

KakaoBank

4Q 2023 Earnings Release

Feb 2024

kakaobank

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Disclaimer

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Operating profit reached W478.5bn(YoY +35%) thanks to resilient loan growth and disciplined cost management; Laid foundation for platform business by expanding customer-base and MAU (monthly active users)

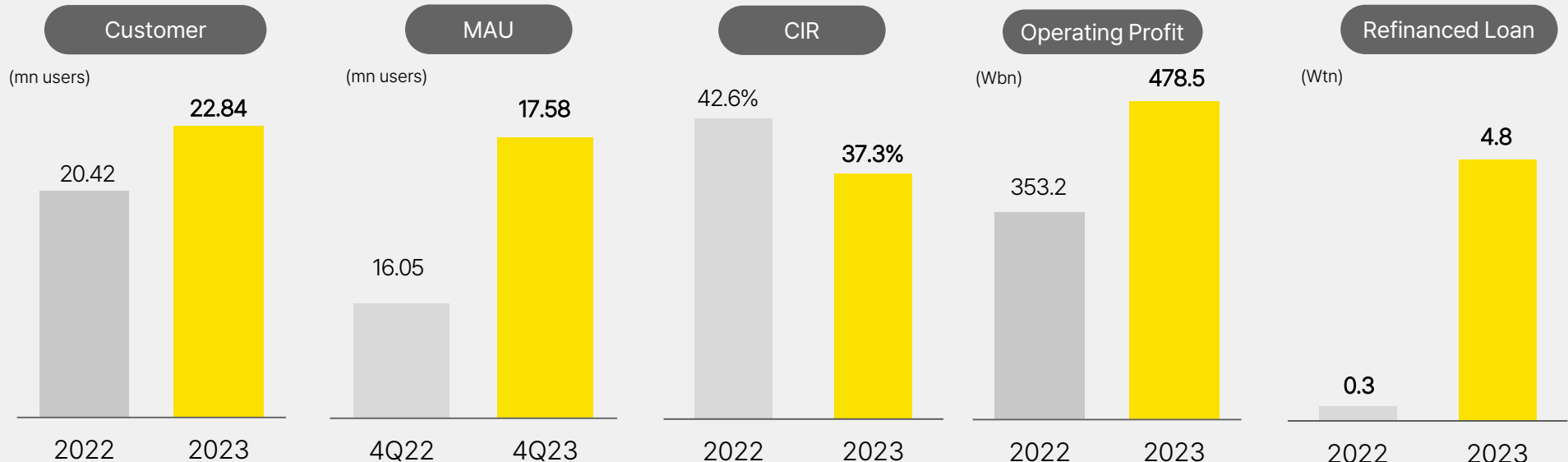
New Customers
+2.42mn
(YoY)

MAU Growth
+1.53mn
(YoY)

CIR
-5%p
(YoY)

Operating Profit
+35%
(YoY)

