

KakaoBank

1Q 2023 Earnings Release

May 2023

kakaobank

Contents

- I. 1Q23 Highlights
- II. Customer Base
- III. Operating Revenue
- IV. Banking Biz
- V. Fee Biz
- VI. Platform Biz
- VII. SG&A and CIR
- VIII. Operating Profit and ROE, ROA
- IX. Asset Quality
- X. Appendix

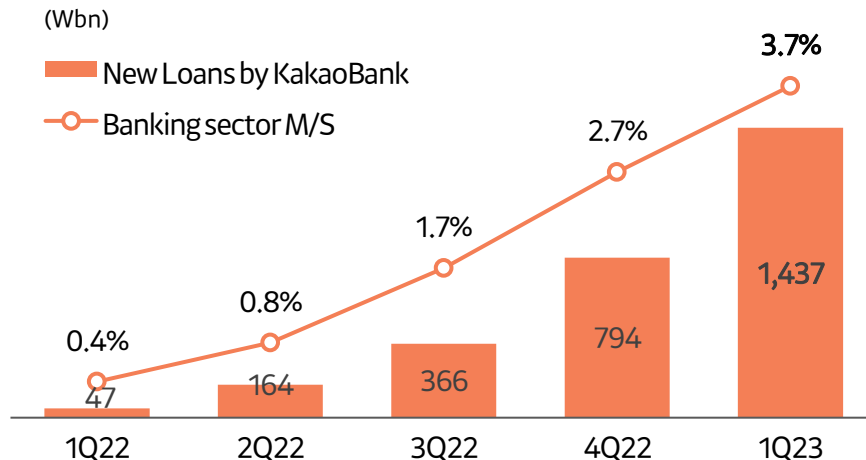
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Growth in Operating Income

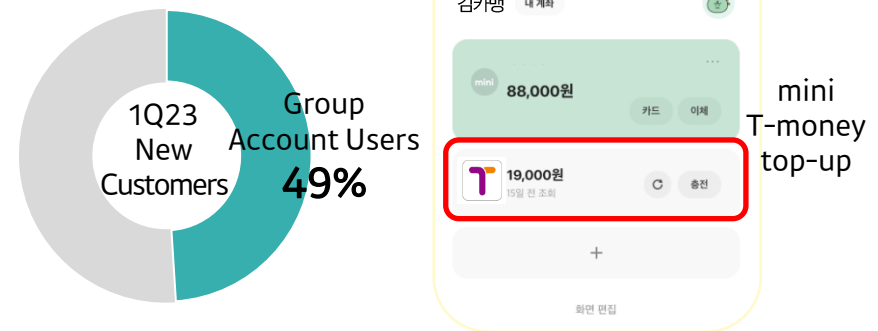
- ♦ **Credit loan** balance **net increase in 6 quarters**
- ♦ **Online Mortgage loan balance W2.4tn** (QoQ +97%) with 3.7% M/S based on convenient UX



- ♦ **Income Growth** **Operating income of W136.4bn** (YoY +54%, QoQ +59%) thanks to robust loan growth

Enhanced Platform Influence

- ♦ **Customer Acquisition** Achieved **73% working population penetration** by expanding signature products such as Group Account, which 49% of new customers use



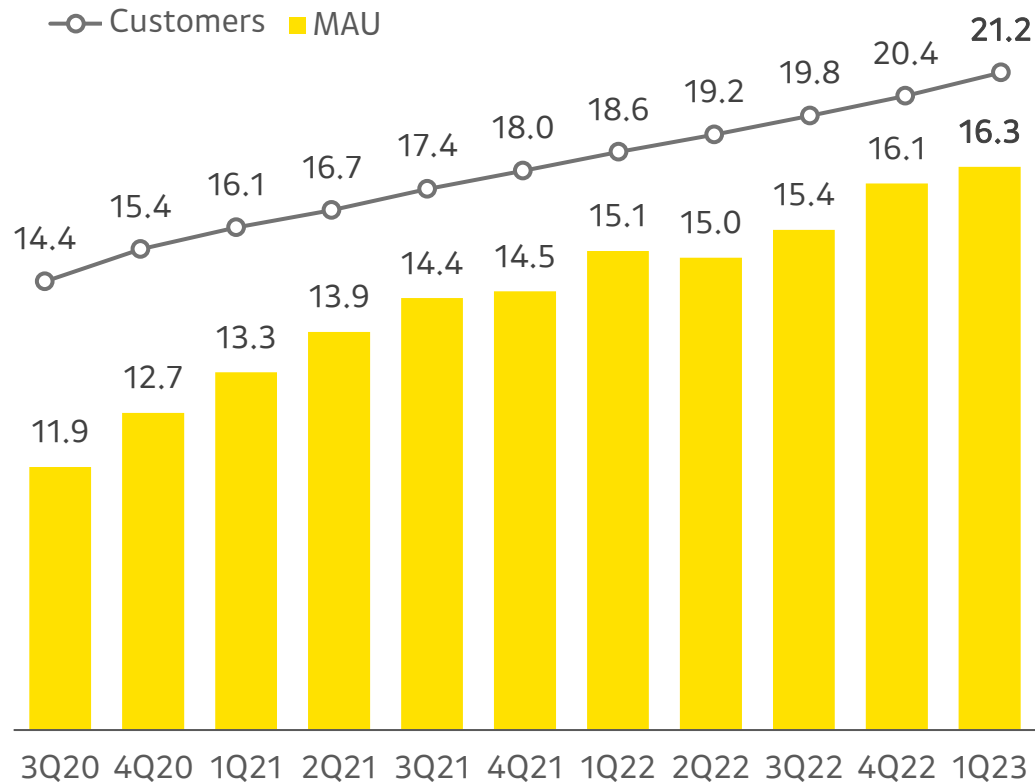
- ♦ **Traffic** ① Most frequently used banks for retail customers, with **12.3% M/S** in new transaction volume with a single **debit card** & **10.6% M/S in bank transfer volume**
- ② Expanding App traffic through **life-finance connecting services**, such as T-money top-up, which 35% of mini customers use

II. Customer Base (1/3)

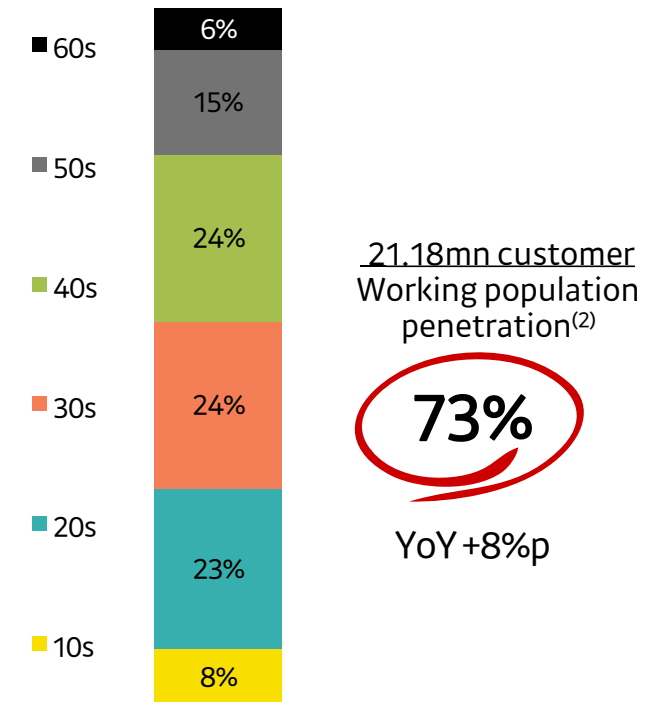
21.18mn customers(YTD +0.76mn), MAU reached 16.35mn

MAU⁽¹⁾ and Customers

(mn users)



Customer by Age Group



Source: Nielsen Media Korea Digital Data, Company data

Note: (1) Quarterly average MAU

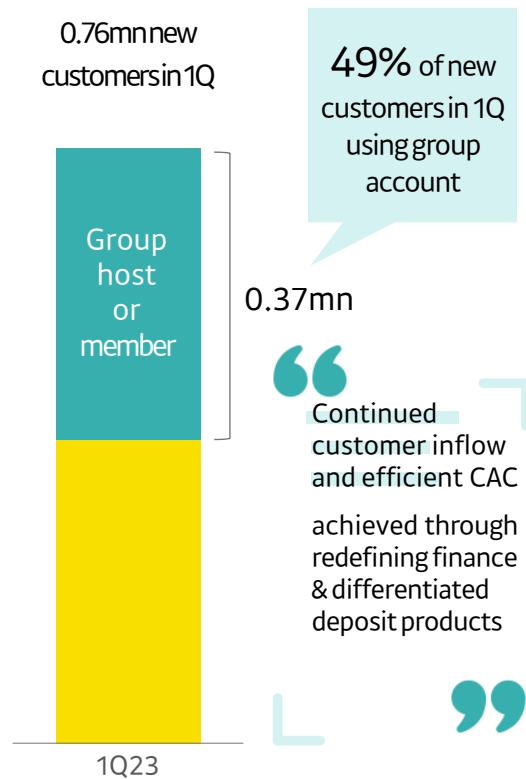
(2) KOSIS(Korea working population 29.06mn in March 2023)

II. Customer Base (2/3)

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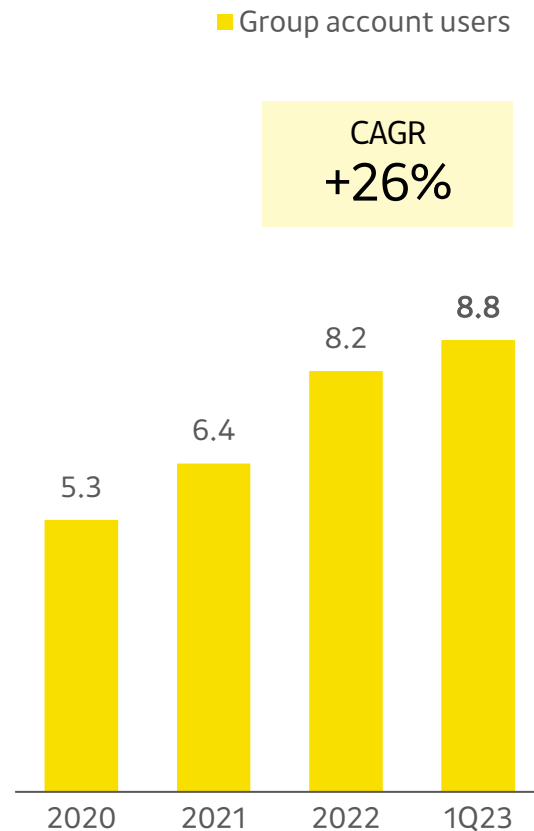
Efficient CAC(customer acquisition cost) and customer base expansion thanks to differentiated products and services

