)	(4.8)
BNKFG	84.5	85.3	90.0	84.9	76.7	79.9	3.2	(5.4)
iMFG	94.6	90.5	95.3	91.1	93.6	82.2	(11.4)	(8.3)
JBFG	112.4	114.0	107.8	104.6	97.9	91.7	(6.2)	(22.3)

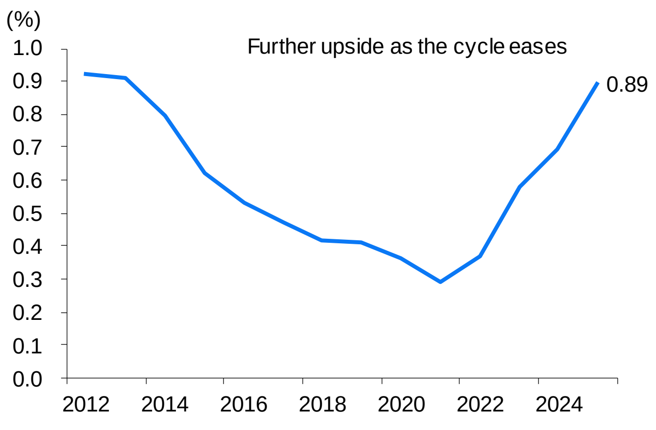
Source: Company data, Samsung Securities

Banks: NPL ratio trend



Source: FISIS, Samsung Securities

Banks: Delinquency ratio trend



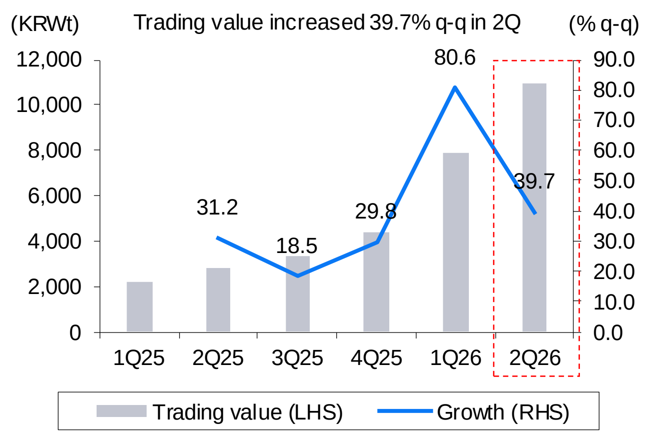
Source: FISIS, Samsung Securities

Non-banking earnings improve thanks to securities brokers, but divergence in eanrings performance evident

After jumping in 1Q, the stock trading volume surged again in 2Q, driving profit growth at the securities brokers owned by financial groups. Trading volume at the bank-affiliated securities brokers we cover rose 38.3% q-q and 315.9% y-y in 2Q. These bank-affiliated securities brokers posted massive net profit growth in 1Q (up 217.7% q-q and 95.8% y-y) and sustained robust momentum in 2Q (net profit up 24.9% q-q and 150.7% y-y).

Yet, there is clear variation in securities brokers' earnings performance: 1) KBFG, strong in retail brokerage, saw further profit growth in 2Q; 2) SFG, which enjoyed relatively strong profit growth in 1Q, saw its profit stabilize q-q in 2Q; and 3) HFG and BNKFG posted strong q-q profit growth in 2Q (thanks to the low base).

Equity market trading value vs growth



Source: Infomax, Samsung Securities

Trading value at bank-affiliated brokers

(KRWt)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
KBFG	160.9	189.7	262.3	507.4	720.9	42.1	348.1
SFG	235.3	299.4	404.9	705.1	937.3	32.9	298.3
HFG	52.9	63.3	82.8	145.4	205.5	41.3	288.5
BNKFG	21.9	30.3	37.7	68.0	113.1	66.3	416.3
iMFG	19.8	23.2	29.6	49.5	64.2	29.7	224.4
Total	490.8	605.9	817.3	1,475.4	2,041.0	38.3	315.9

Source: Infomax, Samsung Securities

Bank-affiliated brokers: Market share

(%)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (%pts q-q)	Chg (%pts y-y)
KBFG	5.69	5.66	6.03	6.46	6.57	0.11	0.88
SFG	8.33	8.94	9.31	8.97	8.54	(0.43)	0.21
HFG	1.87	1.89	1.90	1.85	1.87	0.02	0.00
BNKFG	0.78	0.90	0.87	0.87	1.03	0.16	0.25
iMFG	0.70	0.69	0.68	0.63	0.59	(0.04)	(0.11)

Source: Infomax, Samsung Securities

Bank-affiliated brokers: Net profit

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (%pts q-q)	Chg (%pts y-y)
KBFG	159.0	157.8	177.2	347.8	448.5	29.0	182.1
SFG	151.0	100.5	22.3	288.4	289.3	0.3	91.6
HFG	31.5	62.8	42.4	103.3	169.8	64.4	439.1
Subtotal	**341.5**	**321.1**	**241.8**	**739.5**	**907.6**	**22.7**	**165.8**
BNKFG	16.8	6.7	(6.2)	9.3	36.3	290.7	116.3
iMFG	26.6	12.9	7.6	23.9	21.0	(12.1)	(21.1)
Total	**384.9**	**340.7**	**243.2**	**772.7**	**964.9**	**24.9**	**150.7**

Source: Company data, Samsung Securities

G&A costs swell due to education tax hike and other factors—but to ease next year under stable control?

G&A costs rise due to higher education tax and other factors

G&A costs at our covered banks leapt 3.4% q-q and 9% y-y on: 1) a hike in the education tax; and 2) greater personnel costs for non-banking affiliates (*eg*, securities brokers). But the banks themselves kept G&A costs under control, rising just 2.5% q-q and 5.7% y-y on average, despite the education tax hike.

SG&A expense, by financial group

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
KBFG	1,606	1,750	1,652	2,057	1,765	1,890	7.1	8.0
SFG	1,414	1,486	1,518	1,984	1,545	1,671	8.1	12.4
HFG	1,143	1,124	1,146	1,274	1,198	1,291	7.7	14.8
WFG	1,306	1,173	1,210	1,490	1,423	1,210	(15.0)	3.2
IBK	748	848	772	815	780	868	11.3	2.4
BNKFG	377	399	378	536	423	434	2.5	8.8
iMFG	242	258	244	386	268	298	10.9	15.2
JBFG	206	202	189	311	229	219	(4.5)	8.3
Kakao Bank	125	131	139	123	139	154	11.0	17.5
Kbank	53	52	60	64	57	59	2.9	12.7
Total	**7,219**	**7,423**	**7,309**	**9,040**	**7,828**	**8,092**	**3.4**	**9.0**

Source: Company data, Samsung Securities

SG&A expense, by bank

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (% q-q)	Growth (% y-y)
KBFG	1,063	1,115	1,094	1,376	1,076	1,198	11.4	7.4
SFG	906	954	938	1,390	944	1,016	7.6	6.5
HFG	866	874	874	997	899	964	7.2	10.4
WFG	1,127	975	963	1,229	1,188	963	(19.0)	(1.2)
IBK	748	848	772	815	780	868	11.3	2.4
BNKFG	297	313	292	429	324	338	4.5	7.9
iMFG	164	178	174	292	182	190	4.6	6.9
JBFG	160	152	140	227	177	160	(9.4)	5.6
Kakao Bank	125	131	139	123	139	154	11.0	17.5
Kbank	53	52	60	64	57	59	2.9	12.7
Total	**5,507**	**5,591**	**5,447**	**6,942**	**5,765**	**5,910**	**2.5**	**5.7**

Source: Company data, Samsung Securities

Focus more on falling G&A cost-to-asset ratio as it should support ROE improvement in 2027

Despite rising G&A costs, the ratio of these costs to total assets actually improved slightly in 2Q. Standing at 0.80% for financial groups and 0.72% for banks, the ratio remained stable q-q and improved 2bps y-y. Assuming no further rise in cost pressure, and considering the recovery in asset growth at bank-centric financial groups—amid the ongoing digitization of financial services—the G&A cost-to-asset ratio is likely to continue improving, supporting a structural rise in ROE.

SG&A expense ratio (SG&A / total assets, by financial group and bank

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
KBFG	0.83	0.90	0.83	1.03	0.85	0.87	0.02	(0.02)
SFG	0.76	0.79	0.78	1.01	0.76	0.79	0.04	0.00
HFG	0.71	0.70	0.70	0.76	0.70	0.72	0.02	0.02
WFG	0.98	0.88	0.82	0.99	0.93	0.76	(0.17)	(0.12)
IBK	0.62	0.69	0.63	0.65	0.61	0.66	0.05	(0.03)
BNKFG	0.98	1.03	0.96	1.33	1.04	1.04	(0.00)	0.01
iMFG	0.99	1.03	0.95	1.56	1.02	1.10	0.09	0.07
JBFG	1.21	1.15	1.06	1.70	1.24	1.15	(0.09)	(0.00)
Kakao Bank	0.73	0.73	0.75	0.64	0.71	0.81	0.10	0.08
Kbank	0.69	0.70	0.72	0.80	0.70	0.74	0.04	0.04
Total	**0.80**	**0.82**	**0.78**	**0.95**	**0.80**	**0.80**	**(0.00)**	**(0.02)**

Source: Company data, Samsung Securities

SG&A expense ratio (SG&A / total assets), by bank and by bank owned by financial group

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
KBFG	0.75	0.78	0.75	0.94	0.71	0.76	0.05	(0.01)
SFG	0.64	0.67	0.63	0.93	0.61	0.64	0.03	(0.03)
HFG	0.65	0.66	0.64	0.72	0.64	0.66	0.02	0.00
WFG	0.91	0.79	0.79	0.98	0.93	0.72	(0.20)	(0.06)
IBK	0.62	0.69	0.63	0.65	0.61	0.66	0.05	(0.03)
BNKFG	0.91	0.94	0.87	1.24	0.93	0.94	0.01	(0.01)
iMFG	0.87	0.92	0.89	1.53	0.91	0.93	0.01	0.01
JBFG	1.01	0.93	0.85	1.35	1.06	0.96	(0.10)	0.02
Kakao Bank	0.73	0.73	0.75	0.64	0.71	0.81	0.10	0.08
Kbank	0.69	0.70	0.72	0.80	0.70	0.74	0.04	0.04
Total	**0.73**	**0.74**	**0.71**	**0.89**	**0.72**	**0.72**	**(0.00)**	**(0.02)**

Source: Company data, Samsung Securities

Capital ratios improve despite challenging conditions

Banks' average CET-1 ratio rose 5bps q-q to 13.46% in 2Q, driven by solid operating results and a 1.6% q-q increase in CET-1 capital. While rising forex rates (won weakening vs the US dollar) and loan growth placed upwards pressure on capital ratios, banks successfully limited RWA growth to just 1.2% q-q. This disciplined RWA management not only enabled capital ratio growth in 2Q but also reinforced confidence in banks' ability to execute their corporate value enhancement plans.