Mortgage Refinanced
W4.8tn
Total Loan YoY +39%
driven by refinancing



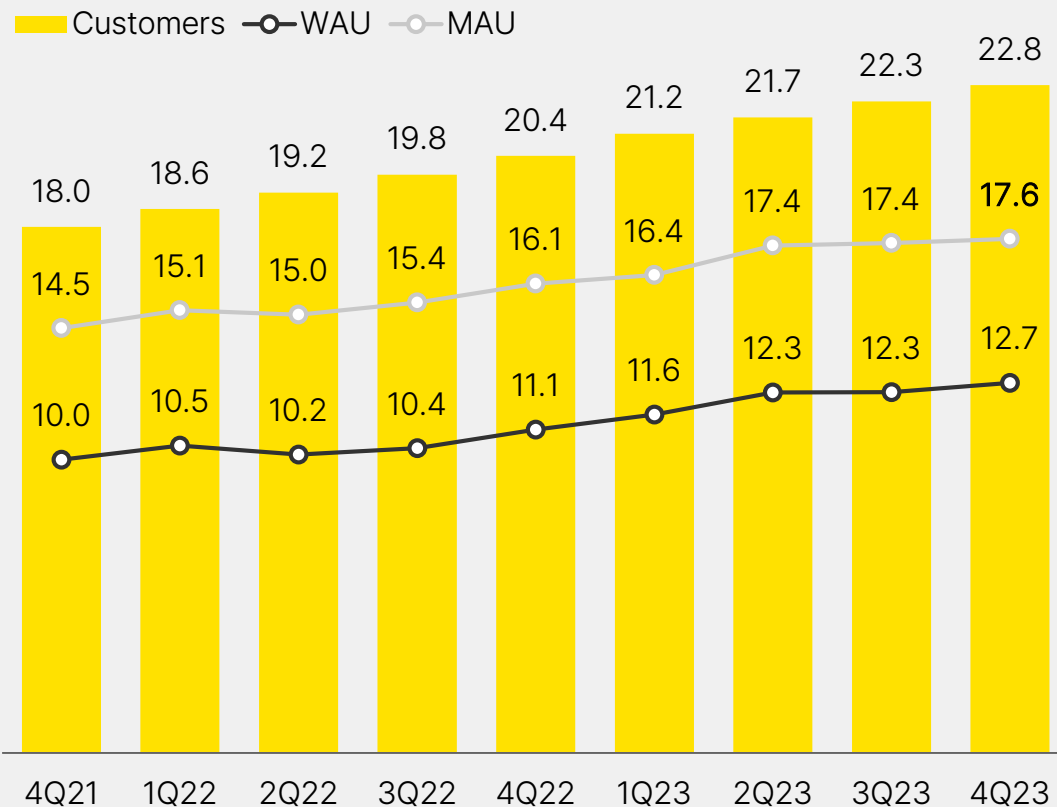
II. Customer Base

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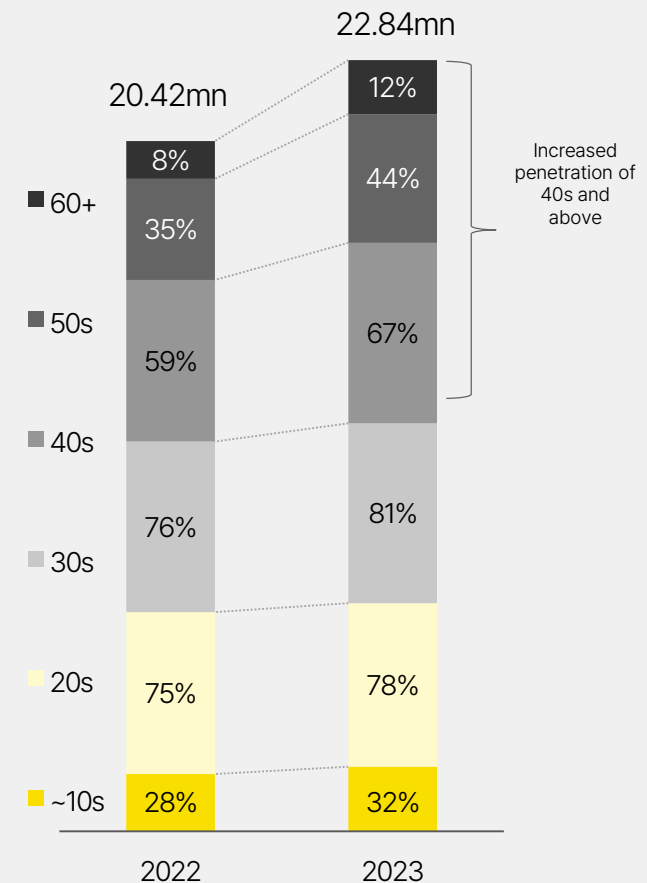
Customer base grew YoY +11.8%(+2.42mn) to 22.84mn customers, thanks to increased penetration across all age groups; MAU and WAU slightly up QoQ at 17.58mn and 12.66mn respectively

WAU, MAU⁽¹⁾ and Customer

(mn users)