New customers



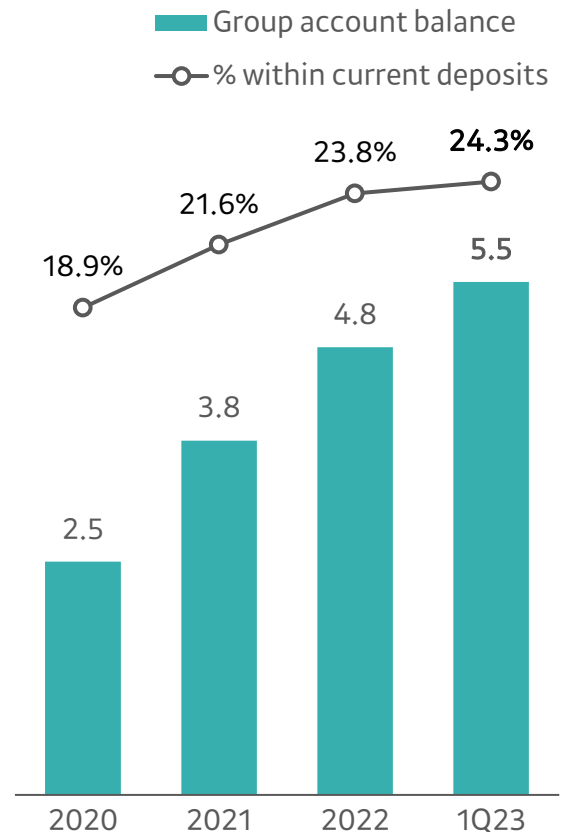
Group account users

(mn users)



Group account balance

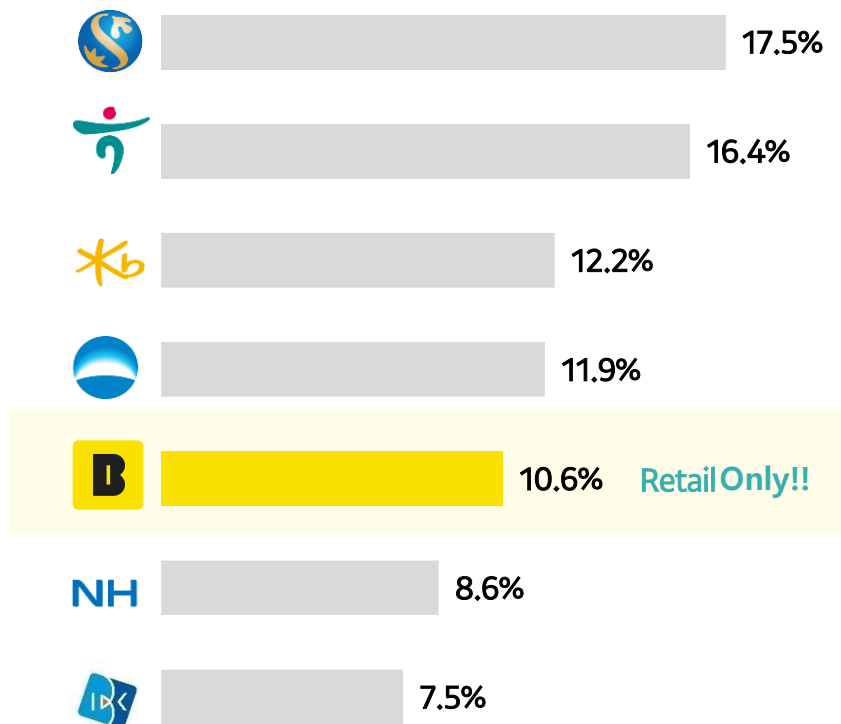
(Wtn)



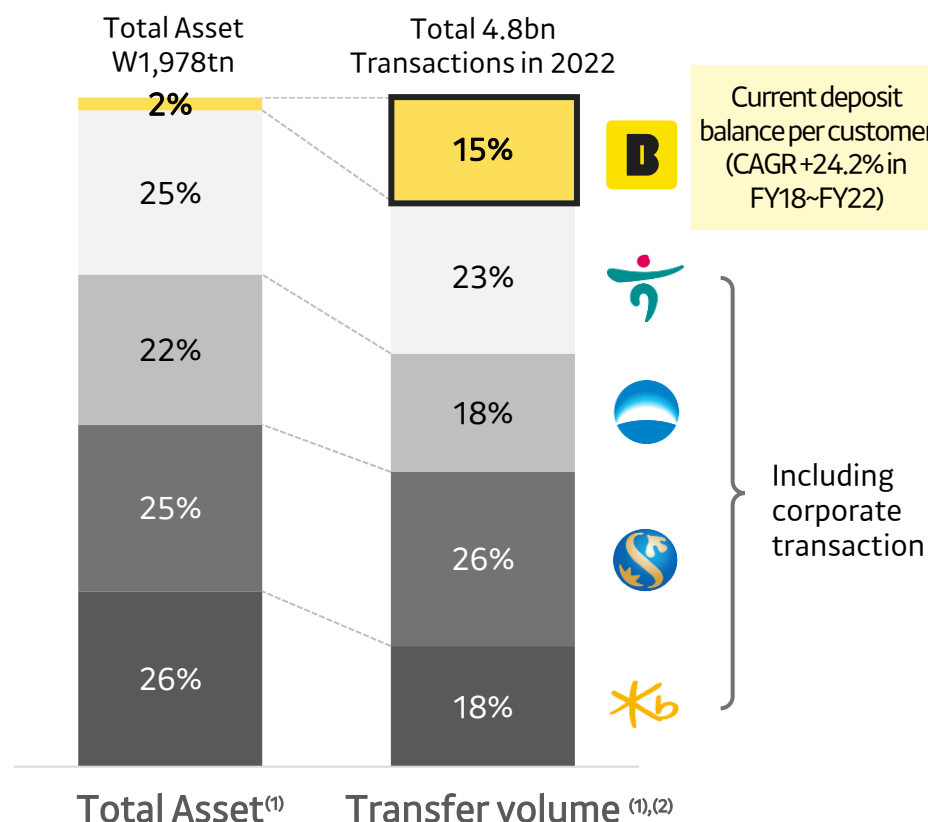
II. Customer Base (3/3)

Most frequently used retail banking application;
Robust customer engagement relative to asset size, customer lock-in into daily financial activities

No. of bank transfers M/S(Retail + Corporate)



High bank transfer volume compared to asset size



Source: Korea Financial Telecommunications & Clearings Institute
 Note: (1) Based on 5 banks (KB, Shinhan, Woori, Hana, KakaoBank) for 2022 year end
 (2) KB, Shinhan, Woori, Hana Banks includes corporate account transfer volume

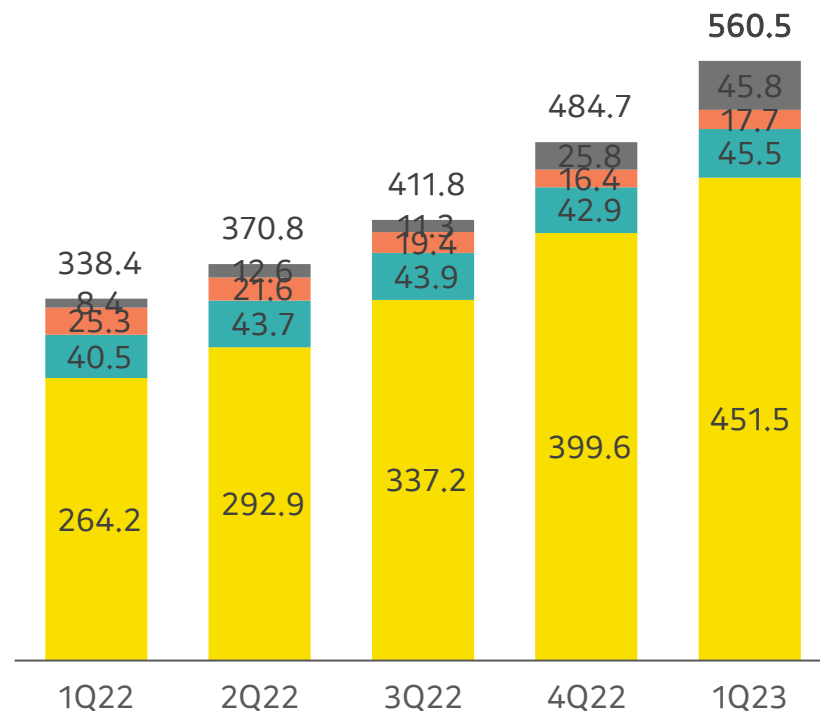
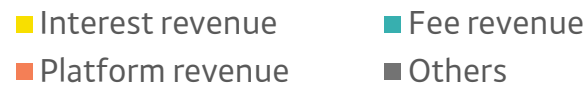
III. Operating Revenue

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Operating revenue YoY +66%, QoQ +16%, thanks to growth across all business lines

Operating Revenue

(Wbn)



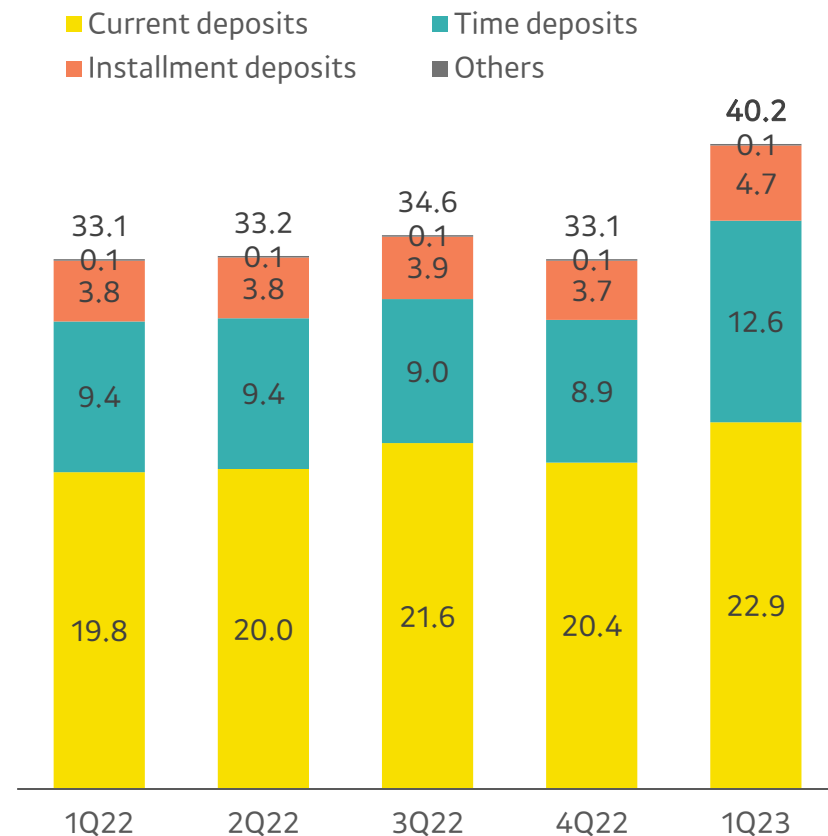
Division	Key product/services
Interest revenue	Loan interest Financial investment interest
Platform revenue	Securities account(8 partners) Loan referral(22 partners) Co-branded credit card (7 partners) Advertisement mini
Fee Revenue & Others	Debit card (transaction value YoY +17%) Firm banking (volume YoY +39%) Financial asset trading / valuation gains FX related gains Gain on NPL sales

IV. Banking Biz : Deposit (1/2)

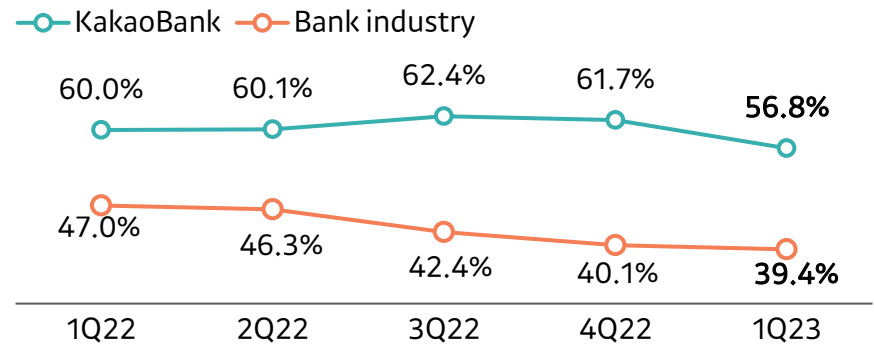
Deposit balance YoY +22%, QoQ +22%; competitive low-cost deposit portion against peers

