COMPANY UPDATE

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iM Financial Group (139130)

Earnings and capital ratios keep improving

- iM Financial Group reported a 3Q net profit of KRW122.4b, up 19.3% y-y and in line with consensus—confirming solid earnings improvement.
- Loan growth was managed at 0.9% q-q, NIM rebounded 6bps, and credit cost stabilized lower, falling to 0.64% in 3Q and 0.53% in the year to 3Q.
- iMFG currently trades at an undervalued 0.41x 2026 P/B. Given ongoing improvements in its earnings and capital ratio driven by asset rebalancing, as well as expectations for enhanced shareholder returns, we anticipate a valuation recovery and maintain our positive view on the stock.

WHAT'S THE STORY?

3Q net profit rises 19.3% y-y to KRW122.4b—earnings improvement confirmed: iM Financial Group reported a 3Q net profit of KRW122.4b, up 19.3% y-y and in line with consensus. (Net profit was down 21% q-q but due to base effect, as 2Q benefited from unusually strong securities gains.) Credit cost continued to stabilize lower, falling 8bps y-y to 0.64%, while rebalancing of loan assets helped protect asset quality and NIM. Meanwhile, its CET-1ratio slid 5bps q-q to 12.09%, because of share buybacks in 3Q.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW18,000	33%
Current price	KRW13,530	
Market cap	KRW2.2t/USD1.5b	
Shares (float)	162,054,666 (85.6%)	
52-week high/low	KRW15,510/KRW8,140	
Avg daily trading value (60-day)	KRW7.2b/ USD5.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
iM Financial Group (%)	-1.7	31.6	66.2
Vs Kospi (%pts)	-17.6	-17.7	5.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	18,000	18,000	0.0%
2025E EPS	2,771	2,771	0.0%
2026E EPS	2,875	2,875	0.0%

SAMSUNG vs THE STREET

No of estimates	14
Target price	16,854
Recommendation	3.9

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

iM Financial Group 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Operating profit	155.8	198.6	(21.5)	113.7	37.1		-	178.5	(12.7)
Pre-prov op profit	269.3	294.4	(8.5)	239.4	12.5		-	273.9	(1.7)
Provisioning	105.2	86.3	21.9	117.6	(10.6)		-	87.2	20.7
Net profit	122.4	155.0	(21.0)	102.6	19.3	126.7	(3.4)	129.1	(5.2)
Major indicators (%, %pts)									
Loan growth	0.92	0.43	0.49	(0.05)	n/a				
NIM	1.82	1.77	0.05	1.84	(0.02)				
NPLs below subs	1.51	1.64	(0.13)	1.48	0.03				

Source: Company data, Samsung Securities estimates

Valuations

(KRWb)	Pre-prov op profit	Net profit	P/E (x)	P/B (x)	CET-1 Ratio (%)	Div yield (%)	EPS growth (% y-y)	ROE (%)	EPS (KRW)	BVPS (KRW)	DPS (KRW)
2023	1,155.2	387.8	3.7	0.3	11.2	6.5	(5.5)	7.4	2,293	31,541	550
2024	1,047.9	214.9	6.4	0.3	11.7	6.1	(44.6)	4.1	1,270	30,612	500
2025E	1,047.2	468.7	4.9	0.4	12.2	5.1	118.1	8.9	2,771	31,813	690
2026E	1,023.9	486.4	4.7	0.4	12.3	5.3	3.8	8.8	2,875	33,299	720
2027E	1,062.1	536.7	4.3	0.4	12.4	6.1	10.3	9.3	3,173	34,795	820

Source: Company data, Samsung Securities estimates

Earnings normalization to lead to higher CET-1 ratio and shareholder returns: Trading at 0.41x 2026 P/B, iMFG is the most attractively valued in the banking sector. We anticipate a valuation rerating, given its potential to: 1) normalize earnings by bringing down credit costs; 2) sustain improvements in CET-1 ratio; and 3) increase shareholder renumeration as a result. We expect a total payout ratio of 37.8% for 2025 and find its shareholder yield (dividends + buybacks) of 7.9% attractive.

Interest income rises 1.1% y-y and 2.3%—asset rebalancing strategy warrants attention: The group's interest income rose 1.1% y-y and 2.3% q-q in 3Q, with: 1) won-denominated loan growth managed at 0.9% y-y; and 2) group NIM widening 6bps q-q (or 3bps q-q excluding one-offs). The group stated that it is undertaking an asset rebalancing strategy to prioritize profitability over growth, enhance CET-1 ratio, and boost shareholder returns. The 3Q results confirm that the strategy is paying off.

Credit cost normalizes, falling 8bps y-y to 0.64%: The group's credit cost fell 8bps y-y but rose 12bps q-q to 0.64% in 3Q. Although credit cost rose q-q, it still show visible improvement y-y, and the absolute level has also declined—suggesting that credit cost is normalizing. On a side note, group NPL ratio fell 13bps q-q to 1.51% and delinquency ratio fell 9bps q-q to 1.45%.