Penetration by Age Group⁽²⁾



Source: Nielsen Media Korea Digital Data, Company data

Note: (1) Quarterly average MAU

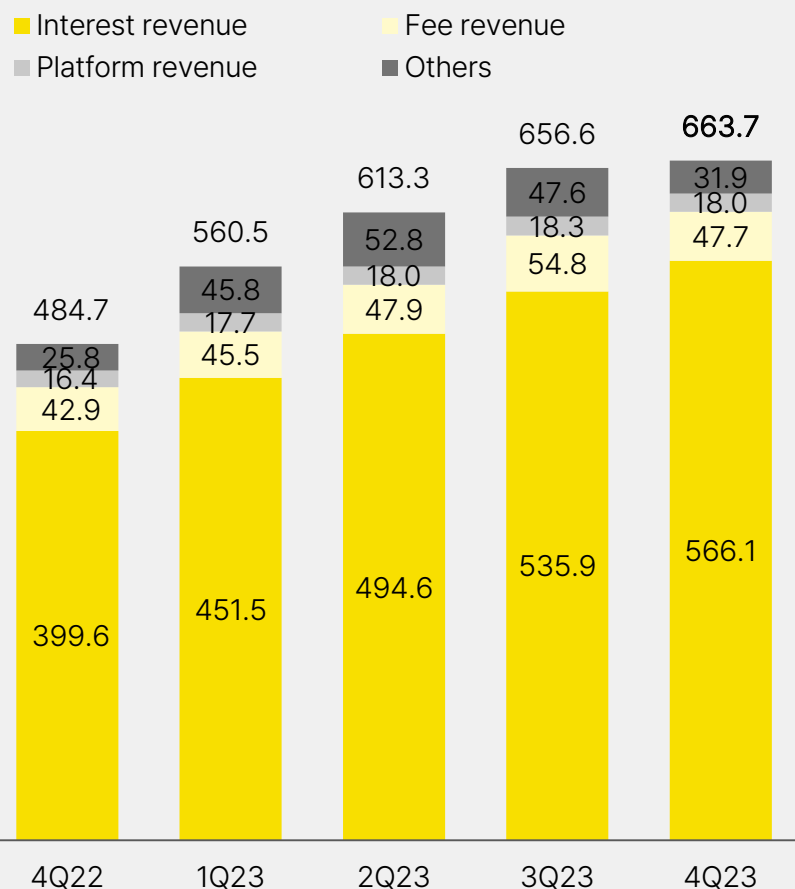
(2) Ministry of the Interior and Safety population by age group, ~10s population is based on 7~19 year old

III. Operating Revenue

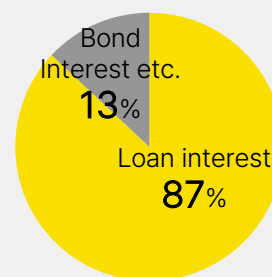
Operating revenue YoY +37%, QoQ +1%, thanks to interest revenue growth;
Other operating revenue down QoQ as higher loan-to-deposit ratio resulted in reduced financial assets

Operating Revenue

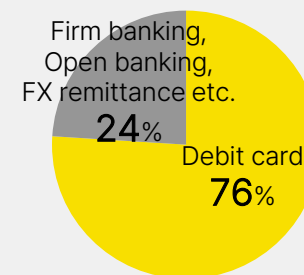
(Wbn)



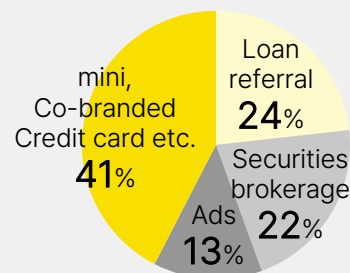
Key Components(2023)