Deposit Balance Trend & Breakdown

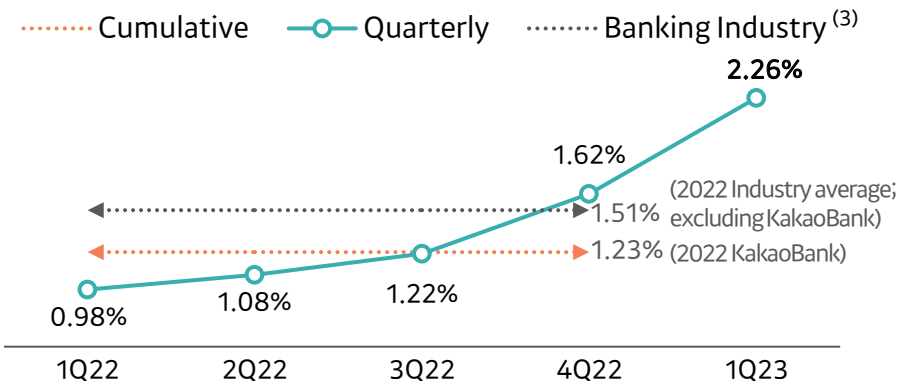
(Wtn)



Low-Cost Deposits Portion⁽¹⁾



Funding Cost⁽²⁾



Note: (1) Bank of Korea Financial Market Trend - Money Market Deposits portion from total bank deposits
 (2) Average interest rate on deposits
 (3) Financial Statistics Information System - Average of 14 banks excluding specialized banks

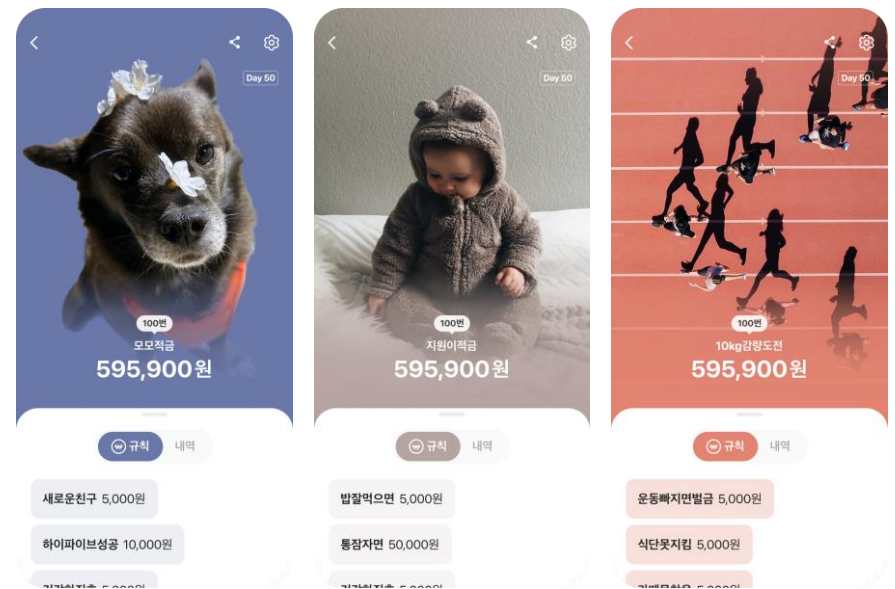
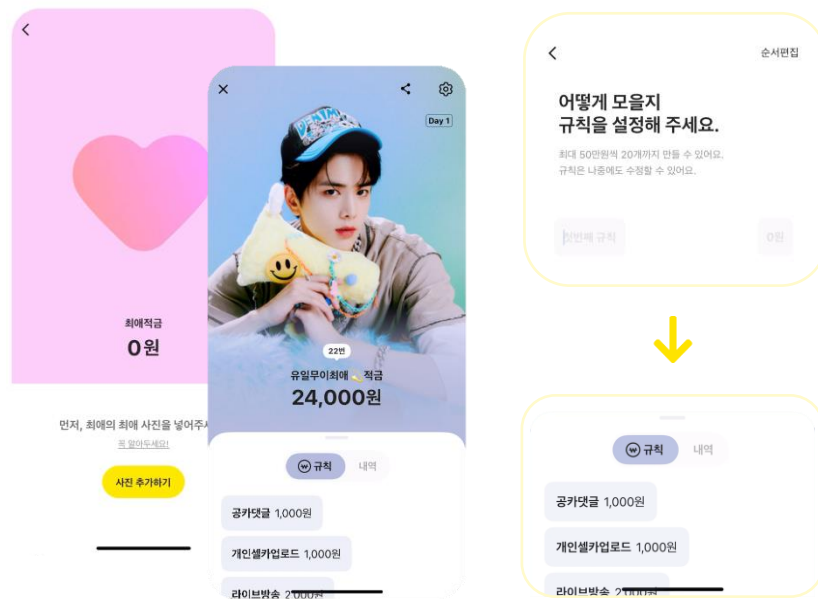
IV. Banking Biz : Deposit (2/2)

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Newly launched “Journal Account”, a differentiated deposit product like group account and 26-wk savings, to add strength to funding efficiency

1st Journal Account “My Favorites Savings” (April)

Plan to expand into various lifestyle services



Select bank account cover image, freely set and edit rules and deposit amount, share on SNS

→ Providing life + finance combined service by reinterpreting financial products

Pet

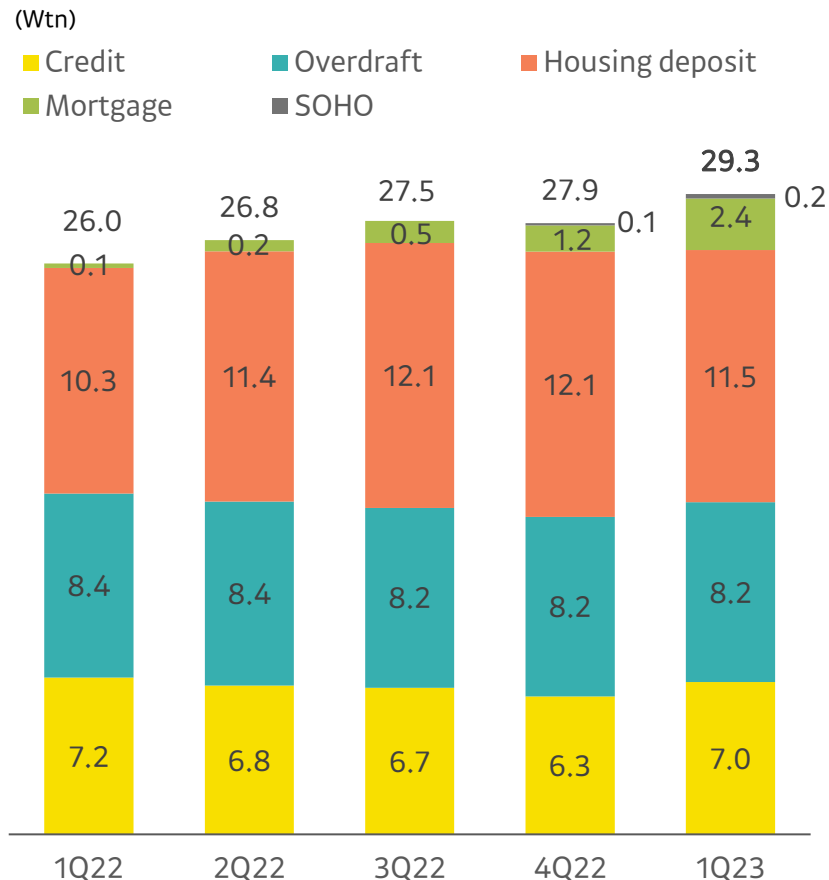
Baby

Work out

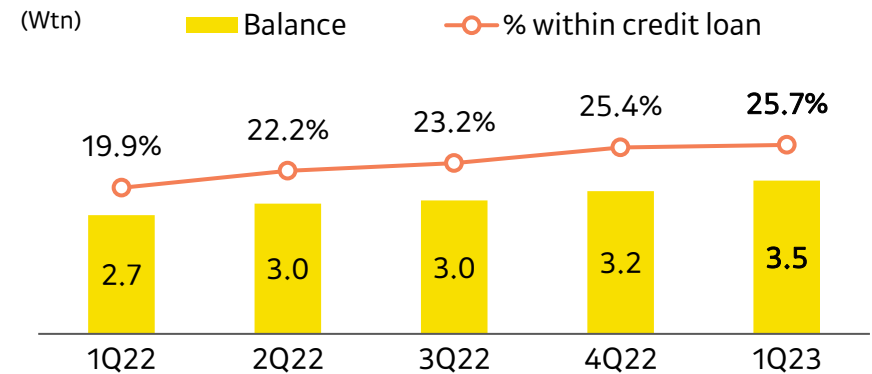
IV. Banking Biz : Loan (1/2)

Loan balance YoY +13%, QoQ +5%, thanks to robust mortgage growth and credit loan balance turn to net increase in 6 quarters, NIM decreases as LDR (loan to deposit ratio) declines from deposit growth

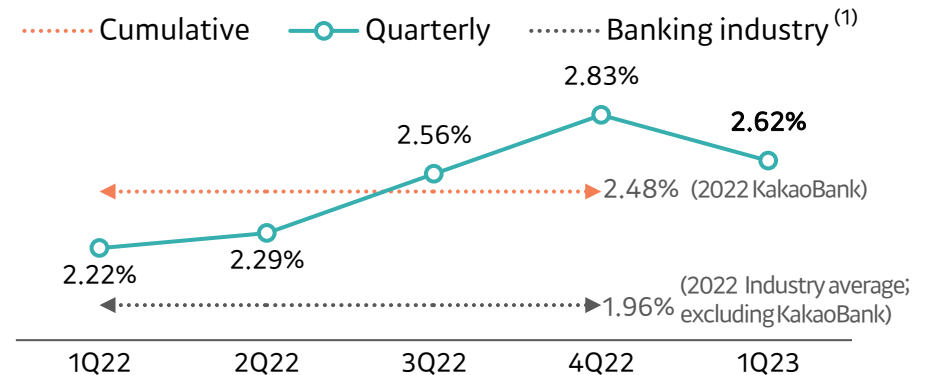
Loan Balance Trend & Breakdown



Mid-Credit Loan



Net Interest Margin



Note: (1) Financial Statistics Information System - Average of 14 banks excluding specialized banks