CET-1 ratio trend

(%)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Change (%pts q-q)	Change (% pts y-y)
KBFG	13.70	13.77	13.83	13.82	13.63	13.74	0.11	(0.03)
SFG	13.26	13.62	13.56	13.35	13.19	13.19	0.00	(0.43)
HFG	13.24	13.39	13.33	13.38	13.09	13.21	0.12	(0.18)
WFG	12.40	12.80	12.90	12.90	13.60	13.70	0.10	0.90
IBK	11.40	11.73	11.72	11.48	11.44	11.56	0.12	(0.17)
BNKFG	12.25	12.56	12.59	12.34	12.30	12.14	(0.16)	(0.42)
iMFG	12.03	12.14	12.08	12.11	11.99	12.27	0.28	0.13
JBFG	12.28	12.40	12.73	12.58	12.61	12.52	(0.09)	0.12
Kakao Bank	24.94	24.33	22.73	22.03	21.06	20.98	(0.07)	(3.35)
Kbank	13.24	12.88	12.90	12.43	19.47	18.08	(1.39)	5.20
Total	13.29	13.52	13.51	13.42	13.41	13.46	0.05	(0.07)

Source: Company data, Samsung Securities

CET-1 capital trend

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
KBFG	47,660.7	48,668.4	49,512.1	49,353.4	49,888.3	50,801	1.8	4.4
SFG	45,733.0	46,312.5	47,202.9	47,115.3	48,142.4	48,142	0.0	4.0
HFG	37,486.0	37,726.6	38,500.5	38,664.1	39,424.6	40,668	3.2	7.8
WFG	33,433.0	33,735.0	34,909.0	34,779.0	37,307.0	37,847	1.4	12.2
IBK	29,215.0	30,053.0	30,767.0	30,318.0	30,914.0	31,716	2.6	5.5
BNKFG	9,510.7	9,692.3	9,881.0	9,644.9	9,685.3	9,715	0.3	0.2
iMFG	5,177.4	5,311.4	5,376.9	5,232.0	5,313.4	5,392	1.5	1.5
JBFG	4,695.8	4,768.8	4,920.9	4,876.1	4,911.6	5,002	1.8	4.9
Kakao Bank	6,458.0	6,581.0	6,653.0	6,461.7	6,558.2	6,565	0.1	(0.2)
Kbank	1,263.9	1,327.0	1,330.9	1,297.2	2,256.9	2,277	0.9	71.6
Total	**220,633.5**	**224,175.9**	**229,054.2**	**227,741.7**	**234,401.7**	**238,126.6**	**1.6**	**6.2**

Source: Company data, Samsung Securities

RWA trend

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
KBFG	347,855.2	353,481.0	358,041.7	356,995.7	365,983.0	369,750	1.0	4.6
SFG	344,992.7	340,001.5	348,200.9	352,907.6	365,001.9	365,002	(0.0)	7.4
HFG	283,125.0	281,677.6	288,758.6	288,939.4	301,143.3	307,780	2.2	9.3
WFG	233,202.0	229,464.0	236,023.0	234,542.0	241,226.0	244,870	1.5	6.7
IBK	256,323.0	256,262.0	262,594.0	264,087.0	270,257.0	274,318	1.5	7.0
BNKFG	77,608.3	77,192.1	78,453.0	78,149.4	78,749.9	80,004	1.6	3.6
iMFG	43,053.9	43,726.6	44,527.6	43,220.4	44,325.4	43,951	(0.8)	0.5
JBFG	38,225.6	38,448.9	38,670.7	38,757.4	38,942.5	39,938	2.6	3.9
Kakao Bank	25,896.0	27,048.0	29,273.6	29,335.4	31,145.1	31,284	0.4	15.7
Kbank	9,544.3	10,300.2	10,313.1	10,439.3	11,593.8	12,597	8.7	22.3
Total	**1,659,825.9**	**1,657,601.9**	**1,694,856.1**	**1,697,373.7**	**1,748,367.9**	**1,769,494.0**	**1.2**	**6.8**

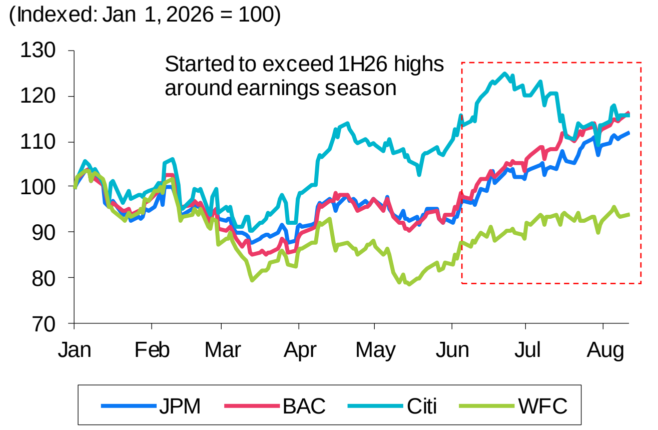
Source: Company data, Samsung Securities

From stability to growth: Conditions in place for revaluation

World's major banks surpass ytd highs around 2Q earnings season

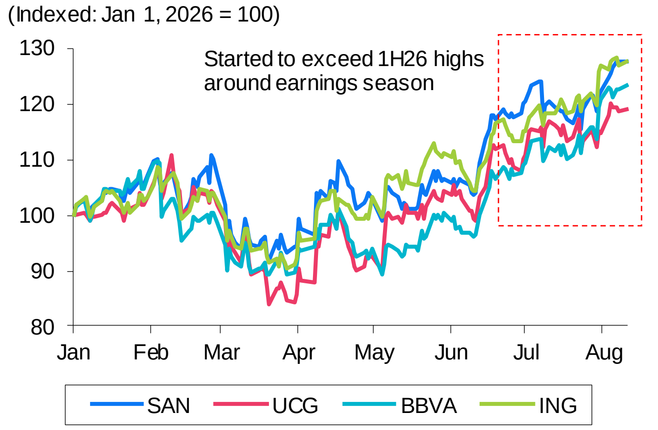
The world's major banks have begun surpassing their ytd highs around the 2Q earnings season. Initially, heightened macroeconomic uncertainty—driven by geopolitical risks and rising oil prices—weighed on investor sentiment toward the sector globally. However, these pressures have recently eased, while continued earnings improvement in 2Q following gains in 1Q has shifted the narrative. Notably, several banks have raised their ROE targets, reinforcing investor confidence.

Major US banks: Share-price performance



Source: Bloomberg, Samsung Securities

Major European banks: Share-price performance

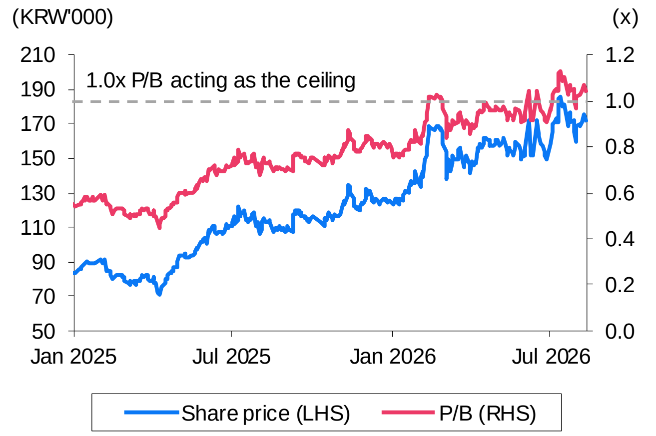


Source: Bloomberg, Samsung Securities

Korean bank stocks face psychological ceiling at 1.0x P/B—Reflecting entrenched view that domestic bank ROE is capped at 10%

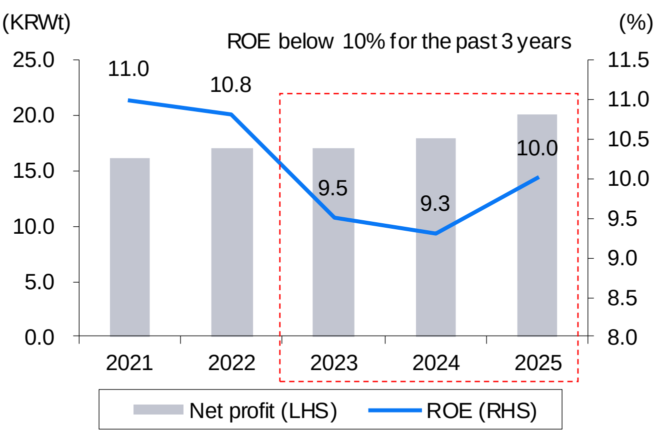
While major overseas banks have surpassed their ytd highs around the 2Q earnings season, Korean bank shares remain capped near KBFG's previous high of 1.0x P/B, which has effectively served as an upper limit. This reflects the banking sector's long-standing inability to sustain ROE above 10%, reinforcing the perception that 1.0x P/B represents a natural valuation ceiling for domestic banks.

KBFG: Share price vs P/B ratio



Source: QuantiWise, Samsung Securities

Banking sector: ROE vs net profit

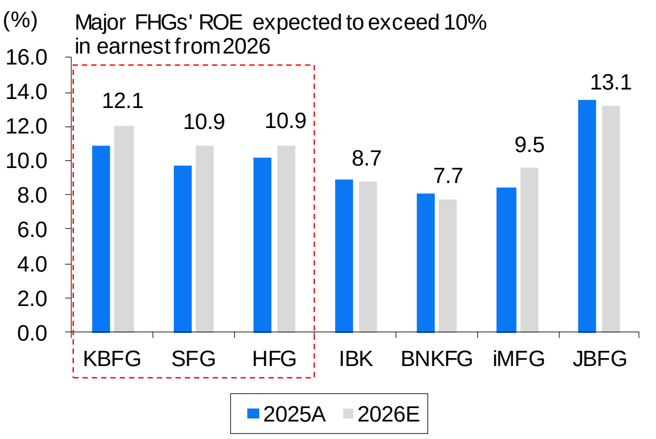


Note: Average ROE and aggregate net profit of banks under coverage
Source: Company data, Samsung Securities

Bank earnings to challenge and overcome this perception

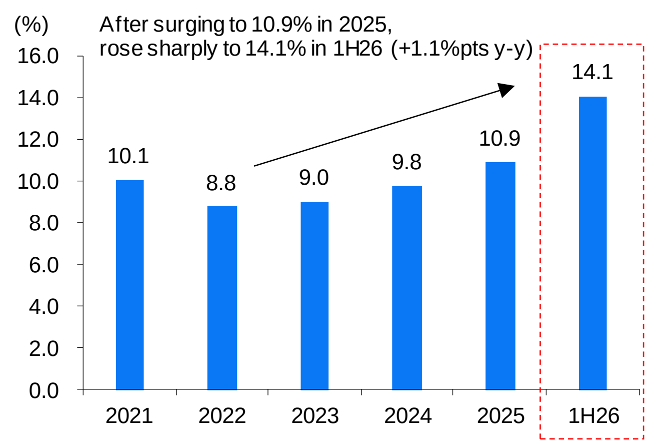
However, we expect bank earnings in 2H to challenge and ultimately dispel this perception. Notably, KBFG achieved an ROE of 10.9% in 2025 despite provisioning related to Hong Kong ELS losses and conservative loan-loss provisioning in 1H25, demonstrating that earnings improvement has been steadily building. In 2Q, banks continued to post sequential ROE gains, driven by growth in net interest income (NII) and a recovery in non-banking businesses. In other words, if banks can leverage their improved operating fundamentals to deliver ROE above expectations, valuations should rerate as consensus climbs.