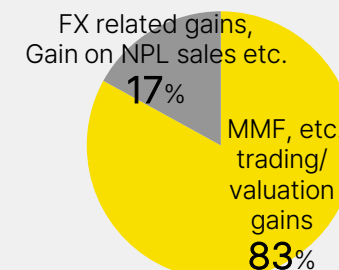
Interest revenue



Fee revenue



Platform revenue



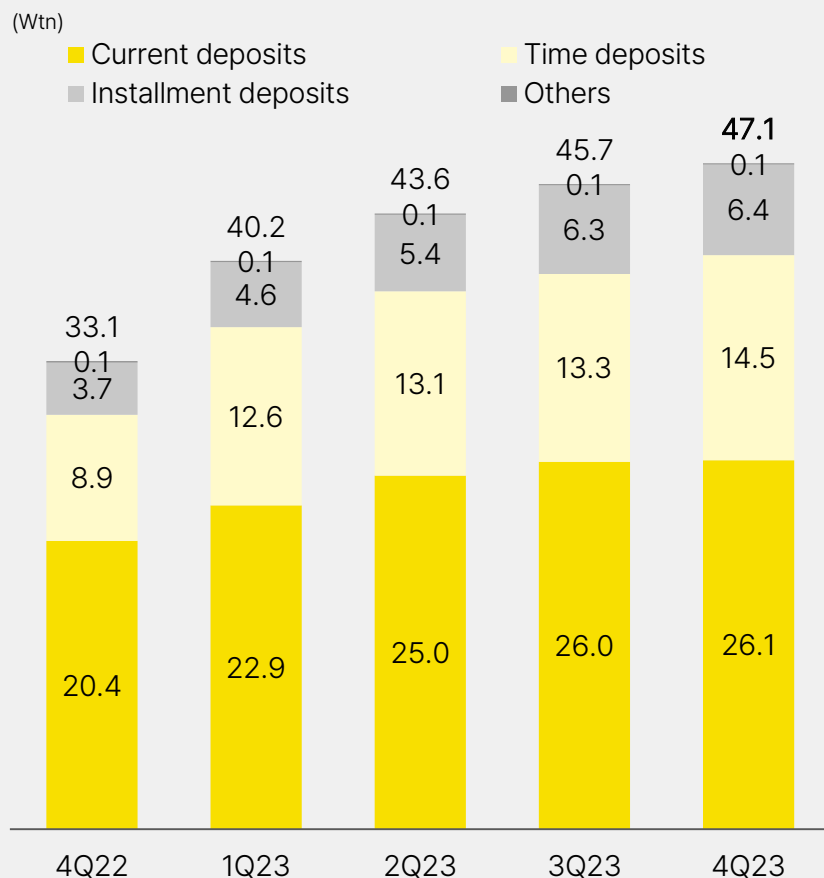
Others

IV. Banking Biz : Deposit (1/2)

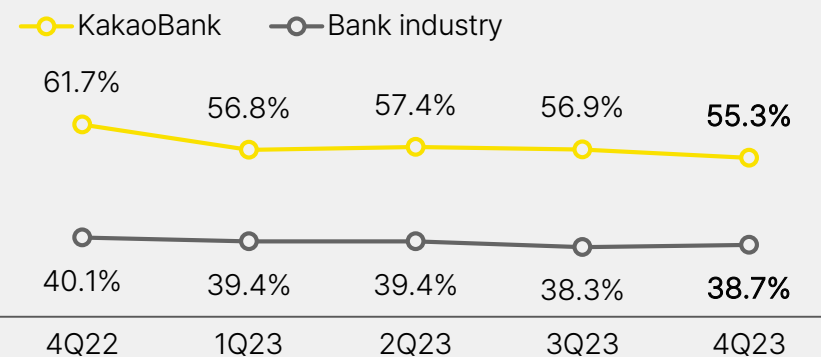
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Deposit balance YoY +42%, QoQ +3%; Competitive low-cost deposit portion against peers

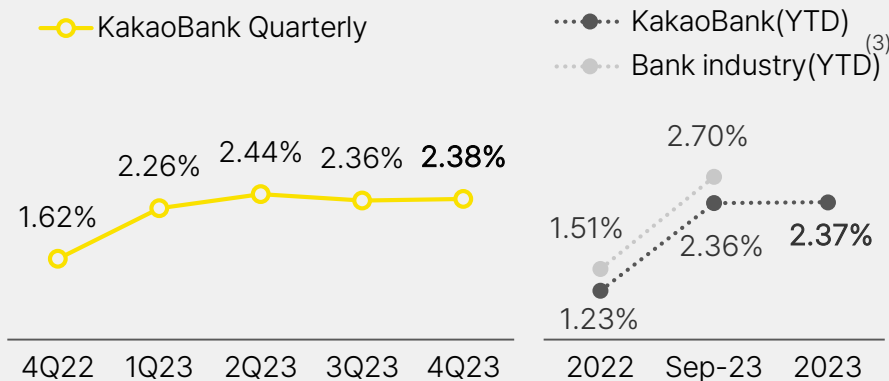
Deposit Balance Trend & Breakdown



Low-Cost Deposit 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

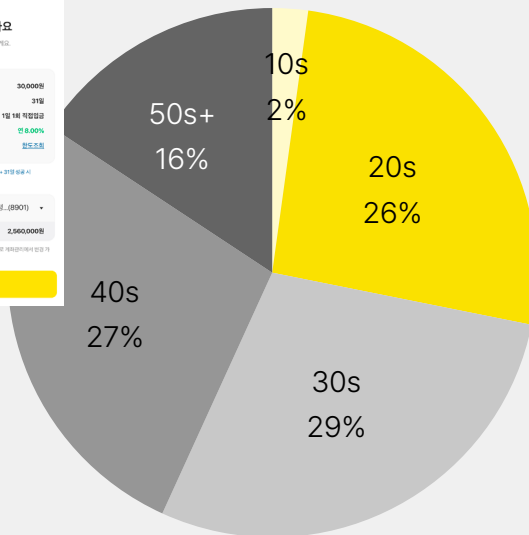
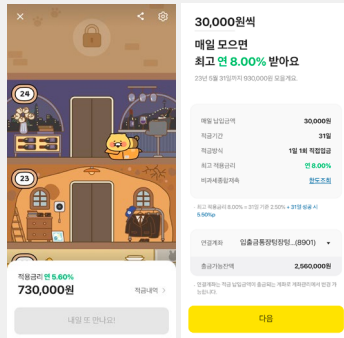
(3) Financial Statistics Information System - Average of 14 banks excluding specialized banks