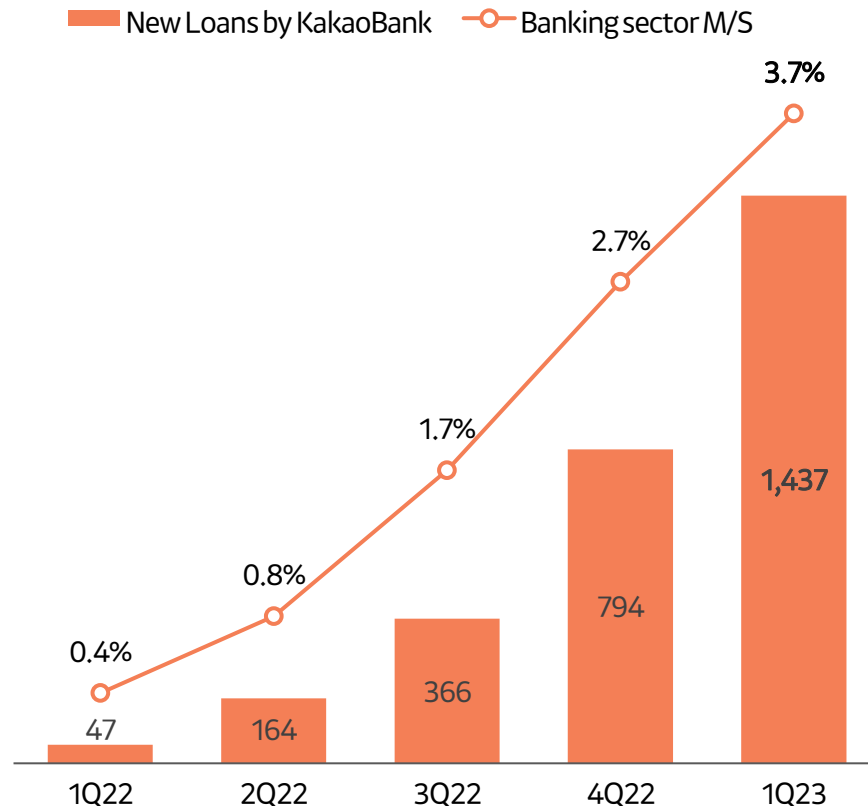
IV. Banking Biz : Loan (2/2)

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Mortgage balance reached W2.4tn in 1-yr after launch; Pioneered online mortgage market with convenience and competitive rates & M/S to improve with mortgage market coverage expansion

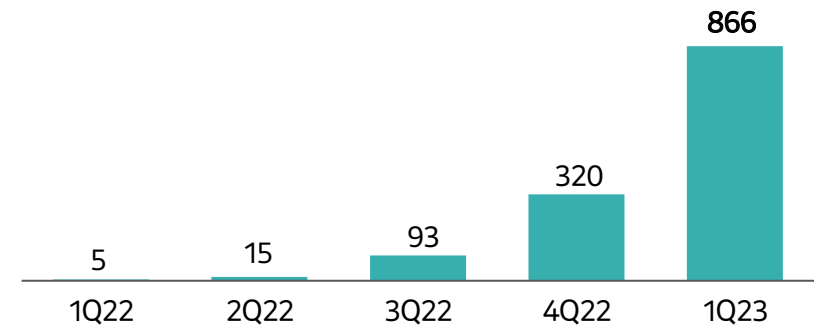
KakaoBank Mortgage Loan and M/S

(Wbn)

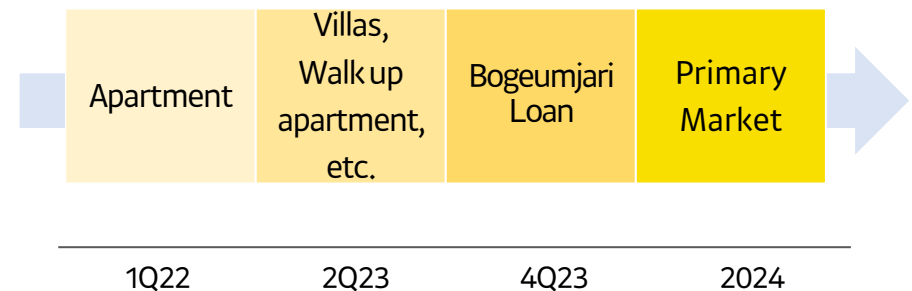


Mortgage Balance for Refinancing Purpose

(Wbn)

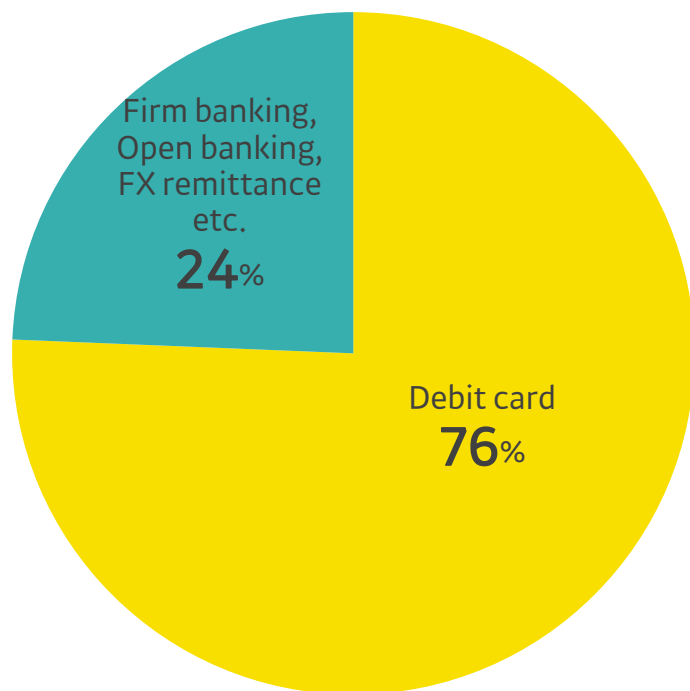


KakaoBank Mortgage Market Coverage Expansion



Fee revenue YoY +12%, QoQ +6% thanks to increased debit card transaction value

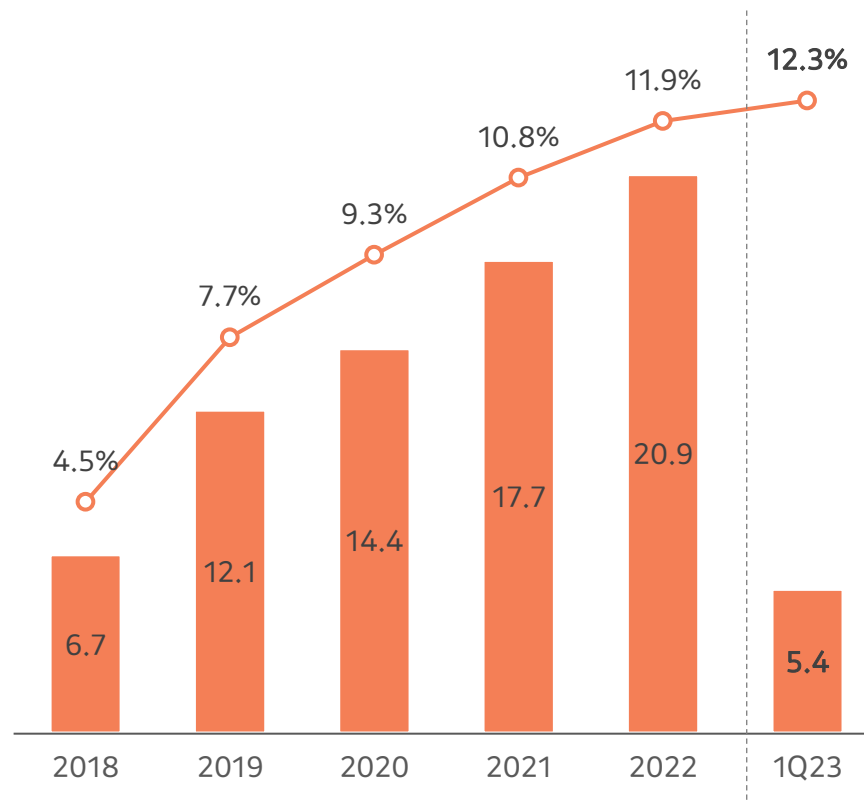
Fee Biz Breakdown



Debit Card Transaction Value ⁽¹⁾ and M/S Trend

(Wtn)

Transaction value M/S



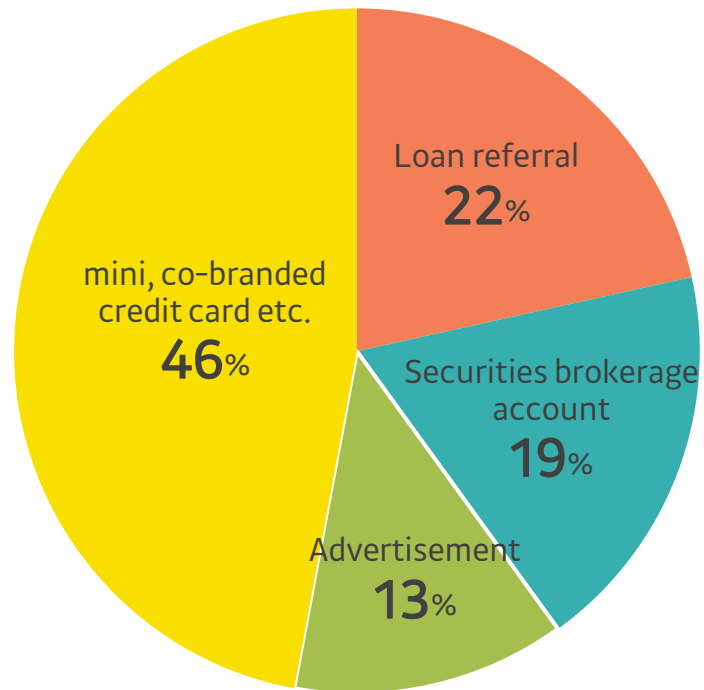
Note: (1) Credit Finance Association - Based on transaction value of domestic and foreign debit card

VI. Platform Biz (1/5)

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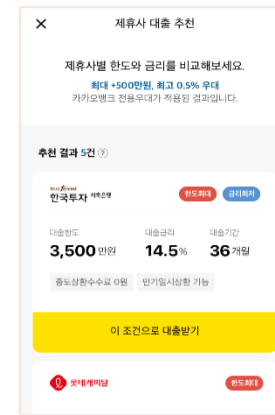
Platform revenue YoY -30%, QoQ +8% improved thanks to diversified portfolio with ad biz despite difficult macro environment

Platform Biz Breakdown

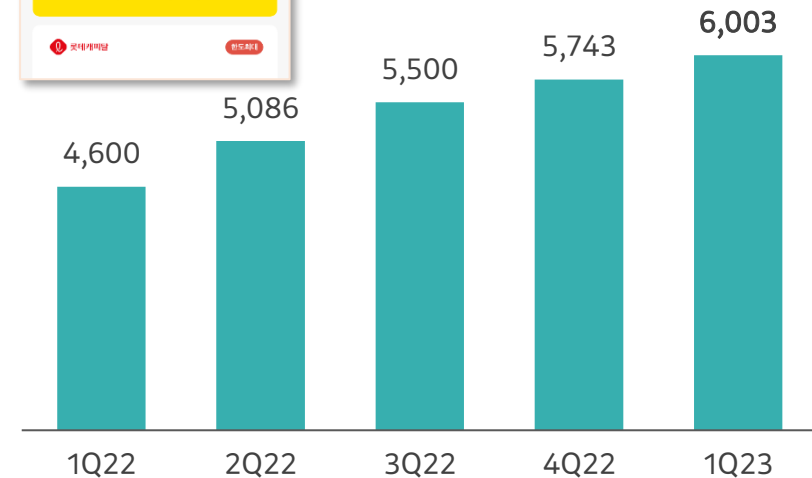


(1) Loan Referral

(Wbn; cumulative)