Banks' ROE: 2025A vs 2026E



Source: Company data, Samsung Securities estimates

KBFG: ROE



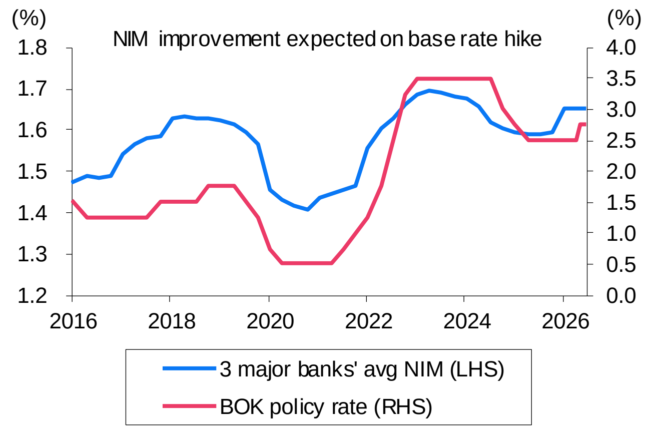
Source: Company data, Samsung Securities

Bank ROE to surpass 10% (1): Industry cycle set to improve

Banking cycle turning more favorable

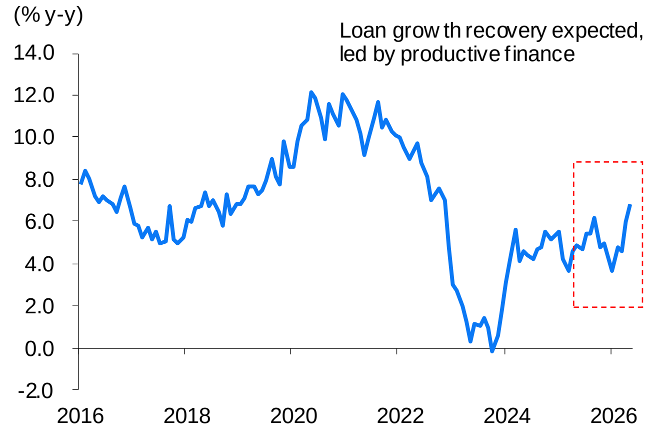
The banking industry's long-unfavorable cycle is showing signs of improvement this year. First, banks' net interest margins (NIM) should continue to improve as the rate-hiking cycle progresses. Second, loan growth is likely to remain robust, supported by "productive-finance" policies and a broad-based economic recovery. Third, credit costs (CCRs) should gradually stabilize and decline.

Big-3* banks' average NIM vs BOK base rate



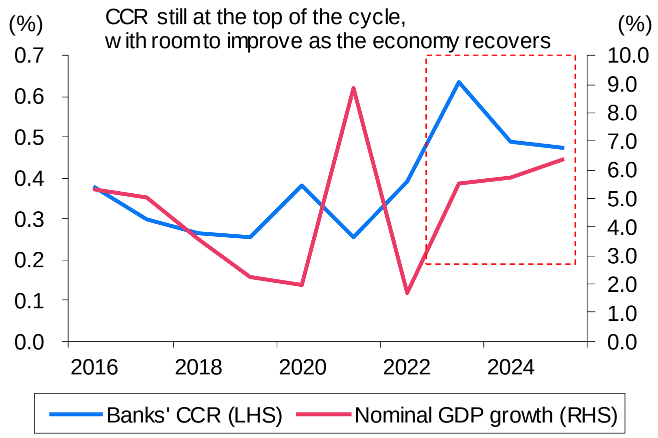
Note: *KB, Shinhan, Hana
Source: QuantiWise, FISIS, Samsung Securities

Commercial banks: Loan growth



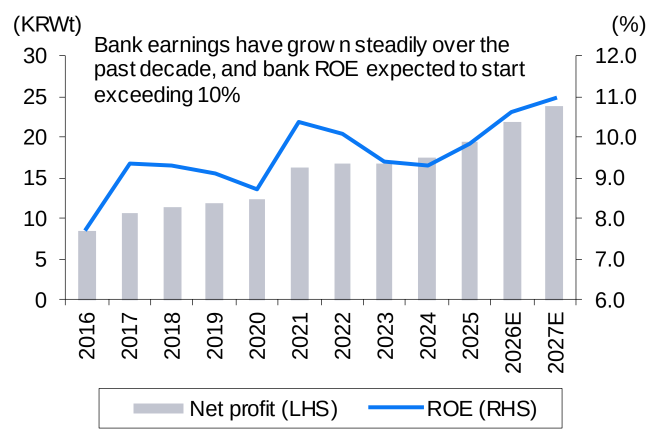
Source: BOK, Samsung Securities

Banks' credit cost ratio vs nominal GDP growth



Note: Based on banks under coverage
Source: QuantiWise, company data, Samsung Securities

Banks: Aggregate net profit vs average ROE



Note: Based on banks under coverage
Source: Company data, Samsung Securities

Improving industry cycle to enhance banks' earnings growth visibility

An improving banking cycle should enhance earnings-growth visibility. We estimate that bank profits will grow 13% this year and 8.8% next year. As these cyclical improvements become increasingly evident in financial metrics, visibility into banks' earnings growth should improve further.

Banks: Annual net profit trends and forecasts

(KRWb)	2020	2021	2022	2023	2024	2025	2026E	Chg (% y-y)	2027E	Chg (% y-y)
KBFG	3,468.5	4,409.6	4,153.0	4,594.8	5,078.2	5,833.2	6,755.7	15.8	7,302.3	8.1
SFG	3,414.6	4,019.3	4,665.7	4,368.0	4,450.2	4,971.6	5,804.3	16.7	6,275.4	8.1
HFG	2,637.2	3,526.1	3,570.6	3,421.7	3,738.9	4,002.9	4,628.3	15.6	4,963.4	7.2
IBK	1,535.7	2,412.5	2,667.7	2,669.7	2,644.5	2,711.1	2,833.1	4.5	2,906.4	2.6
BNKFG	519.4	791.0	785.0	639.8	728.6	815.0	876.5	7.5	956.5	9.1
iMFG	342.2	503.1	410.5	387.8	214.9	443.9	523.3	17.9	587.7	12.3
JBFG	363.5	506.6	601.0	586.0	677.5	710.4	730.2	2.8	803.2	10.0
Kakao Bank	131.0	204.1	263.1	354.9	440.1	480.3	617.7	28.6	692.8	12.2
Kbank	(105.4)	22.5	83.6	12.8	132.6	112.7	144.2	28.0	214.1	48.4
Total	12,306.7	16,394.6	17,200.1	17,035.6	18,105.4	20,080.9	22,913.3	14.0	24,701.6	7.8

Source: Company data, Samsung Securities estimates

Bank ROE to surpass 10% (2): Strong securities broker subsidiary earnings growth to lift group-level ROE

Bank-affiliated securities brokers: Earnings profile markedly improved from the past

In 1H, securities broker subsidiaries were the key driver of the rising non-bank contribution to financial groups' profits. All major Korean banking groups and bank-centric financial groups except JB Financial Group own broker subsidiaries, which have benefited significantly from the recent bull market. For the three largest financial groups, the combined net profit of their securities broker subsidiaries reached KRW910b in 2Q26, up 165.8% y-y. Their contribution to group earnings jumped 9.7%pts from 7.4% to 17.1% over the same period.

Bank-affiliated securities brokers: Net profit and contribution to group net profit (quarterly)

(KRWb, %)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	(%, %pts y-y)
KBFG's broker	198.0	178.1	170.7	38.9	179.9	159.0	157.8	177.2	347.8	448.5	182.1
Profit contribution (%)	17.5	9.9	9.9	5.1	10.1	8.9	8.7	23.9	17.9	22.3	13.4
SFG's broker	75.7	131.5	41.7	(69.7)	107.9	151.0	100.5	22.3	288.4	289.3	91.6
Profit contribution (%)	5.3	8.5	2.8	(16.2)	6.8	9.2	6.5	3.9	16.3	14.3	5.1
HFG's broker	89.9	41.3	50.6	43.3	75.3	31.5	62.8	42.4	103.3	169.8	439.1
Profit contribution (%)	8.3	3.8	4.3	6.9	6.3	2.7	5.1	6.4	7.7	13.5	10.8
Total	363.6	350.8	263.0	12.6	363.1	341.5	321.1	241.8	739.4	907.6	165.8
Profit contribution (%)	10.0	7.9	6.0	0.7	8.0	7.4	7.0	12.2	14.6	17.1	9.7

Note: Based on the big-3 FHGs
Source: Company data, Samsung Securities

Securities brokers: Annual net profit

(KRWb)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Diff vs 2011 (%)
KBFG's broker	146.9	(19.7)	(43.8)	17.6	220.5	(0.3)	271.5	237.5	289.5	374.3	597.6	170.3	352.4	582.4	613.4	317.7
SFG's broker	73.2	38.1	29.3	112.5	217.1	123.3	200.5	245.7	208.7	149.0	313.6	369.6	108.3	215.3	359.0	390.3
HFG's broker	61.1	7.7	23.5	82.0	149.1	76.5	122.6	174.3	276.5	402.6	563.9	155.8	(318.7)	212.8	215.3	252.1
BNKFG's broker	4.0	1.8	(0.5)	5.7	7.9	9.3	1.9	11.4	20.9	53.7	115.5	59.8	17.7	15.2	23.0	481.0
iMFG's broker	5.9	3.6	(9.2)	18.7	26.4	1.3	6.3	45.9	81.6	106.8	167.4	42.0	0.2	(163.2)	73.0	1,137.0
Bank-affiliated subtotal	**291.1**	**31.4**	**(0.6)**	**236.4**	**621.0**	**210.1**	**602.8**	**714.7**	**877.2**	**1,086.3**	**1,758.1**	**797.5**	**159.8**	**862.6**	**1,283.7**	**341.0**
Korea I&S	181.0	103.5	75.5	220.1	256.1	243.7	472.3	503.5	633.9	587.0	962.2	413.7	1,960.3	1,194.9	1,735.2	858.6
Kiwoom	97.5	40.8	42.4	56.3	135.0	140.5	183.3	190.8	286.0	566.0	772.5	493.1	338.4	815.1	1,099.4	1,027.8
Total	**569.6**	**175.8**	**117.3**	**512.8**	**1,012.0**	**594.3**	**1,258.4**	**1,409.0**	**1,797.1**	**2,239.3**	**3,492.8**	**1,704.3**	**2,458.5**	**2,872.6**	**4,118.3**	**623.0**