IV. Banking Biz : Deposit (2/2)

New signature product 'One Month Savings' reached 1 mn customers in 25 days since Oct 2023 launch
New customers increased by 66% after product launch contributing to deposit growth and customer base

'One Month Savings' Customers and Age Group

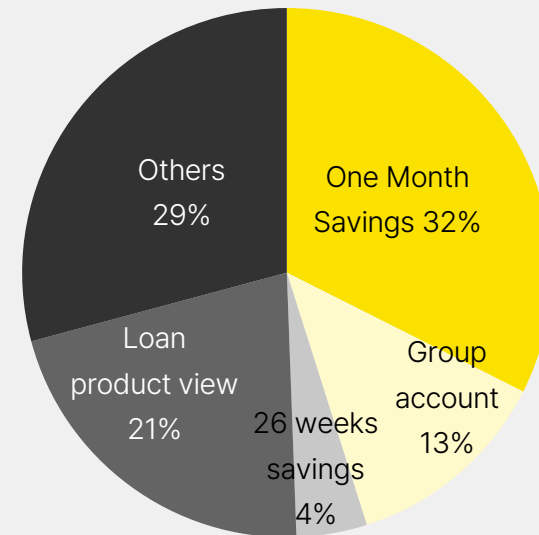
- Surpassed 1 mn users 25 days after launch
※ 1.36 million cumulative users by Dec 2023
- New signature product loved by all age group from 20s to over 50s⁽¹⁾



New Customer Inflow from 'One Month Savings'⁽²⁾

New Customer inflow
+66%
after launch

% of new customers signing
up for 'One Month Savings'
as their first service
32%



Note: (1) Based on cumulative users as of Dec 31, 2023

(2) Comparison between 1 month before 'One Month Savings' launch(23rd Sep ~ 22nd Oct 2023) and 1 month after launch (23rd Oct ~ 22nd Nov 2023)

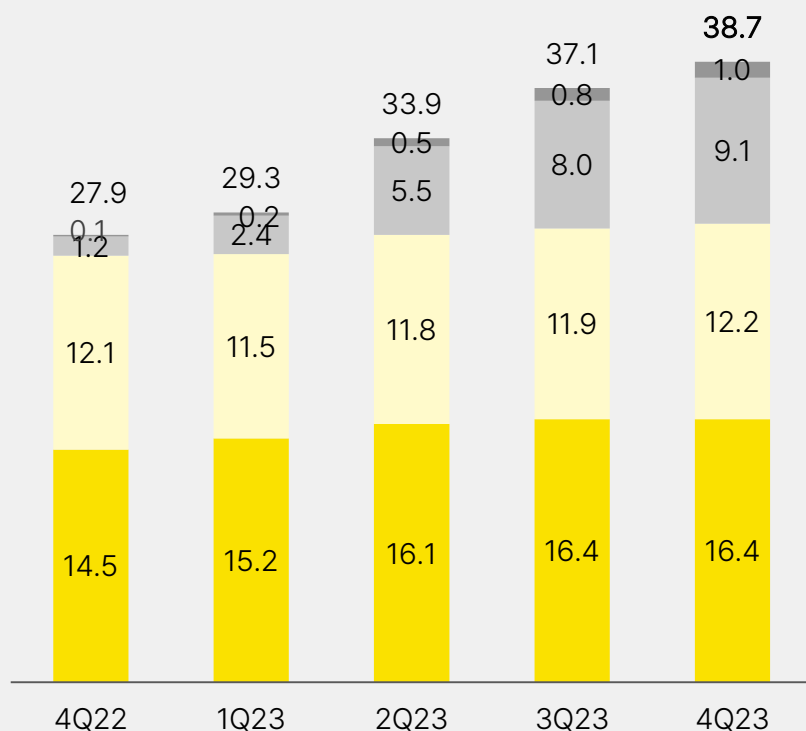
IV. Banking Biz : Loan (1/2)

Loan balance YoY +39%, QoQ +4% thanks to growth across all loan segments;
NIM increased QoQ +5bp thanks to higher loan-to-deposit ratio

Loan Balance Trend & Breakdown

(Wtn)

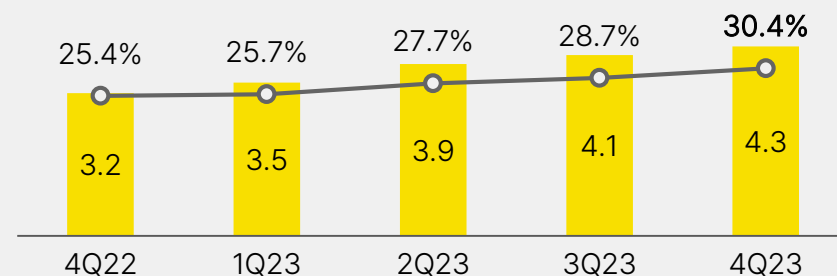
■ Credit+Overdraft ■ Housing deposit ■ Mortgage ■ SOHO