YTD
+5%
(22 partners)
※JB Bank added in Jan



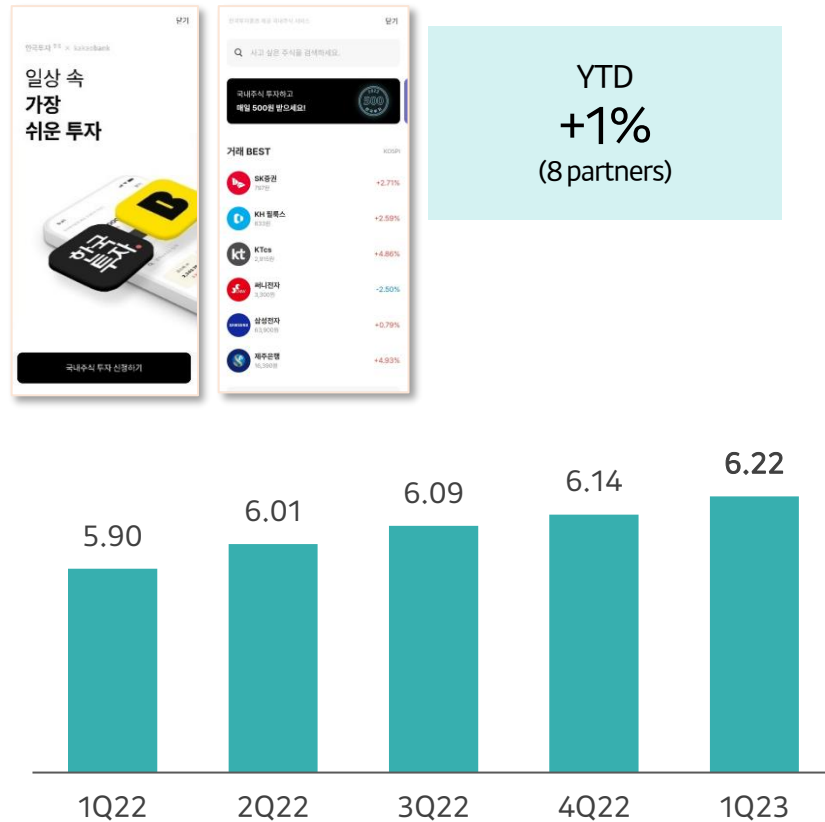
VI. Platform Biz (2/5)

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Domestic stock trading service launched in Dec 2022; to expand investment instruments

(2) Securities Brokerage account

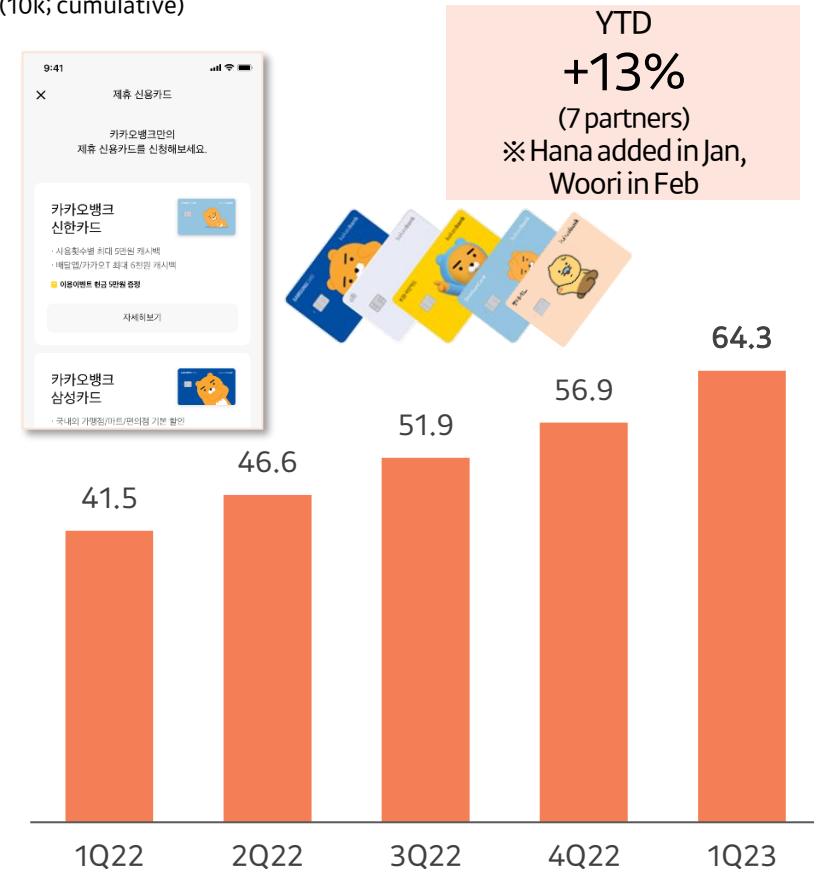
(mn account; cumulative)



640k exclusive co-branded credit cards issued

(3) Co-branded Credit Card

(10k; cumulative)

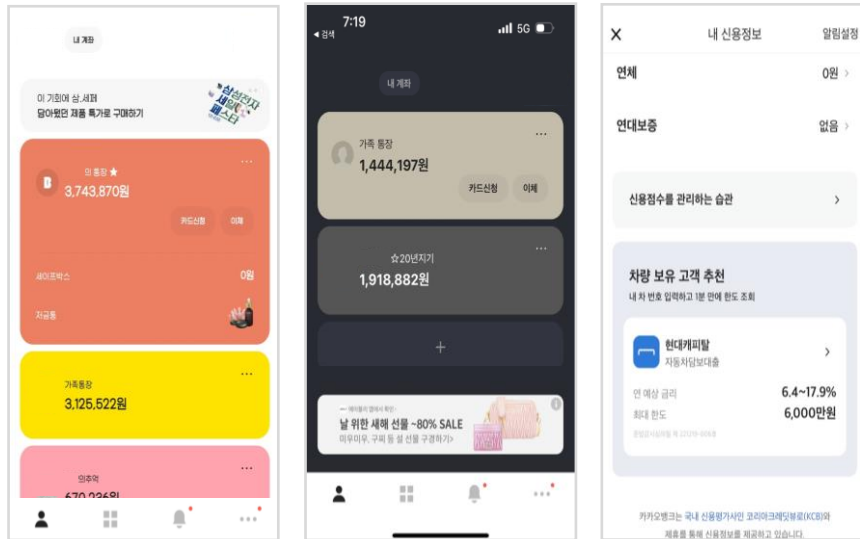


VI. Platform Biz (3/5)

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Proven power as an advertisement platform backed by high traffic and wide customer base

(4-1) Advertisement inventory

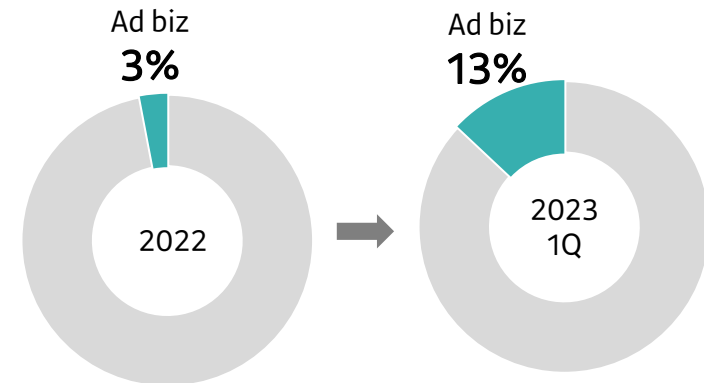


Premium ads

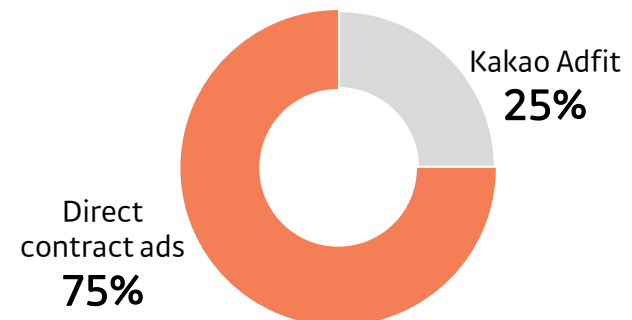
Kakao Adfit ads

Loan ads

(4-2) Advertisement : % within platform revenue



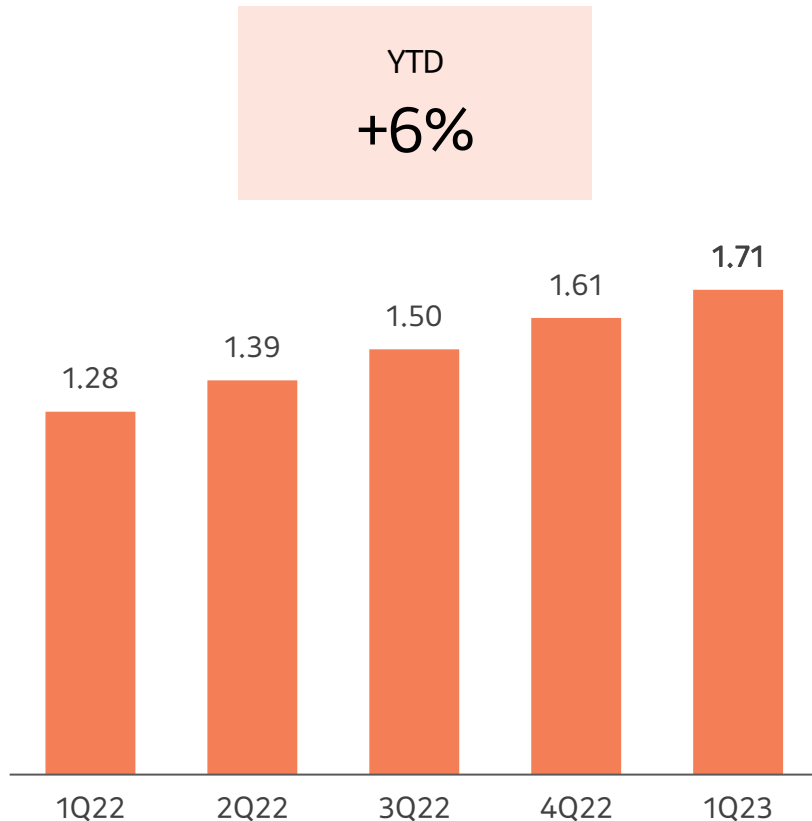
(4-3) Advertisement: Revenue composition



KakaoBank becomes primary bank for teens as mini customers reach 1.71mn cumulatively
Transaction value increased QoQ +12% while user base grew QoQ +6%