Source: Company data, Samsung Securities

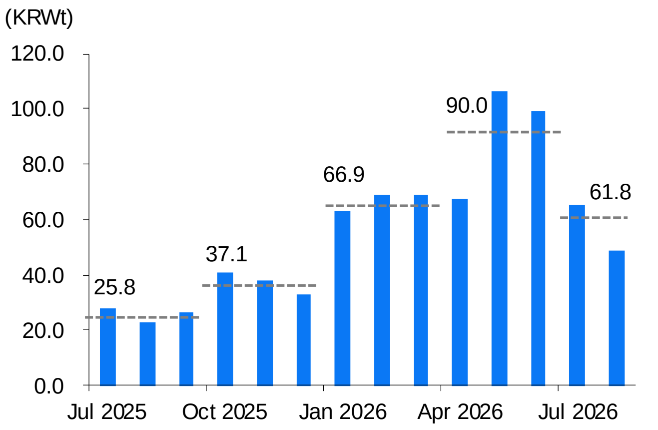
Earnings improvement at broker subsidiaries to lift group ROE

Improved earnings at securities broker subsidiaries should provide a meaningful boost to group-wide ROE. In 1H26, the net profit of bank-affiliated securities brokers reached 71.6% of their full-year 2025 level, with their contribution to group profits rising to 17.1%.

Admittedly, some are concerned that securities brokers' earnings may soften in 3Q as trading activity declines. Indeed, the market's average daily trading value has dropped to KRW61.8t qtd, down 31.3% from KRW90t in 2Q.

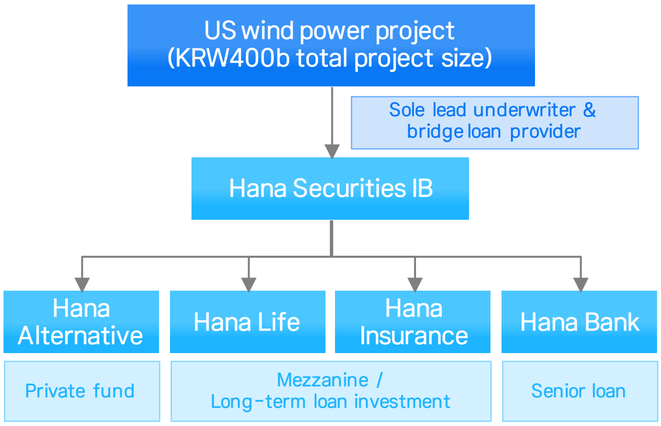
However, even if earnings soften in 3Q, they should remain at or above 1Q levels, given that: 1) the qtd average daily trading value of KRW61.8t remains close to the 1Q level of KRW66.9t; 2) the pace of interest rate hikes has slowed from 1Q, limiting bond trading losses for securities brokers; and 3) amid strong demand for large-scale investment banking deals, bank-affiliated brokers should be able to generate additional revenue by leveraging their parent banks' lending networks.

Monthly average daily trading value vs quarterly average



Source: KRX, Samsung Securities

HFG's US wind farm IB deal



Source: Media reports, Samsung Securities

Even under the conservative assumption that bank-affiliated brokers' full-year earnings reach just 3.5 times their 1Q26 level, the combined net profit of the securities brokers of the top three financial groups would double y-y in 2026. This would equate to 16.4% of 2025 group earnings (up 8.4%pts y-y) and lift group ROE by 0.8%pts based on end-2025 capital.

For example, KBFG is expected to post a 2026 ROE of 12% (vs a 2025 ROE of 10.9%), driven primarily by improved earnings at its securities broker subsidiary. This alone could propel the group above the long-standing upper-end of its trading range at 1.0x P/B.

Financial groups: Net profit sensitivity to net profit improvement at affiliated securities brokers

(KRWb)	Broker's 1Q26 net profit	Broker's 2025A net profit*	Ratio* (%)	Group's 2025A net profit	Broker's contribution (%) (A)	1Q26 x 3.5	Ratio** (%) (B)	Change in contribution to group net profit (%pts) (B-A)	2025A 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: *Sum of subsidiaries' net profits;
**Broker's 1Q26 net profit in ratio to broker's 2025 net profit;
***Broker's "annualized" 1Q26 net profit in ratio to group's 2025 net profit (where annualized figure is calculated as 1Q26 x 3.5)
Source: Company data, Samsung Securities

Bank ROE to surpass 10% (3): Digitalization of finance to drive structural ROE growth

Banks' ROE guidance trending up worldwide

This year, major banks worldwide have raised their ROE guidance from last year's levels. Citigroup raised its guidance to 10-11%, up 2-3%pts from last year's 7.7%, and set a target of 13% by 2028. Bank of America announced a medium- to long-term target of 16-18%, up from 14.2% last year. Leading European banks BBVA and Banco Santander, both of which already exceeded a 15% return on tangible equity (ROTE) in 2025, have set medium- to long-term targets of 20-22% through 2028.

US banks' ROTCE guidance and European banks' RoTE guidance

Bank	2025A	2026E target	Medium- to long-term target	Note
ROTCE				
JPMorgan Chase	20.0%	17.0%	17.0%	Through-the-cycle
Bank of America	14.2%		16-18%	Next 3-5 years
Wells Fargo	15.0%		17-18%	Medium term
Citigroup	7.7%	10-11%	14-15%	2029-2031
ROTE				
BBVA	19.3%	20.0%	22.0%	2025-2028 average
Banco Santander	16.3%		20.0%	2028
UniCredit	19.3%	20%+	23%+	2028
ING	13.6%	14%+	15%+	2027

Note: US banks guide on ROTCE, European banks guide on RoTE
Source: Company data, Samsung Securities

Two key drivers of higher ROE guidance: 1) interest income; and…

At the heart of banks' higher ROE guidance is an improving interest income cycle. Early in the year, banks anticipated rate cuts and thus looked to loan growth rather than NIM expansion, as the main driver of interest income. Indeed, major US and European banks have guided for high-single-digit interest income growth in 2026.

US banks: NII trends and guidance

(USDb)	2025 NII	2024 NII	Chg (% y-y)	2026 guidance	Chg (% y-y)
JP Morgan	95.4	92.6	3.1	103.0	7.9
Bank of America	60.1	56.1	7.2	64.3	7.0
Citigroup	59.8	54.1	10.5	63.4	6.0
Wells Fargo	47.5	47.7	(0.4)	50.0	5.3

Source: Company data, Samsung Securities

European banks: NII trends and guidance

(EURb)	2024 NII	2025 NII	Chg (% y-y)	2026 guidance
Santander	46.0	43.8	(4.7)	Mid-single digit
UniCredit	14.8	14.7	(0.8)	5% CAGR over 3 years
BBVA	25.3	26.3	4.0	Low-to-mid single digit
ING	15.1	14.7	(2.7)	Around 11.5% y-y

Source: Company data, Samsung Securities

…2) digital-led operating leverage

Digital-led operating leverage has equally captured investor attention. A recurring theme in Q&A sessions has been how major banks are improving operating leverage. Banks argue that as loan growth accelerates, digital-led process automation will allow revenue to grow significantly more quickly than SG&A expenses, translating into stronger profit growth and ROE improvement. Some banks have even quantified the benefit: Bank of America, for instance, has guided for 200bps of operating leverage in 2026.

Banks: Operating leverage guidance

(%)	BofA	Citi	Wells Fargo	PNC
Interest-income growth	5-7	5-6	~5	~11
Non-interest expense growth	~4	~3	~2	~7
Operating-leverage improvement	~2	Positive	Positive	~4

Source: Company data, Samsung Securities

Korean banks already far along the path to interest income growth and digital transformation

Korean banks have likewise delivered solid interest income growth and enhanced operating leverage through digitalization over the past several years. We note that: 1) banks' interest income has generally grown more quickly than SG&A costs, except during brief periods of sharp NIM compression—indicating that revenue growth has outpaced cost growth; 2) SG&A expenses in ratio to total assets have stabilized at lower levels, supporting profitability from both ROA and ROE perspectives; and 3) the ratio of SG&A costs to interest income—similar to the cost-to-income ratio (CIR)—have followed the same improvement trajectory, driving a structural decline in group CIRs.

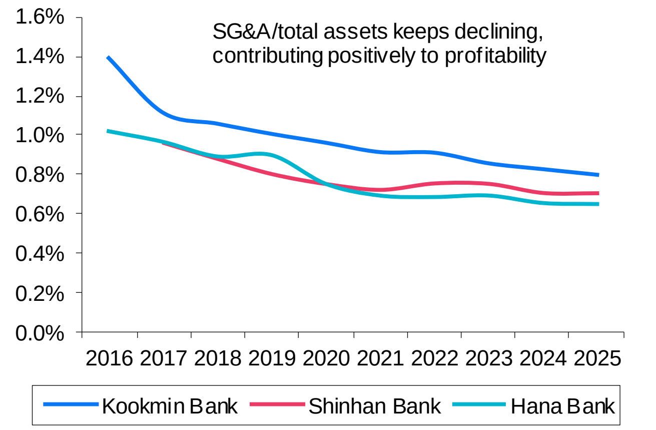
Notably, operating leverage improvement may slow temporarily this year due to one-off factors specific to 2026, including the redefinition of "ordinary wages" and an education-tax hike. Nevertheless, continued digitalization and workforce-efficiency gains should sustain the underlying structural improvements in operating leverage.