Mid-Credit Loan

(Wtn)

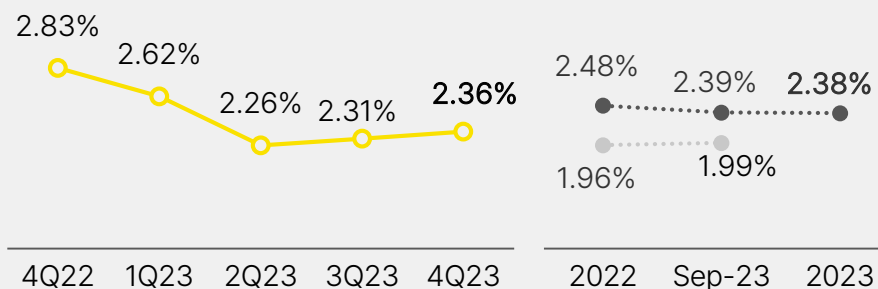
■ Balance —○ % within credit loan



Net Interest Margin (NIM)

○ KakaoBank Quarterly

● KakaoBank(YTD) ⁽¹⁾
● Bank industry(YTD)



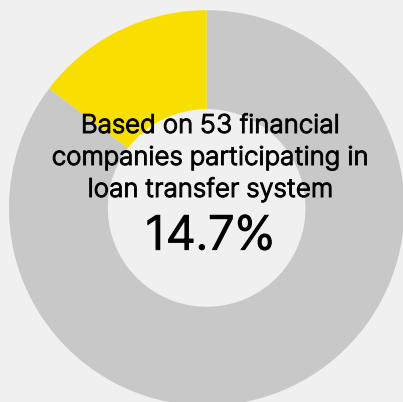
Note: (1) Financial Statistics Information System – Average of 14 banks excluding specialized banks

IV. Banking Biz : Loan (2/2)

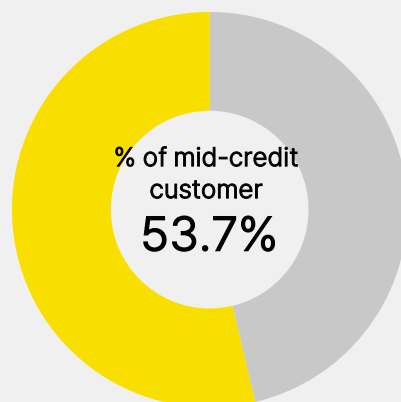
Expanding into loan refinancing service with competitive interest rate based on low-cost funding
Increase customer-base for refinancing as the service expands from credit → mortgage → housing deposit loan

'Credit Loan Refinancing Service' (May 2023 launch)

<KakaoBank M/S⁽¹⁾>



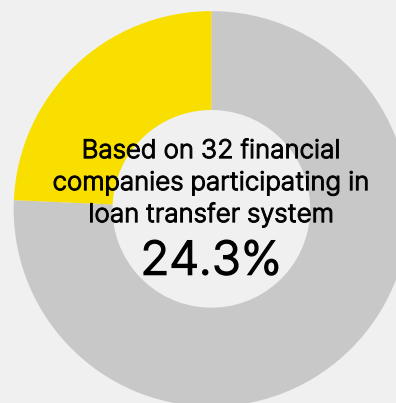
<Credit rating breakdown>



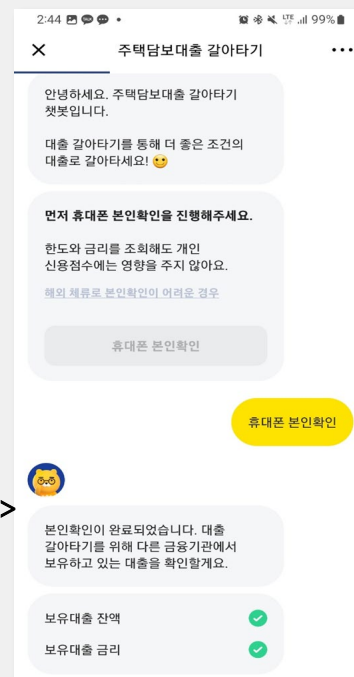
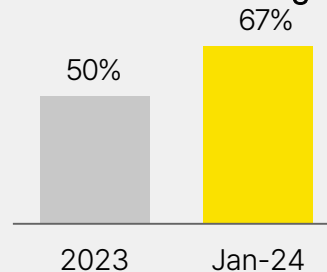
- Limited daily application of high-credit customers
- KakaoBank achieved 14.7% M/S within entire financial industry