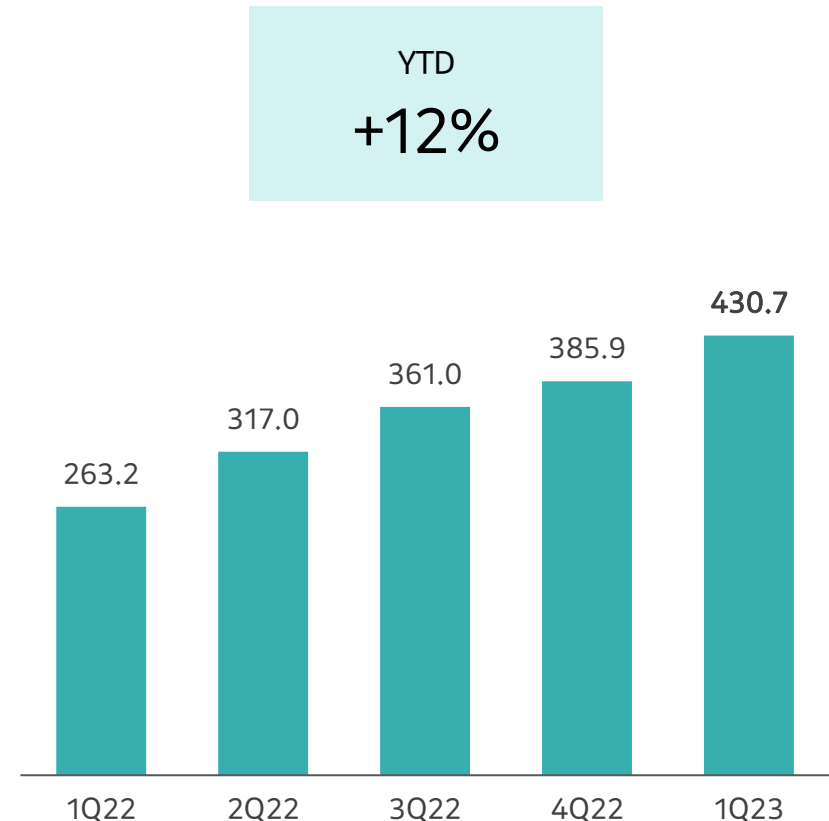
(5-1) mini Users

(mn customers; cumulative)



(5-2) mini Transaction Value

(Wbn; quarterly)

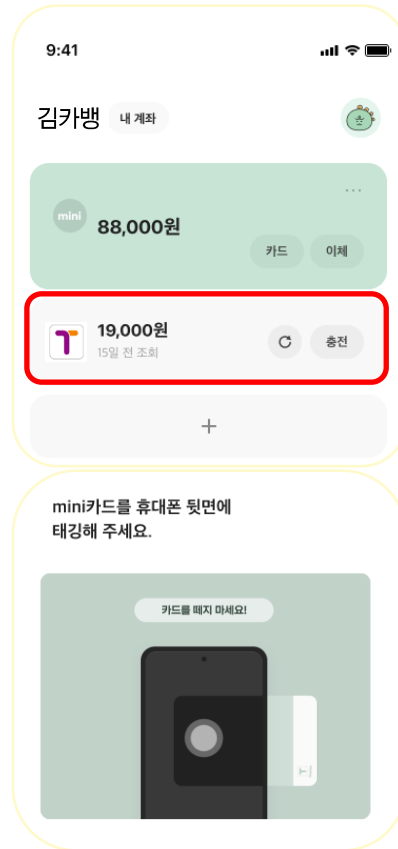
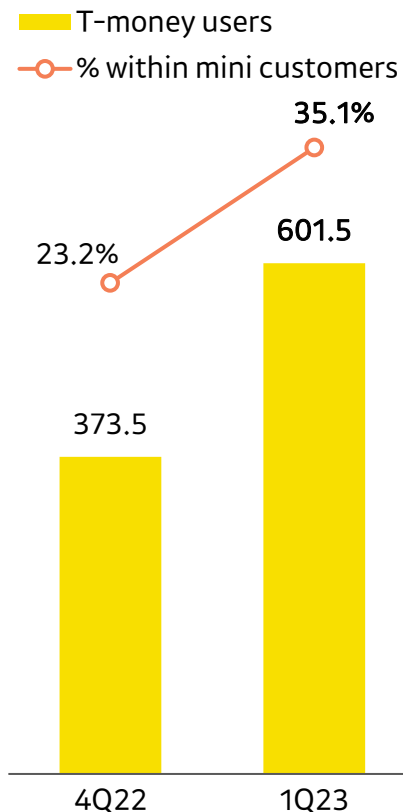


T-money top-up used by 35%(600k mini users) 4 months after launch

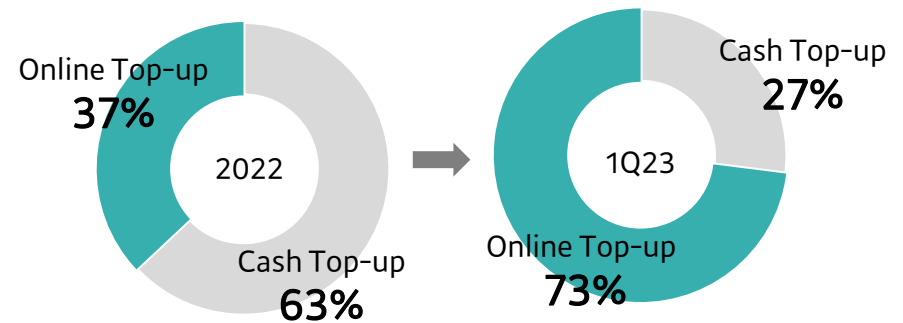
T-money top-up service is replacing cash top-up, strengthening app traffic

(5-3) Increasing mini T-money top-up service users

(thousand customers; cumulative)



(5-4) mini card T-money top-up service type



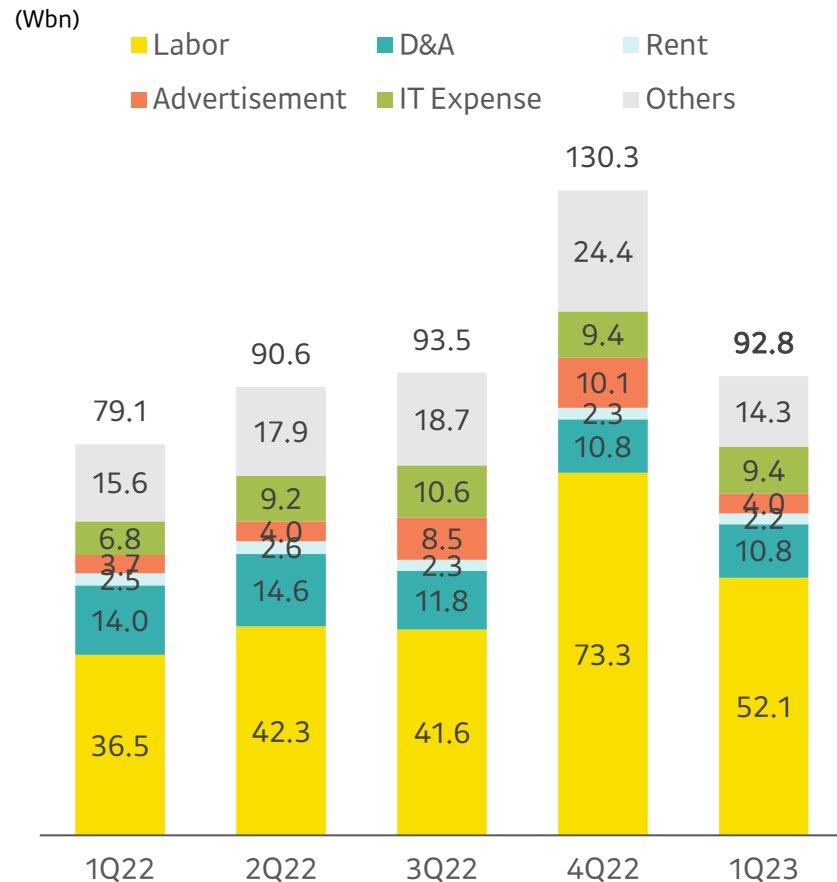
Public transport users via mini card grew YoY +78%,
 mini card T-money service replacing cash top-up
 → Online top-up via Kakaobank App

Laying foundation for expanding platform
 business to mini users by strengthening
 mobile usability

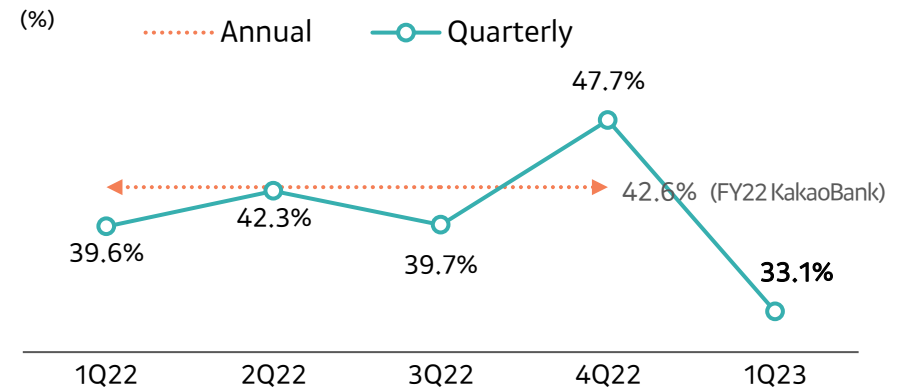
VII. SG&A and CIR

Stable SG&A thanks to normalized costs; CIR shows big improvement due to cost stabilization

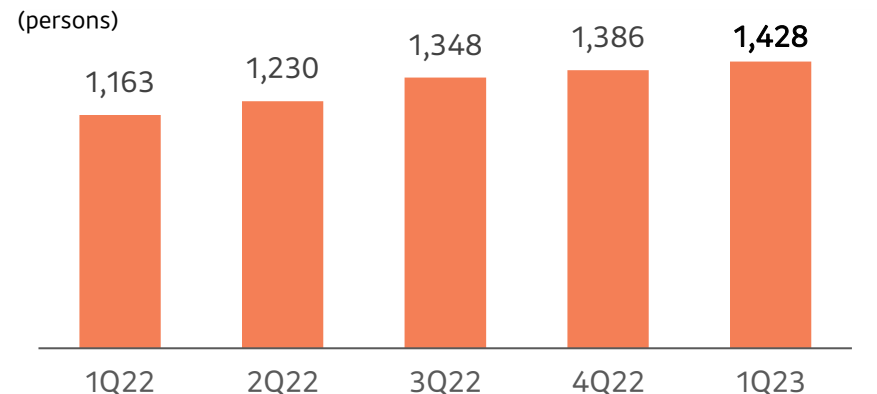
SG&A



CIR(Cost to Income Ratio)



Number of Employees

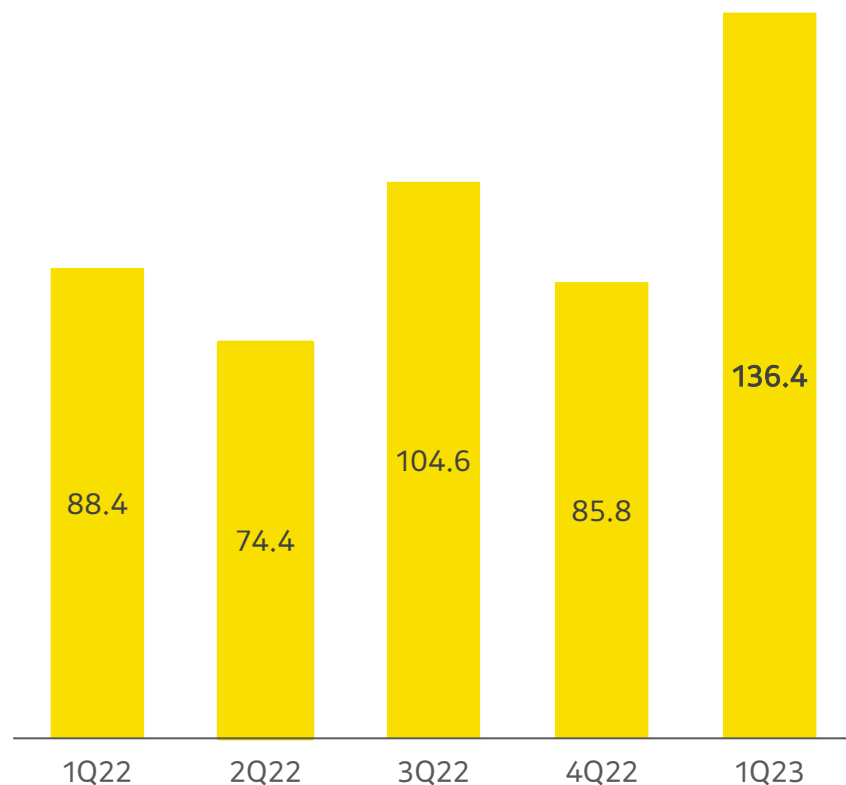


VIII. Operating profit and ROE, ROA

Operating profit YoY +54%, QoQ +59%;
Steady improvement in ROE & ROA thanks to increased profit