Chart 1. Big-3 banks: Interest income vs SG&A growth

Bank / indicator	2017	2018	2019	2020	2021	2022	2023	2024	2025
Kookmin Bank									
NII growth	11.7%	13.1%	4.3%	6.1%	14.4%	20.2%	6.2%	3.6%	4.2%
SG&A growth	(14.1%)	2.8%	3.2%	8.1%	4.8%	6.7%	(3.8%)	2.5%	0.3%
NII growth - SG&A growth	25.8%pts	10.3%pts	1.1%pts	(1.9%pts)	9.6%pts	13.5%pts	10.0%pts	1.1%pts	3.9%pts
Shinhan Bank									
NII growth		11.9%	5.1%	1.0%	11.5%	24.1%	2.4%	5.2%	3.8%
SG&A growth		(1.8%)	2.6%	1.9%	4.9%	10.2%	3.0%	2.6%	7.0%
NII growth - SG&A growth		13.7%pts	2.5%pts	(1.0%pts)	6.6%pts	13.9%pts	-0.6%pts	2.6%pts	(3.2%pts)
Hana Bank									
NII growth	11.2%	10.0%	2.2%	(2.0%)	15.9%	23.7%	4.1%	(2.3%)	4.3%
SG&A growth	(2.2%)	(2.1%)	9.4%	(10.2%)	0.0%	11.6%	3.9%	0.9%	3.8%
NII growth - SG&A growth	13.4%pts	12.2%pts	(7.2%pts)	8.2%pts	15.9%pts	12.1%pts	0.1%pts	-3.1%pts	0.5%pts

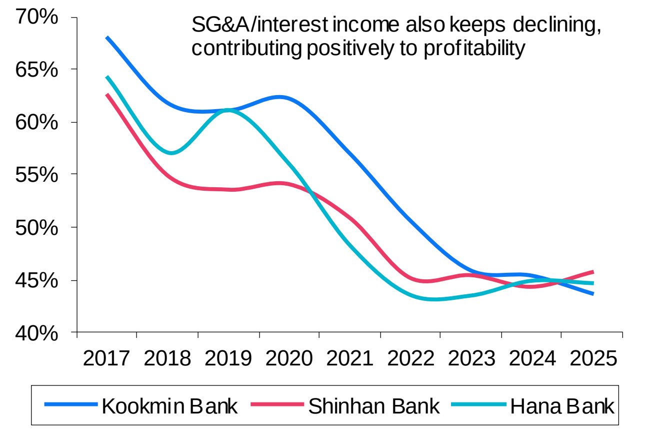
Source: Company data, Samsung Securities

Big-3 banks: SG&A cost-to-total assets



Source: Company data, Samsung Securities

Big-3 banks: SG&A cost-to-interest income



Source: Company data, Samsung Securities

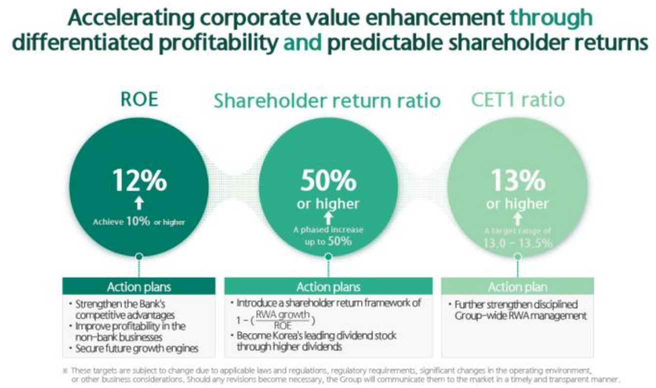
Korean banks changing: ROE targets raised in 2Q

Improved operating leverage is now reflected in major Korean banks' higher ROE guidance. Just two to three years ago, most banks targeted medium- to long-term ROE of around 10%. But things have changed. Hana Financial Group raised its target from 10% to 12% as part of its corporate value enhancement plan, which it updated in 2Q. KB Financial Group expects 2026 ROE to exceed 11% and has set a medium- to long-term target of 13%. Shinhan Financial Group raised its ROE target to "above 10%" and its ROTCE to "above 11.5%" in April.

SFG: Value-up plan update

Source: Company data

HFG: Value-up plan update



Source: Company data

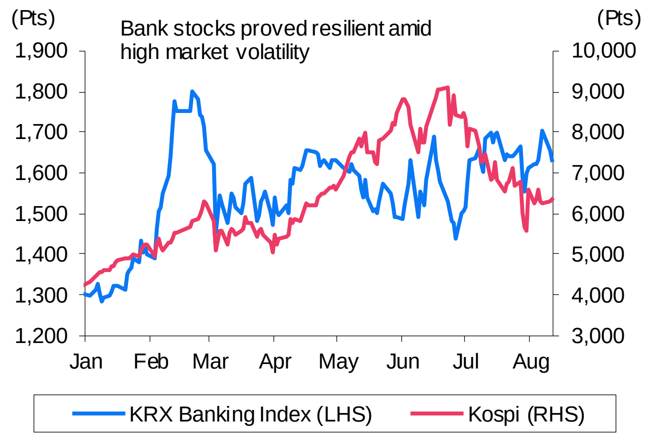
2H26 to mark inflection point for sector rerating

Bank stocks' stability proven; ability to generate alpha now key

Amid heightened equity market volatility, bank stocks have demonstrated strong resilience. Admittedly, bank earnings or ROE cannot be expected to triple within a year. Valuation expansion is also inherently more limited than in other sectors, as P/B multiples are fundamentally anchored to ROE and shareholder return policies. Yet this is precisely why bank stocks have offered exceptional downside protection during market corrections—barring extreme macro shocks such as the global financial crisis or COVID-19.

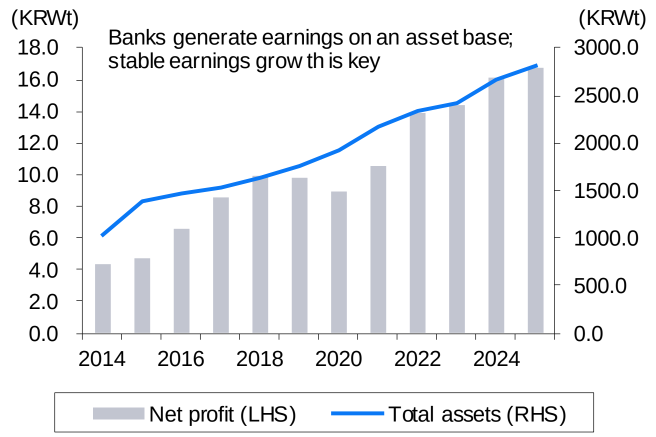
The focus should now shift to the growing potential for banks to generate alpha—and thus rerate—in 2H.

Banking sector index vs Kospi



Source: QuantiWise, Samsung Securities

Banks: Aggregate net profit vs total assets



Note: Based on banks under coverage
Source: FISIS, Samsung Securities

Alpha catalyst 1: ROE above 10%, backed by earnings strength

Most importantly, banks should demonstrate their ability to deliver ROE above 10% this year, supported by strong earnings. As discussed above, the market has long-perceived bank ROE as capped at 10%, but 2H26 earnings should decisively challenge this view. With the top three financial groups posting a combined ROE of 12.8% in 1H, and even allowing for seasonal weakness in 4Q, the likelihood of full-year ROE finishing meaningfully above 10% has increased substantially. A simple calculation shows that even if the three groups post 3Q earnings of just 1Q levels, full-year ROE would still exceed 10% unless 4Q earnings fall below 15% of 1Q levels. For KBFG, full-year ROE could approach 12% even if 4Q earnings reach just 48% of 1Q levels.

Estimated annual and 4Q net profit required to achieve 10% annual ROE

(KRWb, %)	1Q26 net profit	2Q26 net profit	1H26 ROE	Annual profit required for 10% ROE	Minimum 4Q profit required for 10% annual ROE
KBFG	1,892.4	1,992.2	14.0	5,568.6	(208.4)
Minimum 4Q profit for KBFG to achieve 12% annual ROE					905.4
SFG	1,622.6	1,820.1	12.6	5,457.3	392.0
HFG	1,210.0	1,192.8	11.6	4,139.4	526.6
IBK	748.7	683.6	8.9	3,206.1	1,025.1
BNKFG	211.4	200.4	8.0	1,034.8	411.6
iMFG	154.5	141.1	10.2	579.0	128.9
JBFG	166.1	219.6	12.9	597.7	45.9
Kakao Bank	187.3	140.8	9.8	671.3	156.0
Kbank	33.2	26.9	5.4	220.6	127.4
Total	6,226.2	6,417.5	11.8	21,474.9	3,510.4

Note: Assumes 3Q26 net profit would be unchanged from 1Q26
Source: Company data, Samsung Securities estimates

Alpha catalyst 2: Greater P/B valuation appeal in 2027

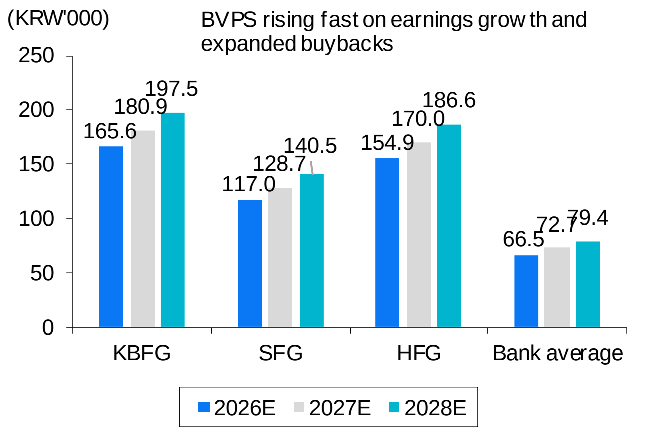
Banks' P/B valuation appeal should strengthen further as investors increasingly shift their focus to 2027 fundamentals toward year-end. Korean banks (based on the top three financial groups) are allocating 27.8% of annual net income to share buybacks. As the average repurchase price is below book value, the resulting reduction in shares outstanding is driving faster BVPS growth than in most other sectors. While the sector's average P/B should stand at 0.84x at end-2026, it should decline further to 0.8x by end-2027. Even KBFG's P/B is expected to fall below 1.0x again.