'Mortgage Loan Refinancing Service' (Jan 2024 launch)

<KakaoBank M/S⁽²⁾>



<% of loan for refinancing purpose within total mortgage⁽³⁾>



Note: (1) M/S = 2023.05.31~2024.01.12 based on KFTC(Korea Financial Telecommunications & Clearing Institute) completed execution (Financial industry: W252.84bn, KakaoBank W37.08bn)
(2) M/S = 2024.01.09~2024.01.26 based on KFTC applied loan amount for 'loan refinancing service' (Financial industry : W2.9tn, KakaoBank : W703.8bn)
(3) New loans by KakaoBank (Including execution through loan refinancing service)

V. Fee & Platform Biz (1/5) – Loan Platform

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Expand business as a platform player by launching 'Credit Loan Comparison' service in Dec 2023
Credit loan traffic YoY +17% in 2023, reaching close to 12mn views; proving competitiveness as a loan platform

Credit Loan Comparison (Dec 2023 Launch)



Expansion

Available to **all loan customers** unlike loan referral service, which was available only to denied customers

Convenient Underwriting

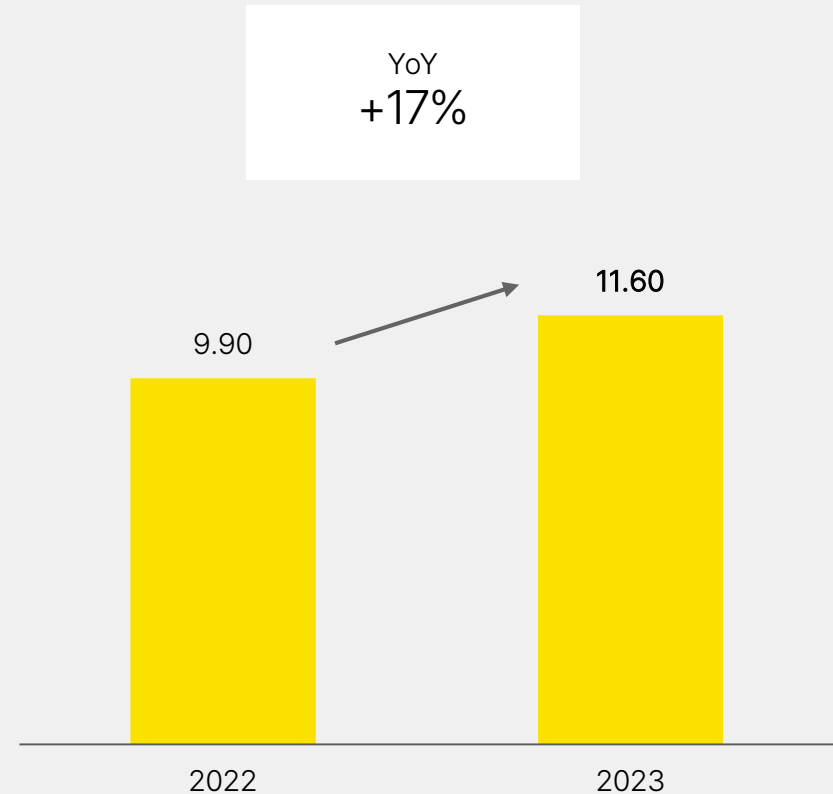
Easy loan comparison through **integrated loan underwriting** by both KakaoBank and partners

Coverage

Broad range of products with **33 partnerships** (3 banks; 30 non-banks)

Credit Loan Traffic⁽¹⁾

(mn views)



Note: (1) Number of KakaoBank credit loan views (including credit loan refinancing service)