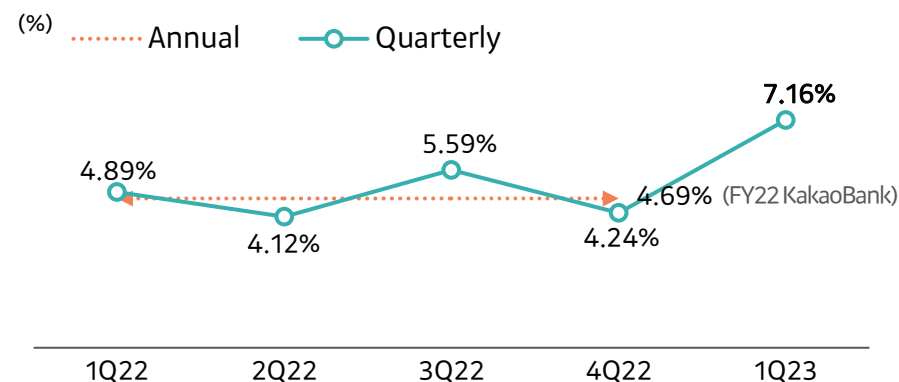
Operating Profit

(Wbn)

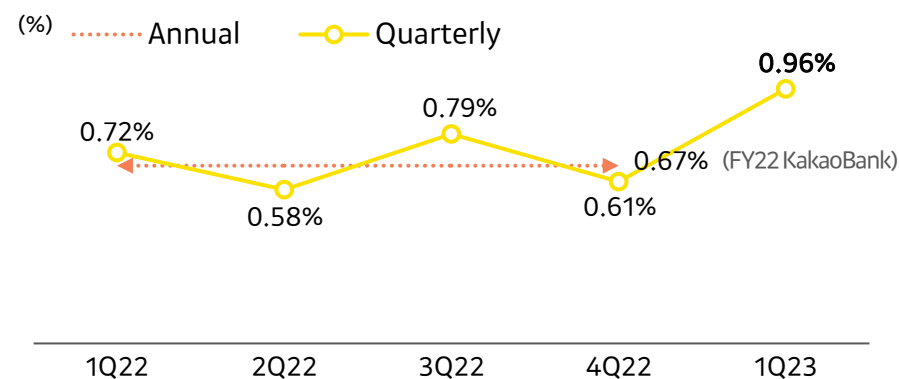


Note: (1) Annualized

ROE⁽¹⁾



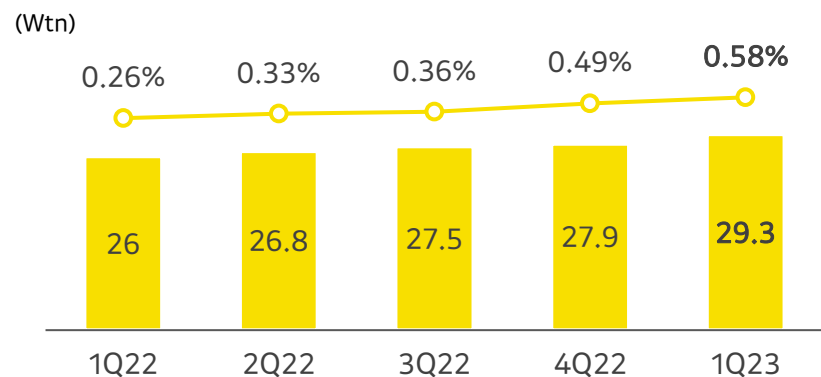
ROA⁽¹⁾



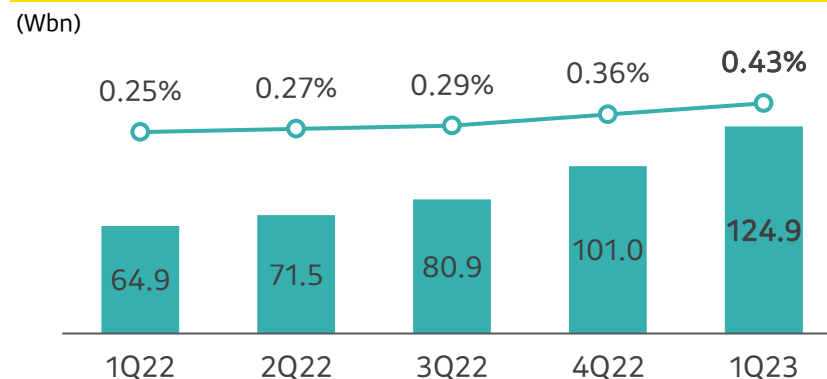
IX. Asset Quality

Delinquency rate and NPL ratio slightly increased

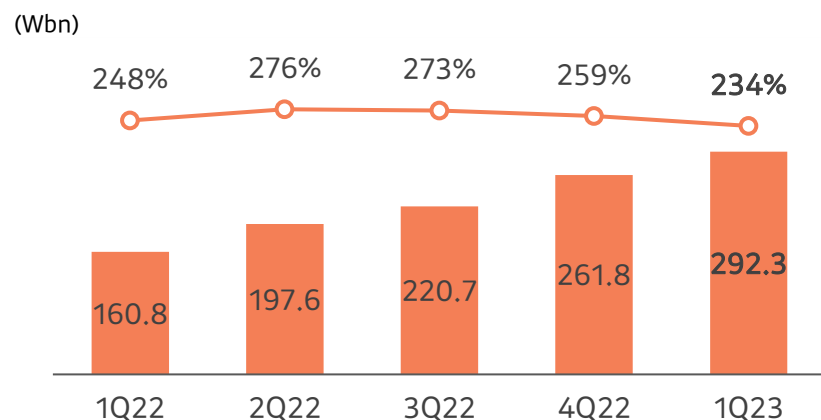
Total Loans & Delinquency Rate



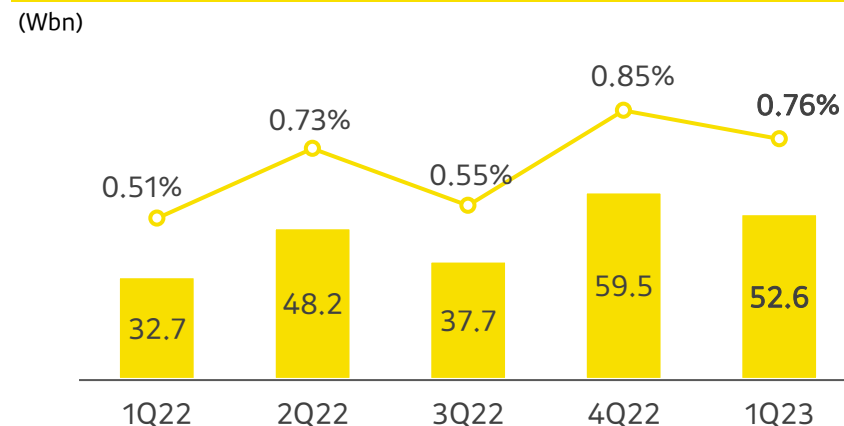
SBL & NPL Ratio



Loan Loss Allowance & Coverage Ratio⁽¹⁾



Provisioning & Credit Cost Ratio⁽²⁾



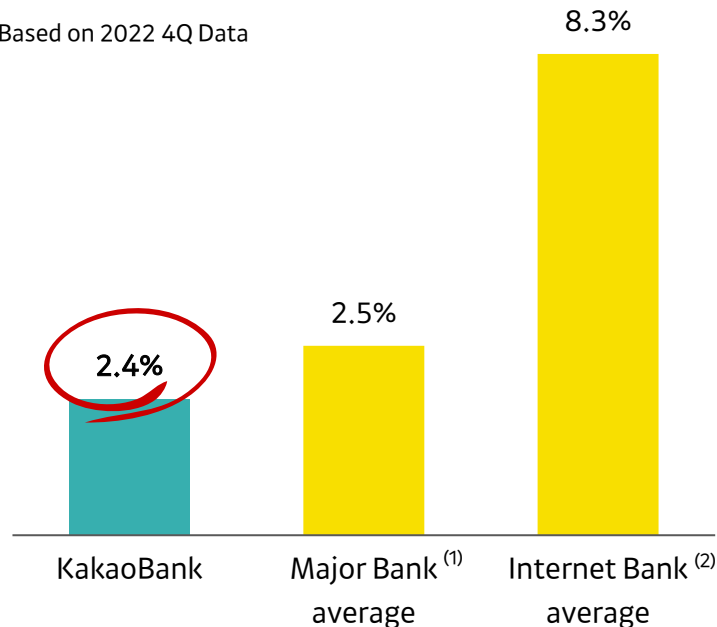
Note: (1) NPL coverage ratio = Loan Loss Allowance / Substandard or Below Loans
(2) Credit Cost Ratio = Provision for credit losses / Average balance of total outstanding credits

Maintaining high level of capital soundness through stable asset management;
Securing solid funding base by strengthening customer base

Valuation Loss on FVOCI to Total Equity

- ◆ Recorded lowest level valuation loss on FVOCI to total equity ratio through stable asset management
- ◆ Valuation loss to equity ratio decreased to 1.3% by 1Q23, maintaining high level of capital soundness

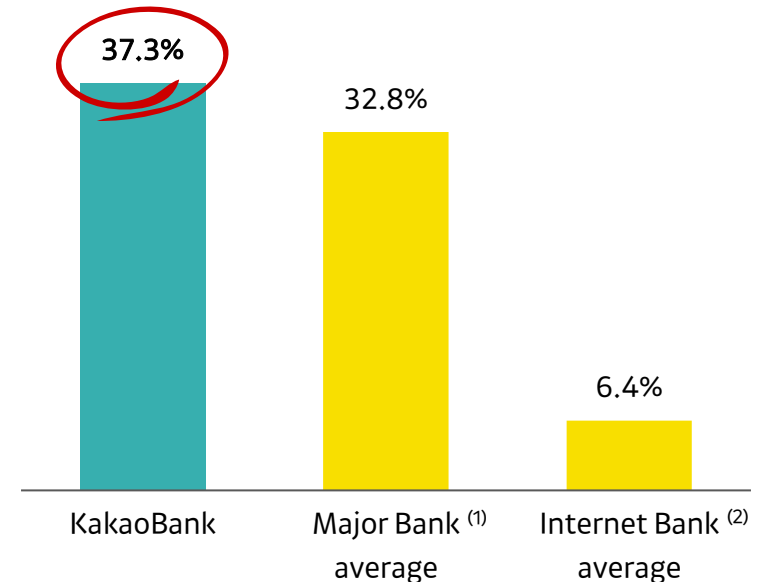
※ Based on 2022 4Q Data



Stable Deposit Proportion

- ◆ Highest stable deposit proportion ⁽³⁾ within bank industry, which indicates close relationship between customer and bank though payroll transfer, card transaction etc.
- ◆ Proportion of stable deposit increased to 37.6% by 1Q23, proving customer trust and deposit stability