Big-3 financial groups: Total payout ratio and buyback ratio

(%)	2023		2024		2025		2026E	
	Total payout ratio*	Buyback ratio**	Total payout ratio	Buyback ratio	Total payout ratio	Buyback ratio	Total payout ratio	Buyback ratio
KBFG	37.8	12.4	39.8	16.1	52.4	25.4	55.4	31.4
SFG	35.8	11.1	40.3	15.7	50.2	25.1	52.9	29.3
HFG	33.1	4.4	38.0	12.0	46.8	18.8	50.0	22.7
Top-3 average	35.6	9.3	39.4	14.6	49.8	23.1	52.8	27.8

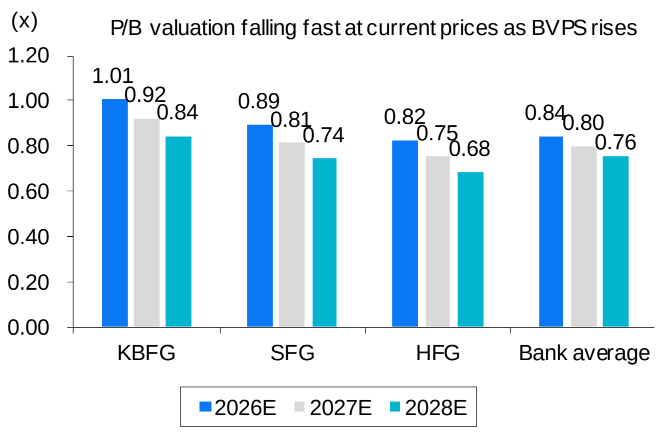
Note: *(Dividends + share buybacks) / net profit;
**Buyback ratio = Share buybacks / net profit
Source: Company data, Samsung Securities

Big-3 financial groups: BVPS forecasts



Source: Company data, Samsung Securities estimates

Big-3 financial groups: ROE forecasts



Source: Company data, Samsung Securities estimates

Alpha catalyst 3: Greater dividend appeal in 2027—Dividend growth + tax-exempt distributions

Investor interest in dividend-paying stocks typically intensifies toward year-end. Banks' dividend appeal should increase further from early 2027, driven by three factors: 1) stronger earnings and the resulting greater scope for dividend growth; 2) plans by several banks to raise total dividends by more than 10% to qualify for separate taxation of dividend income; and 3) plans by KBFG, SFG, HFG, and iMFG to implement tax-exempt dividends in early 2027, directly boosting net returns for retail investors. Together, these factors should significantly improve investor sentiment toward bank stocks.

Financial groups: DPS

(KRW)	2023	2024	2025	2026E	Growth (% y-y)
KBFG	3,060	3,174	4,367	4,626	5.9
SFG	2,100	2,160	2,590	2,960	14.3
HFG	3,400	3,400	4,105	4,590	11.8
IBK	984	1,065	1,114	1,184	6.2
BNKFG	510	650	735	820	11.6
iMFG	550	500	700	840	20.0
JBFG	855	995	1,140	1,251	9.7
Total	11,459	11,944	14,751	16,271	10.3

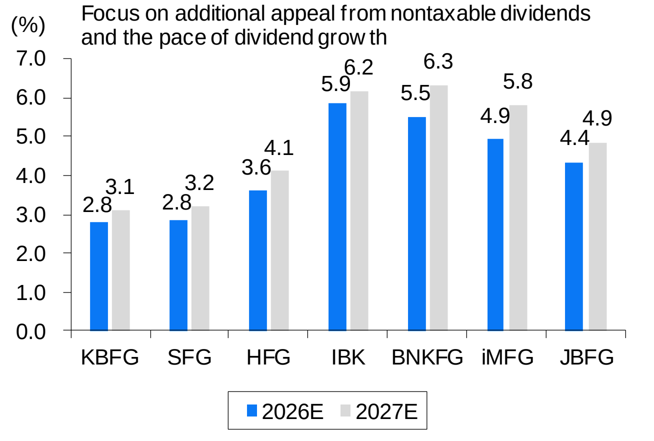
Source: Company data, Samsung Securities

Financial groups: Tax-exempt dividends (capital reduction dividends): Status and capacity

(KRWt)	KBFG	SFG	HFG	WFG	iMFG
Capital reduction dividends	7.50	9.90	7.40	6.30	0.29
2025 dividends	1.58	1.25	1.12	1.00	0.11
Capital reduction dividends / 2025 dividends (x)	4.75	7.92	6.62	6.31	2.58

Source: Company data, Samsung Securities

Banks: Dividend yield



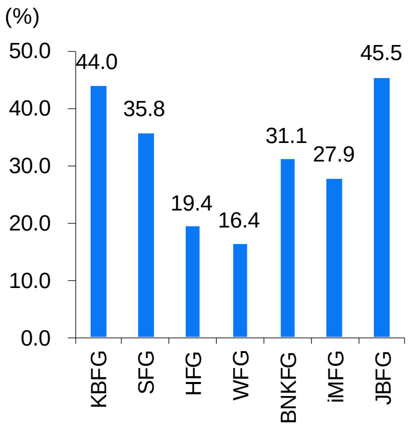
Note: As of Aug 11
Source: Company data, Samsung Securities estimates

Banking sector: Focus on big-3 financial groups, as especially KBFG

KBFG: To lead rise in sector's valuation ceiling, on superior fundamentals, shareholder returns

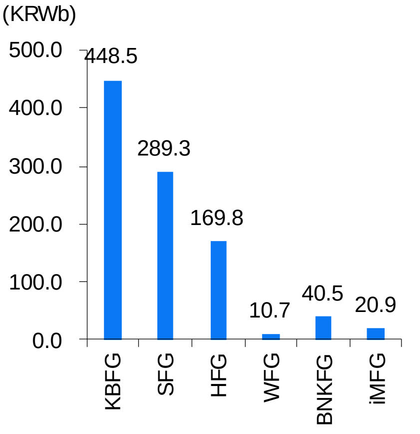
We expect KBFG to continue leading a rerating of the sector's valuation ceiling, given: 1) the highest and most diversified non-banking profit contribution in the sector; 2) differentiated earnings growth—scope and scale—at KB Securities, which should drive further improvement in group ROE; and 3) an industry-leading total payout ratio with further upside.

FHGs: Non-bank portion of net profit (2Q26)



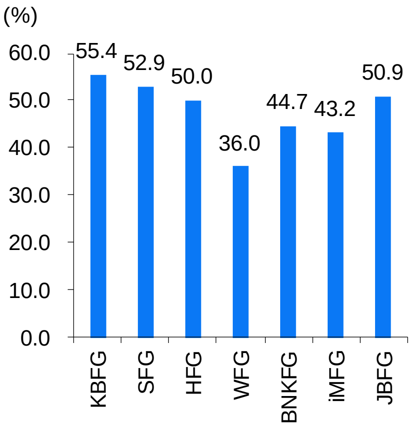
Source: Company data, Samsung Securities

FHGs: Affiliated broker net profit (2Q26)



Source: Company data, Samsung Securities

Bank-led FHGs: Total payout ratio (2026E)

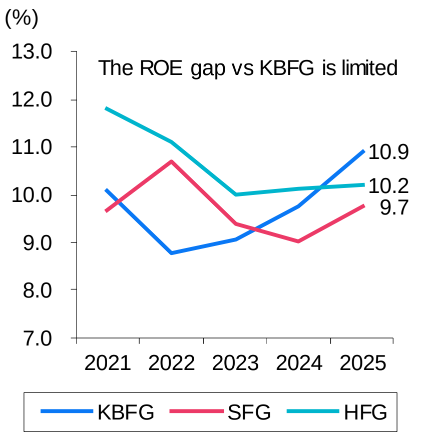


Source: Company data, Samsung Securities estimates

SFG and HFG: Earnings improving, with ample room to narrow valuation gaps

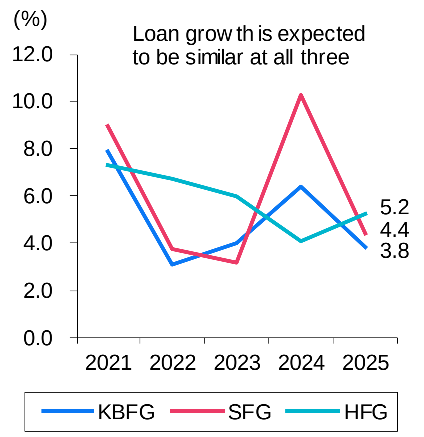
SFG and HFG still lag KBFG in non-banking profit contributions, including those from their securities broker subsidiaries. However, as discussed above, bank-centric financial groups are actively strengthening their brokerage businesses. SFG and HFG are trading at P/B multiples 11.2% and 23.8% below KBFG's, respectively, even as their ROE gaps narrow and their total payout ratios are projected to exceed 50%. Thus, KBFG's share-price momentum should help lift the valuation of both groups.

Big-3 FHGs: ROE



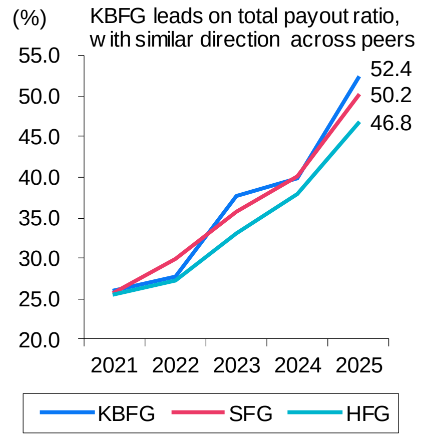
Source: Company data, Samsung Securities

Big-3 FHGs: Loan growth



Source: Company data, Samsung Securities

Big-3 FHGs: Total payout ratio



Source: Company data, Samsung Securities

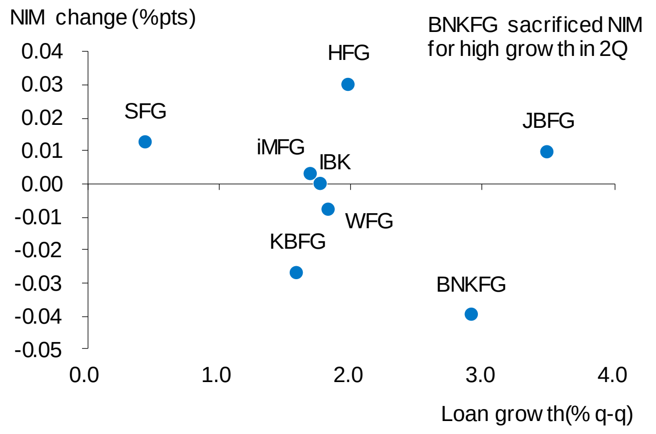
Regional financial groups: Significantly discounted relative to ROE; differentiated growth and ROE recovery key

Regional financial groups are trading at significant valuation discounts relative to their ROEs, making valuations attractive. While JBFG is trading at a relatively high P/B multiple, its projected 2026 ROE of 13.1% suggests further upside. BNKFG and iMFG are both trading at 2026 P/B multiples of just 0.5x—levels that appear excessively discounted relative to their ROE profiles.

To close these valuation discounts, the groups need deliver "alpha" to overcome their relative lack of investor attention. Ultimately, earnings will need to demonstrate: 1) a faster ROE recovery; 2) differentiated growth that meets investor expectations for mid- and small-cap financials; and 3) accelerating shareholder returns underpinned by improving profitability and robust growth.