Credit cost improvement cycle expected to continue: While credit cost may seasonally rise somewhat in 4Q, the overall improvement trend is expected to continue into next year. This outlook is supported by several factors: 1) as the group has indicated, most PF-related NPLs appear to have been sufficiently resolved; 2) with the banking sector increasingly focused on productive finance, liquidity support for SMEs is expected to improve, contributing to better asset quality; and 3) government-led consumption and economic stimulus measures, along with easing uncertainties around US-Korea tariff negotiations, should help further stabilize the overall credit cost cycle..

Non-bank improvements—securities and consumer finance earnings continue to rebound: iMFG's non-bank operations turned around y-y to a net profit of KRW12.2b in 3Q. After a full-year loss of KRW163.2b in 2024 due to provisioning, iM Securities contributed a 3Q net profit of KRW12.9b, on top of a profit of KRW25.9b in 1Q and KRW26.6b in 2Q. At iM Capital, net profit rose 42.4% y-y to KRW17.3b, after shrinking for two years due to provisioning costs. The question is whether non-bank operations establish a differentiated business model that can generate greater alpha in the longer term.

CET-1 ratio down 5bps q-q at 12.09%—on track to exceed 12.3% in 2026: The group's CET-1 ratio dropped 5bps q-q to 12.09%. But we see high likelihood of the CET-1 ratio exceeding 12.3%—the threshold for lifting total payout ratio above 40%—in 2026.

In short, the key focus going forward will be the earnings presentation early next year, where investors will look for: 1) confirmation of improved total payout ratio for 2025; and 2) the pace at which total payout ratio for 2026 rises based on its shareholder value enhancement plan.

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash & equivalents	5,068	4,473	5,502	5,819	6,157
Financial securities	22,434	20,561	24,226	25,395	26,626
Net loans & credits	63,907	67,697	69,207	72,525	76,201
Interest-earning assets	**91,506**	**92,786**	**98,989**	**103,798**	**109,048**
Fixed assets	1,351	1,405	1,447	1,524	1,604
Other assets	503	(43)	2,094	2,174	2,257
Total assets	**93,360**	**94,149**	**102,530**	**107,495**	**112,909**
Customer deposits	57,288	59,807	60,297	62,950	65,893
Borrowings	12,034	9,701	12,874	13,668	14,520
Debentures	8,243	7,827	9,138	9,762	10,432
Interest-bearing liabilities	**82,940**	**83,410**	**88,717**	**93,047**	**97,784**
Other liabilities	4,136	4,533	7,400	7,783	8,207
Total liabilities	**87,076**	**87,943**	**96,116**	**100,830**	**105,991**
Paid-in capital	846	846	846	846	846
Hybrid securities	614	813	813	813	813
Capital surplus	1,562	1,563	1,563	1,563	1,563
Retained earnings	3,289	3,385	3,714	4,020	4,333
Capital adjustment	(21)	(20)	(40)	(40)	(40)
Other accumulated earnings and comprehensive income	(342)	(595)	(701)	(756)	(816)
Minority interest	335	215	220	220	220
Shareholder equity	**6,284**	**6,206**	**6,414**	**6,665**	**6,918**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Interest income	4,027	4,175	3,856	3,960	4,107
Interest expenses	(2,392)	(2,489)	(2,221)	(2,274)	(2,358)
Net interest income before provisioning	**1,636**	**1,686**	**1,635**	**1,685**	**1,749**
Provisioning for loan losses	(587)	(749)	(379)	(301)	(269)
Net interest income after provisioning	**1,048**	**937**	**1,256**	**1,385**	**1,481**
Fee income	230	191	206	202	200
Other non-interest income	292	213	288	255	267
Gross profit	**1,570**	**1,341**	**1,751**	**1,841**	**1,947**
G&A expenses	(1,036)	(1,078)	(1,121)	(1,157)	(1,193)
Operating profit	**534**	**263**	**630**	**685**	**754**
Other non-operating income	(2)	(11)	2	12	15
Pre-tax profit	**532**	**253**	**632**	**697**	**769**
Taxes	120	51	146	192	211
Net profit	**412**	**202**	**486**	**505**	**557**
Minority interest	24	(13)	18	19	21
Consolidated net profit	**388**	**215**	**469**	**486**	**537**
Pre-provisioning operating profit	1,155	1,048	1,047	1,024	1,062

Asset quality

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
NPL ratio (below substandard)	0.6	0.7	0.9	0.9	0.9
NPL ratio (below precautionary)	1.6	1.8	1.9	1.9	1.8
Cumulative provisioning /NPL below substandard	246.8	222.8	178.6	182.8	185.2
Cumulative provisioning /NPL below precautionary	101.9	91.1	86.5	88.5	89.7
Cumulative provisioning/credit	1.6	1.6	1.7	1.7	1.6
Net write-offs /NPL below substandard	77.0	63.2	38.4	28.6	23.5
Net write-offs/credit	0.5	0.5	0.4	0.3	0.2
Loan loss provisioning charges /total credit	0.6	0.6	0.4	0.3	0.3