※ Based on 2022 4Q Data



Note: (1) KB/Hana/Shinhan/Woori bank average (KB includes valuation gains on KakaoBank shares)
(2) K bank / Toss bank average
(3) Protected deposit out of the total deposit of the account holder with 'close relationship' with the bank. 'Close relationship' refers to meeting 2 conditions out of 4 (holding a payroll account, loan account, payment card with track record, more than 3 automatic transfers registered)

[Reference] Key ESG achievement

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To acquire environmental management system certificate ISO 14001 in May 2023 as the first digital bank;
Achieved BBB rating in 2022 MSCI ESG assessment, one notch higher vs. previous year

ISO 14001 certificate due



ISO 14001 is an international standard for environmental management system established by the International Organization for Standardization

- ✓ KakaoBank managed environmental aspects according to ISO14001 requirements, met compliance & obligations and established a management system to deal with environmental risk and opportunities
- ✓ We plan to conduct periodic certification reviews such as risk, compliance and environmental impact assessment in order to maintain management system

MSCI ESG assessment grade improved



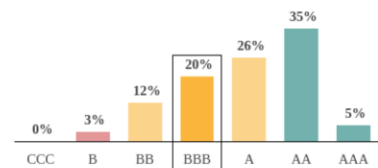
MSCI ESG assessment is recognized as one of the world's most trusted indices for ESG and more than 8,500 companies worldwide are evaluated

ESG Rating history



ESG Rating distribution

Universe: MSCI ACWI Index constituents, Banks, n=197



- ✓ KakaoBank achieved BBB rating one level higher than last year, especially scoring 8/10 in corporate governance item
 - Comment on Corporate Governance item:
 - The company falls into the highest scoring range relative to global peers, reflecting governance practices that appear to be generally well aligned with investor interests.
- ✓ KakaoBank will thrive to improve major ESG ratings by taking active measures on all ESG aspects

X. Appendix : Income Statement

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(Wbn)	1Q23	1Q22	YoY		4Q22	QoQ	
Operating Revenue	560.5	338.4	<i>222.1</i>	<i>65.6%</i>	484.7	<i>75.8</i>	<i>15.6%</i>
Interest Revenue	451.5	264.2	<i>187.3</i>	<i>70.90%</i>	399.6	<i>51.9</i>	<i>13.0%</i>
Fee Revenue	45.5	40.5	<i>5.0</i>	<i>12.3%</i>	42.8	<i>2.7</i>	<i>6.3%</i>
Platform Revenue	17.7	25.3	<i>-7.6</i>	<i>-30.0%</i>	16.4	<i>1.3</i>	<i>7.9%</i>
Others	45.8	8.4	<i>37.4</i>	<i>445.2%</i>	25.8	<i>20.0</i>	<i>77.5%</i>
Operating Expense	373.1	218.0	<i>155.1</i>	<i>71.1%</i>	341.2	<i>31.9</i>	<i>9.3%</i>
Interest Expense	189.3	63.5	<i>125.8</i>	<i>198.1%</i>	122.2	<i>67.1</i>	<i>54.9%</i>
Fee & Platform Expense	47.7	40.1	<i>7.6</i>	<i>19.0%</i>	49.6	<i>-1.9</i>	<i>-3.8%</i>
Loan & Deposit related ⁽¹⁾	5.6	3.9	<i>1.7</i>	<i>43.6%</i>	7.9	<i>-2.3</i>	<i>-29.1%</i>
Non loan & Deposit related	42.1	36.2	<i>5.9</i>	<i>16.3%</i>	41.7	<i>0.4</i>	<i>1.0%</i>
CD/ATM	16.2	14.6	<i>1.6</i>	<i>11.0%</i>	15.8	<i>0.4</i>	<i>2.5%</i>
SG&A	92.8	79.1	<i>13.7</i>	<i>17.3%</i>	130.3	<i>-37.5</i>	<i>-28.8%</i>
Others	27.1	20.7	<i>6.4</i>	<i>30.9%</i>	23.3	<i>3.8</i>	<i>16.3%</i>
Provision for Credit Cost	51.0	32.0	<i>19.0</i>	<i>59.4%</i>	57.7	<i>-6.7</i>	<i>-11.6%</i>
Operating Profit	136.4	88.4	<i>48.0</i>	<i>54.3%</i>	85.8	<i>50.6</i>	<i>59.0%</i>
<i>% Operating Revenue</i>	24.3%	26.1%		<i>-1.8%pt</i>	17.7%		<i>6.6%pt</i>
Non-operating Income	0.1	0.1	<i>0.0</i>	<i>0.0%</i>	0.3	<i>-0.2</i>	<i>-66.7%</i>
Non-operating Expense	1.3	0.4	<i>0.9</i>	<i>225.0%</i>	2.6	<i>-1.3</i>	<i>-50.0%</i>
Pre-tax Profit	135.2	88.1	<i>47.1</i>	<i>53.5%</i>	83.5	<i>51.7</i>	<i>61.9%</i>
Net Profit	101.9	66.8	<i>35.1</i>	<i>52.5%</i>	60.6	<i>41.3</i>	<i>68.2%</i>
<i>% Operating Revenue</i>	18.2%	19.7%		<i>-1.5%pt</i>	12.5%		<i>5.7%pt</i>

Note: (1) Mortgage loan related commissions, credit fund fee, commission related to debt recovery and delegation

X. Appendix : SG&A

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(Wbn)	1Q23	1Q22	YoY		4Q22	QoQ	
SG&A	92.8	79.1	13.7	17.3%	130.3	-37.5	-28.8%
Labor Cost	52.1	36.5	15.6	42.7%	73.3	-21.2	-28.9%
D&A	10.8	14	-3.2	-22.9%	10.8	0.0	0.0%
IT Expense	9.4	6.8	2.6	38.2%	9.4	0.0	0.0%
Rent	2.2	2.5	-0.3	-12.0%	2.3	-0.1	-4.3%
Advertisement	4.0	3.7	0.3	8.1%	10.1	-6.1	-60.4%
Others	14.3	15.6	-1.3	-8.3%	24.4	-10.1	-41.4%

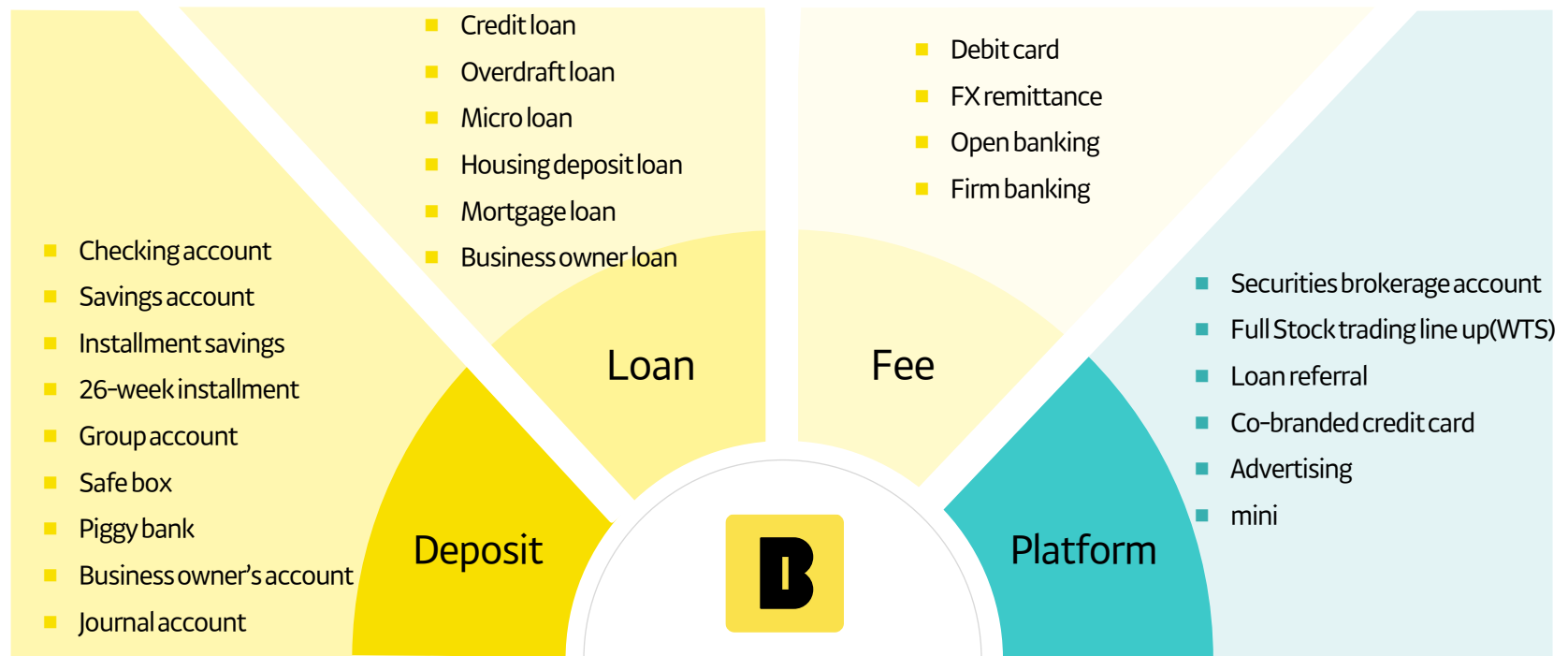
X. Appendix : Balance Sheet

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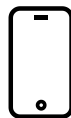
(Wbn)	2023.03	2022.12	YoY %	2022.03	QoQ %
Total Asset	46,846.3	39,516.1	18.5%	39,205.1	19.5%
Cash & Cash Equivalent	4,405.8	1,381.5	218.9%	2,098.8	109.9%
Financial assets at FV through profit or loss	3,458.3	1,324.4	161.1%	1,753.2	97.3%
Financial Investments	8,622.0	7,686.9	12.2%	7,727.2	11.6%
Loan	29,338.0	28,053.4	4.6%	26,685.7	9.9%
Tangible Assets	165.7	172.9	-4.2%	155.0	6.9%
Intangible Assets	28.7	28.2	1.8%	33.9	-15.3%
Other Assets	827.8	868.8	-4.7%	751.3	10.2%
Total Liabilities	41,020.1	33,801.0	21.4%	33,652.5	21.9%
Deposit	40,230.6	33,055.8	21.7%	33,041.4	21.8%
Provision Liability	38.9	35.6	9.3%	30.5	27.5%
Other Liabilities	750.6	709.6	5.8%	580.6	29.3%
Total Equity	5,826.2	5,715.1	1.9%	5,552.6	4.9%
Share Capital	2,383.8	2,383.6	0.0%	2,381.0	0.1%
Capital Surplus	2,986.8	2,986.8	0.0%	2,957.7	1.0%
Capital Adjustments	10.2	-6.7	NA	23.9	-57.3%
AOCI	-56.2	-102.0	NA	-67.1	NA
Retained Earnings	501.6	453.4	10.6%	257.1	95.1%

X. Appendix : Our broad product offering

Highly expandable financial platform with banking and platform services all in one app



ALL in One App



100% Mobile



Intuitive UI/UX



User Utility