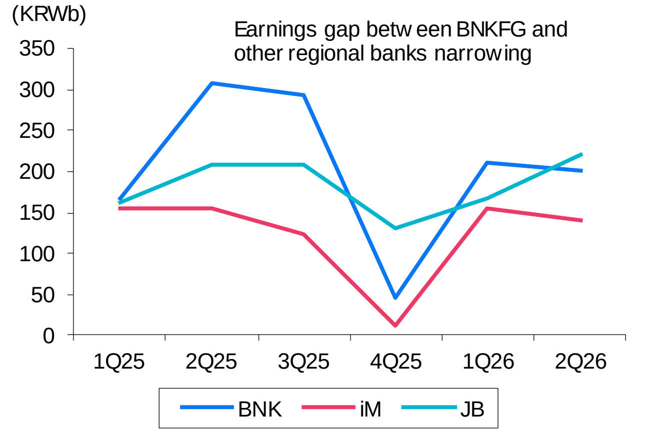
For BNKFG, restoring investor confidence through consistent earnings delivery is now the key challenge. After missing expectations in 1Q25 due to higher loan-loss provisioning related to select large non-performing exposures, it has also posted disappointing results in both 1Q and 2Q this year. In 2Q, loans grew 3.2% q-q while NIM fell 5bps q-q, raising concerns over the group's ability to balance growth and profitability. With 1H profit at KRW475.8b, the likelihood of meeting its original full-year target of around KRW900b has diminished. BNKFG now needs to move beyond headline earnings improvement and demonstrate stronger operating discipline across its businesses.

Banks: Quarterly NIM change vs loan growth



Source: Company data, Samsung Securities

3 regional banks: Net profit



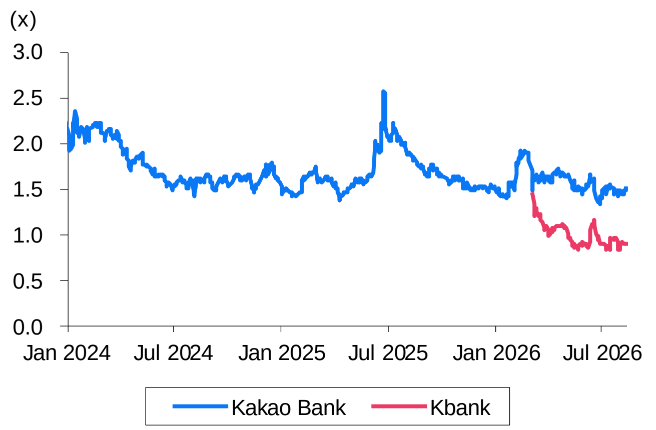
Source: Company data, Samsung Securities

Internet primary banks: SOHO loan expansion key to differentiated growth

Internet-primary banks continue to trade at a premium to traditional banks, although the premium has narrowed significantly from previous peaks. This reflects: 1) lower-than-expected profit contributions from platform businesses; 2) slowing growth amid tighter household lending regulations; and 3) declining capital efficiency, with ROE below that of traditional banks.

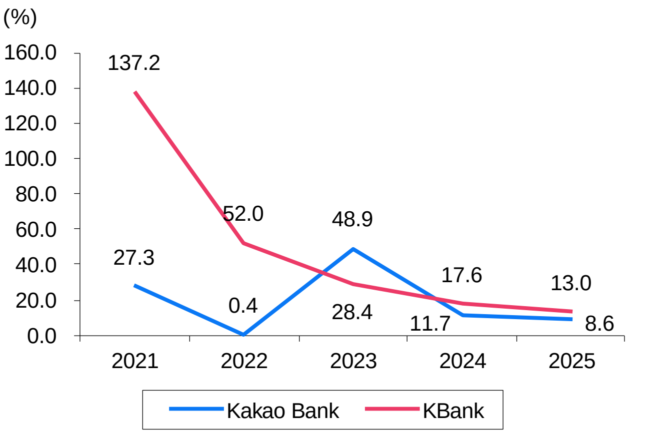
To restore their valuation premiums, internet-primary banks need to reignite loan growth. Improvements in platform earnings are unlikely to outpace interest income growth, while reliance on household lending alone offers limited scope for differentiated growth in the current regulatory environment. In the near term, faster expansion in SOHO lending will therefore be key, while medium- to long-term growth should hinge on new opportunities in SME lending made possible by recent legal amendments.

P/B ratio: Kakao Bank vs Kbank



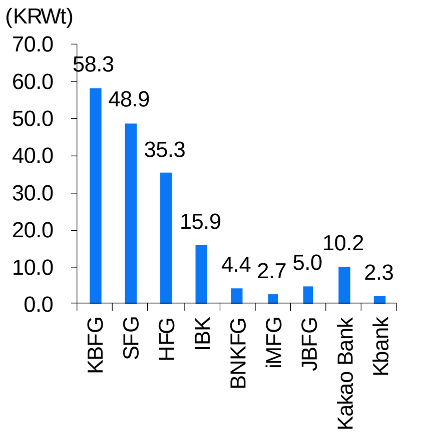
Source: QuantiWise, Samsung Securities

Loan growth: Kakao Bank vs Kbank



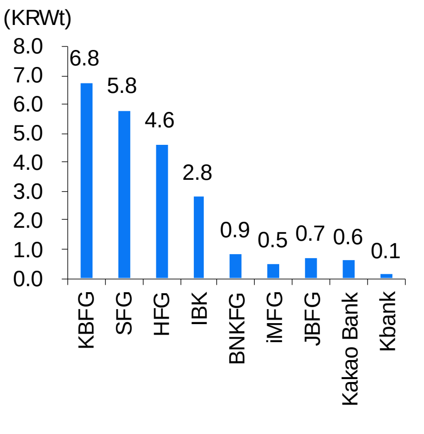
Source: Company data, Samsung Securities

Banks: Market cap



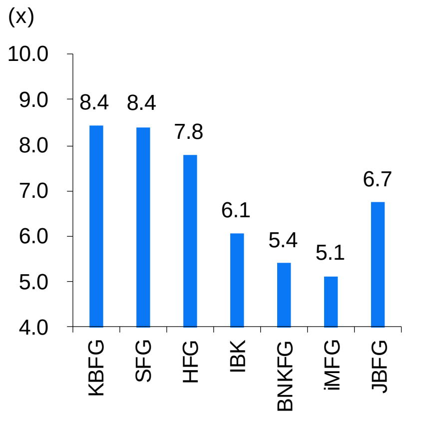
Note: As of Aug 21
Source: QuantiWise, Samsung Securities

Banks: 2026E net income



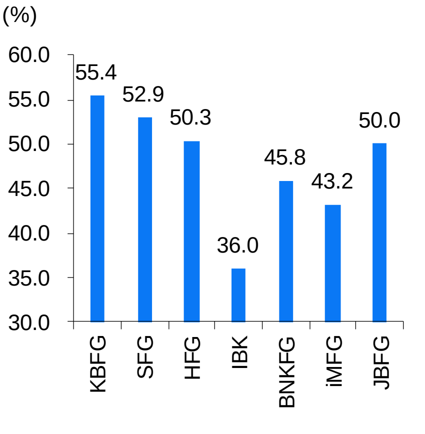
Source: Samsung Securities estimates

Banks: 2026E P/E



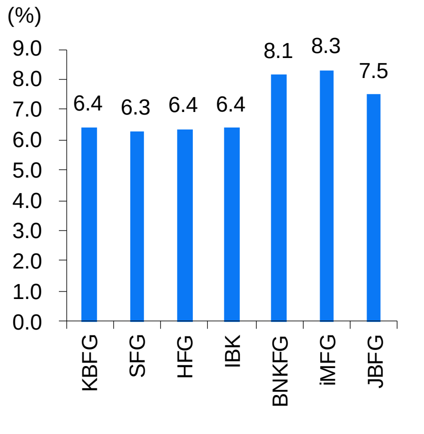
Note: As of Aug 21
Source: QuantiWise, Samsung Securities

Banks: 2026E total payout ratio*



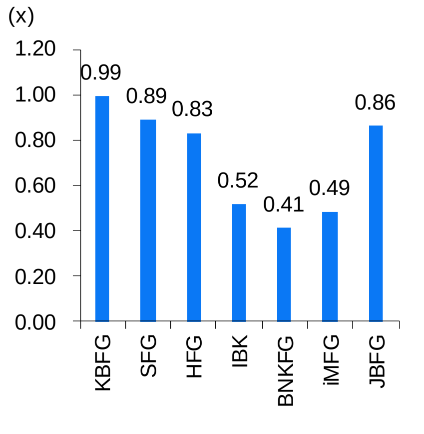
Note: *(Dividends + share buybacks) / net profit
Source: Samsung Securities estimates

Banks: 2026E total shareholder yield*



Note: As of Aug 21;
*(Dividends + share buybacks) / mkt cap
Source: QuantiWise, Samsung Securities estimates

Banks: 2026E P/B



Note: As of Aug 21
Source: QuantiWise, Samsung Securities

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		164,300	104,100	128,800	20,000	14,310	17,180	26,600	21,300	5,620	
Target price		230,000	138,000	161,000	26,000	23,000	24,000	34,000	28,000	7,200	
Upside (%)		40.0	32.6	25.0	30.0	60.7	39.7	27.8	31.5	28.1	
Target P/B (x)		1.39	1.18	1.04	0.67	0.66	0.68	1.10	1.89	1.08	
Target P/E (x)		11.8	11.1	9.7	7.9	8.7	7.2	8.6	21.6	23.1	
Market cap (KRWt)		58.3	48.9	35.3	15.9	4.4	2.7	5.0	10.2	2.3	183.0
P/E (x)	2025A	7.7	7.6	6.5	6.6	6.1	5.7	6.8	21.5	-	7.5
	2026E	8.4	8.4	7.8	6.1	5.4	5.1	6.7	16.4	18.1	8.1
	2027E	7.5	7.4	6.7	5.9	4.4	4.3	6.0	14.7	12.0	7.4
P/B (x)	2025A	0.8	0.7	0.7	0.6	0.5	0.5	0.9	1.5	-	0.7
	2026E	1.0	0.9	0.8	0.5	0.4	0.5	0.9	1.4	0.8	0.8
	2027E	0.9	0.8	0.8	0.5	0.4	0.4	0.8	1.3	0.8	0.8
EPS	2025A	16,267	10,151	14,382	3,184	2,592	2,739	3,757	1,007	300	
	2026E	19,509	12,380	16,551	3,302	2,648	3,354	3,952	1,295	311	
	2027E	21,918	14,024	19,108	3,364	3,254	3,956	4,410	1,452	468	
BVPS	2025A	151,973	105,947	144,244	37,049	32,738	32,350	28,532	14,150	5,781	
	2026E	165,581	117,027	154,921	38,638	34,718	35,327	30,955	14,788	6,648	
	2027E	180,949	128,676	170,023	40,650	37,577	38,747	34,021	16,240	7,116	
ROA (%)	2025A	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	0.6	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	0.5	0.7
ROE (%)	2025A	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	10.9	8.7	7.7	9.5	13.1	8.9	5.0	10.6
	2027E	12.4	11.2	11.5	8.5	8.8	10.2	13.5	9.4	6.8	11.0
DPS	2026E	4,626	2,960	4,590	1,184	820	840	1,251	650	-	
Div. yield (%)	2026E	2.8	2.8	3.6	5.9	5.7	4.9	4.7	3.1	-	
Total payout ratio (%)	2026E	55.4	52.9	50.0	36.0	44.7	43.2	50.9	50.0	-	
Total shareholder yield (%)	2026E	6.4	6.3	6.4	6.4	8.1	8.3	7.5	3.0	-	