Key ratios

Year-end Dec 31 (%)	2023	2024	2025E	2026E	2027E
Return on avg assets	0.4	0.2	0.5	0.5	0.5
Return on avg equity	7.4	4.1	8.9	8.8	9.3
Loan growth* (% y-y)	7.1	6.0	1.8	4.4	4.6
Deposit growth* (% y-y)	(2.1)	0.7	8.9	4.4	4.6
Asset growth (% y-y)	3.8	0.8	8.9	4.8	5.0
Loan/deposit ratio*	99.0	101.5	103.7	103.7	103.7
Net interest margin**	2.04	1.91	1.76	1.74	1.74
Net interest spread**	2.44	2.25	2.01	1.98	1.98
Cost-to-income ratio	50.6	50.1	50.0	50.5	50.0
BIS CAR**	16.5	16.6	17.6	18.0	18.4
Tier-1 ratio**	14.2	14.6	15.9	16.3	16.7
Tier-2 ratio**	2.3	2.0	1.7	1.7	1.7
Common Equity Capital Ratio	11.2	11.7	12.2	12.3	12.4
Equity/assets	15.0	14.9	14.5	14.0	13.6

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2023	2024	2025E	2026E	2027E
EPS	2,293	1,270	2,771	2,875	3,173
BVPS	31,541	30,612	31,813	33,299	34,795
DPS	550	500	690	720	820
Dividend payout ratio	24.0	38.7	25.0	25.0	26.0
Total Shareholder Payout Ratio	29.1	38.7	37.8	42.3	46.1

Year-end Dec 31	Pre-prov op prof (KRWb)	Net prof (KRWb)	EPS (KRW)	Chg (%)	BVPS (KRW)	P/E (x)	P/B (x)	ROAA (%)	ROAE (%)	CET-1 Ratio (%)	Div yield (%)
2023	1,155	388	2,293	(5.5)	31,541	3.7	0.3	0.4	7.4	11.2	6.5
2024	1,048	215	1,270	(44.6)	30,612	6.4	0.3	0.2	4.1	11.7	6.1
2025E	1,047	469	2,771	118.1	31,813	5.2	0.46	0.5	8.9	12.2	4.7
2026E	1,024	486	2,875	3.8	33,299	5.1	0.4	0.5	8.8	12.3	5.0
2027E	1,062	537	3,173	10.3	34,795	4.6	0.4	0.5	9.3	12.4	5.6

Source: Company data, Samsung Securities estimates

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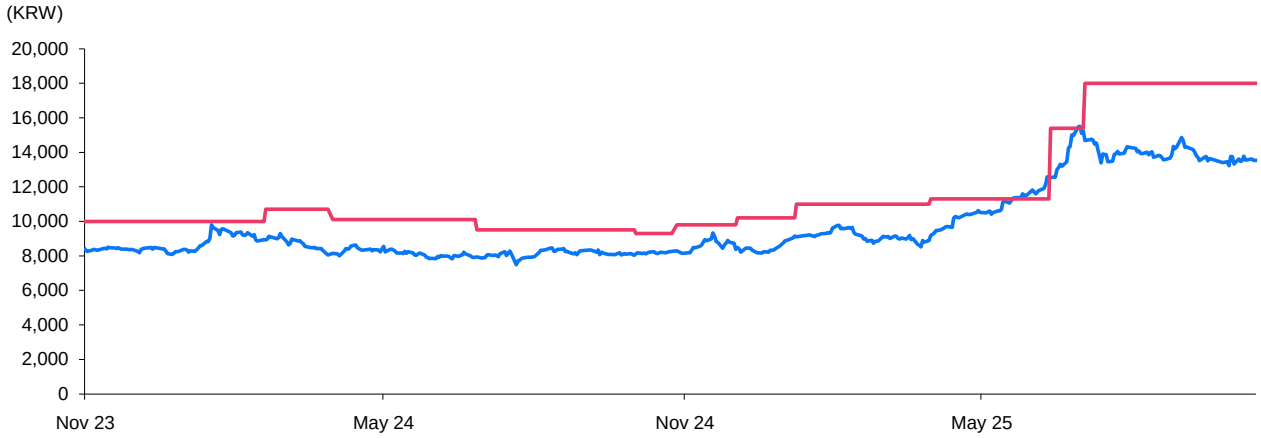

Rating changes over past two years (adjusted share prices)

Date	2023/10/17	2024/3/5	4/15	7/12	10/17	11/11	12/18	2025/1/23	4/15	6/27	7/18
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY
Target price (KRW)	10000	10700	10100	9500	9300	9800	10200	11000	11300	15400	18000
Gap* (average)	-14.77	-18.37	-19.25	-14.48	-11.94	-12.15	-16.48	-16.85	-4.73	-7.91	
(max or min)**	-2.00	-13.08	-14.46	-11.05	-11.08	-4.80	-10.29	-11.18	11.33	0.71	

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

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Industry

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

Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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