Note: As of Aug 21
Source: QuantiWise, Samsung Securities estimates

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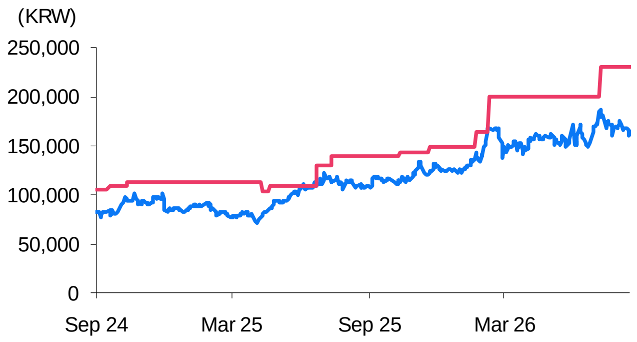
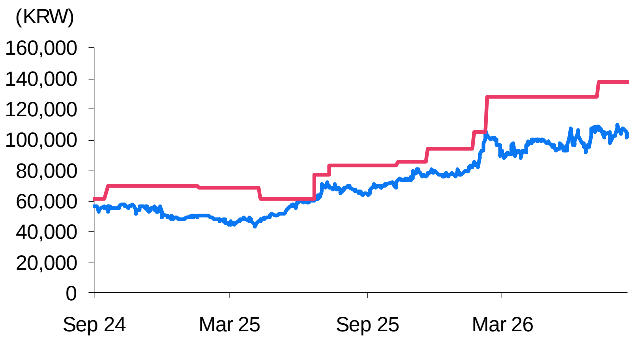
Target price changes in past two years

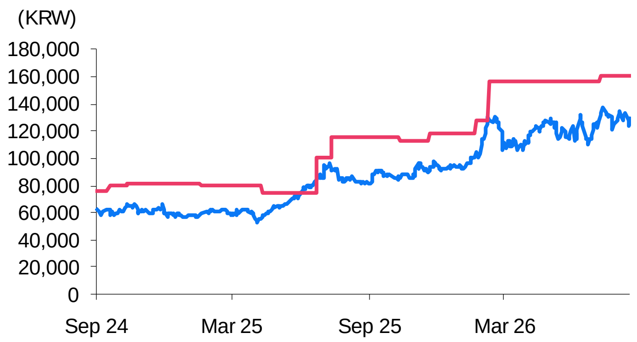
KB Financial Group



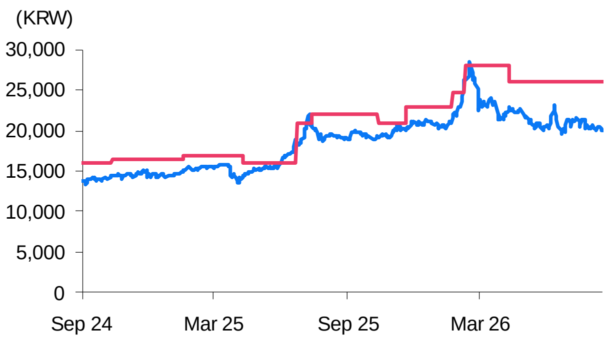
Shinhan Financial Group



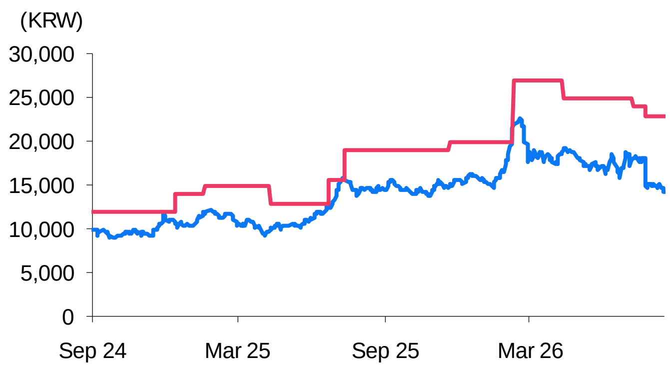
Hana Financial Group



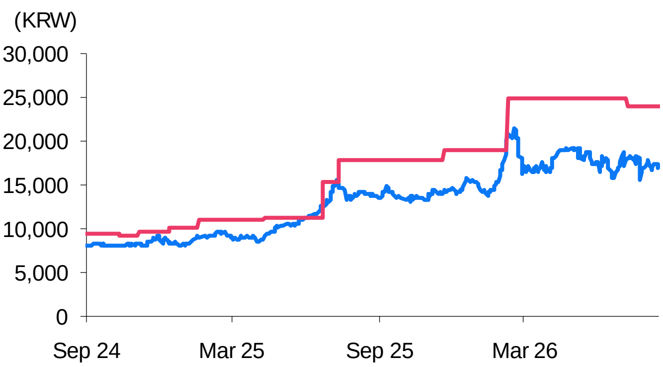
IBK



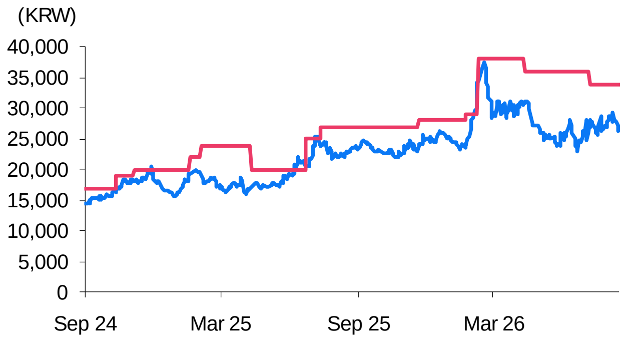
BNK Financial Group



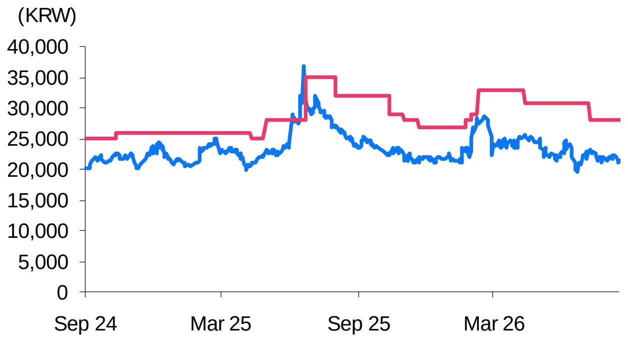
iM Financial Group



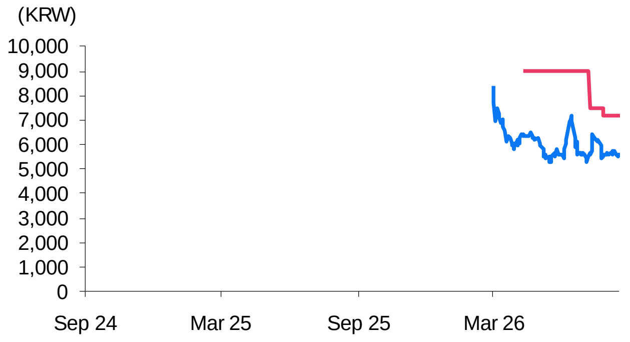
JB Financial Group



Kakao Bank



Kbank



Rating changes over past two years (adjusted share prices)

KB Financial Group

Date	2024/7/24	9/23	10/17	2025/4/15	4/25	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)	105000	110000	113000	104000	110000	130000	140000	143000	150000	165000	200000	230000
Gap* (average)	-19.39	-21.04	-23.75	-20.54	-8.40	-11.01	-19.36	-14.92	-14.99	-11.40	-21.62	
(max or min)**	-13.52	-11.64	-10.44	-18.27	2.09	-6.15	-14.57	-5.80	-8.80	2.12	-7.80	

Shinhan Financial Group

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	

Hana Financial Group

Date	2024/7/12	9/23	10/17	2025/1/23	4/15	6/27	7/18	10/17	11/25	2026/1/27	2/13	4/16
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	76000	80000	81000	80000	74000	101000	115000	113000	119000	128000	156000	157000
Gap* (average)	-17.99	-23.57	-25.40	-24.86	-5.81	-10.23	-25.24	-20.20	-20.43	-11.60	-26.52	-22.81
(max or min)**	-9.47	-17.75	-17.90	-21.75	12.84	-4.46	-19.57	-14.69	-14.96	1.56	-15.83	-15.92
Date	7/13											
Recommendation	BUY											
Target price (KRW)	161000											
Gap* (average)												
(max or min)**												

IBK

Date	2024/7/12	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
Target price (KRW)	16000	16500	16800	16000	21000	22000	21000	23000	24600	28000	26000
Gap* (average)	-13.03	-11.68	-9.61	-0.86	-5.01	-11.84	-5.60	-9.51	-5.95	-16.00	
(max or min)**	-9.25	-8.06	-5.95	17.44	4.76	-7.95	-1.19	-7.17	6.30	1.96	

BNK Financial Group

Date	2024/7/31	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
Target price (KRW)	12000	14000	15000	13000	15600	19000	20000	27000	25000	24000	23000
Gap* (average)	-18.16	-22.55	-27.38	-16.06	-8.05	-22.78	-19.30	-30.12	-29.32	-25.27	
(max or min)**	-1.00	-14.57	-18.93	-2.23	2.24	-17.79	7.25	-16.11	-23.24	-23.63	

iM Financial Group

Date	2024/7/12	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	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	9500	9300	9800	10200	11000	11300	15400	18000	19000	25000	24000
Gap* (average)	-14.48	-11.94	-12.15	-16.48	-16.85	-4.73	-7.91	-22.67	-20.20	-28.58	
(max or min)**	-11.05	-11.08	-4.80	-10.29	-11.18	11.33	0.71	-17.44	6.58	-13.40	

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

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

Kbank			
Date	2026/4/17	7/13	7/31
Recommendation	BUY	BUY	BUY
Target price (KRW)	9000	7500	7200
Gap* (average)	-34.20	-20.69	
(max or min)**	-20.00	-14.80	

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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HOLD Expected to increase/decrease in value by less than 15% within 12 months

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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 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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