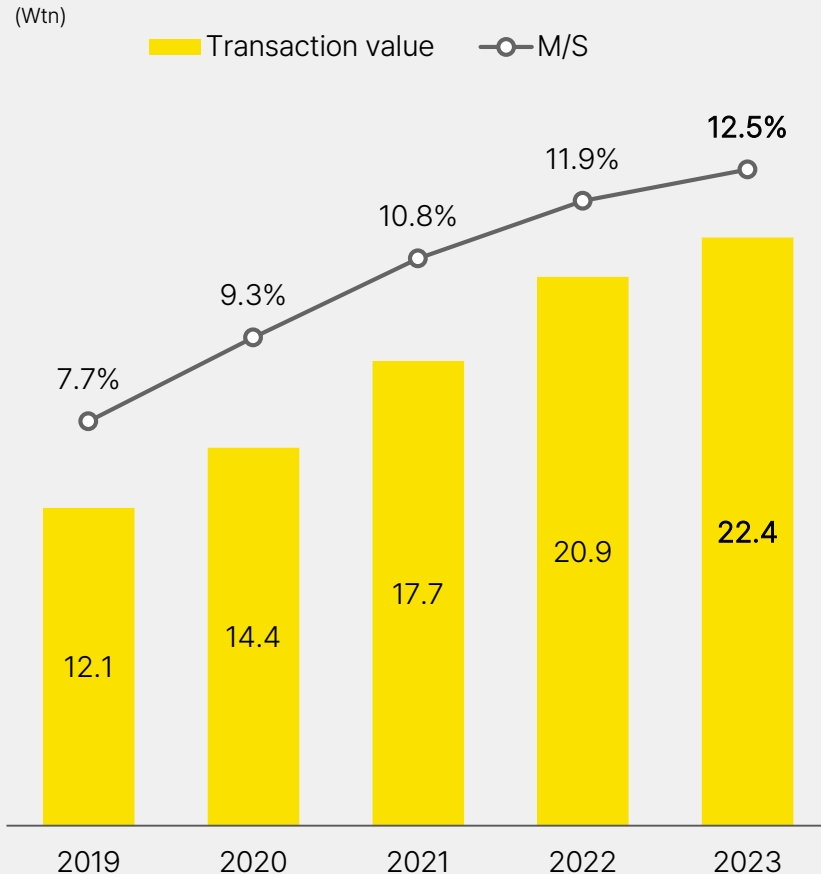
V. Fee & Platform Biz (2/5) – Payment

kakaobank

Debit card transaction value YoY +7%; achieved 12% M/S with a single debit-card

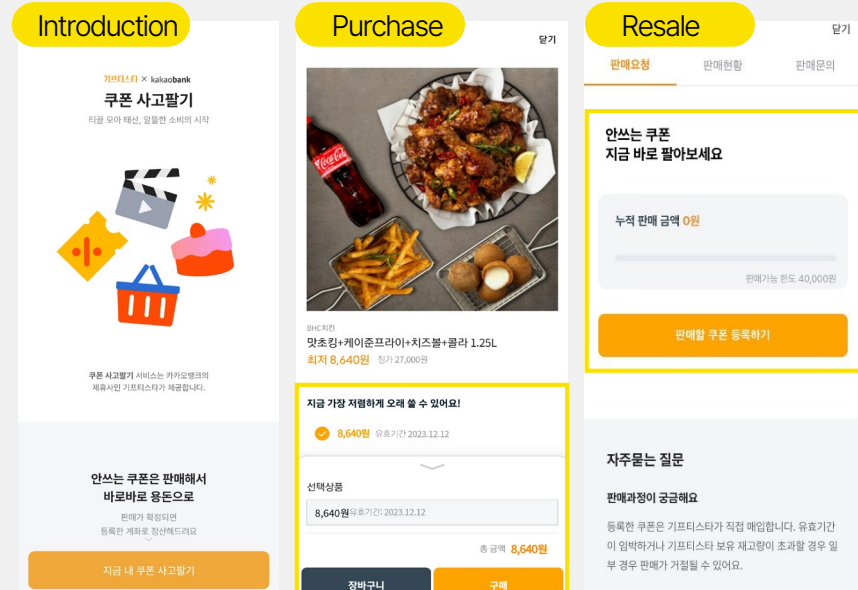
Enhanced customer benefits and expanded context of usage by launching 'Mobile Coupon Market Place' in Dec 2023

Debit Card Transaction Value and M/S Trend



Mobile Coupon Market Place (Dec 2023 Launch)

- Service providing coupon purchase via KakaoBank app for reasonable price, and allowing resale of unused coupon
- Recorded **1.5 million visits** and **0.55mn users** within a month after launch in Dec 2023

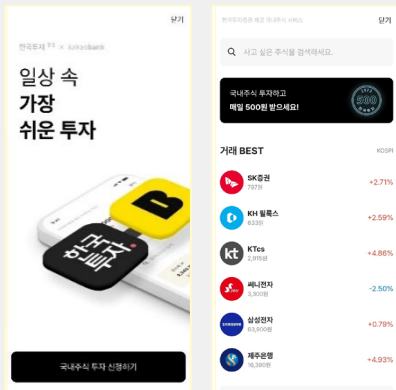


Note: (1) Based on number of cumulative customers as of Dec 31, 2023

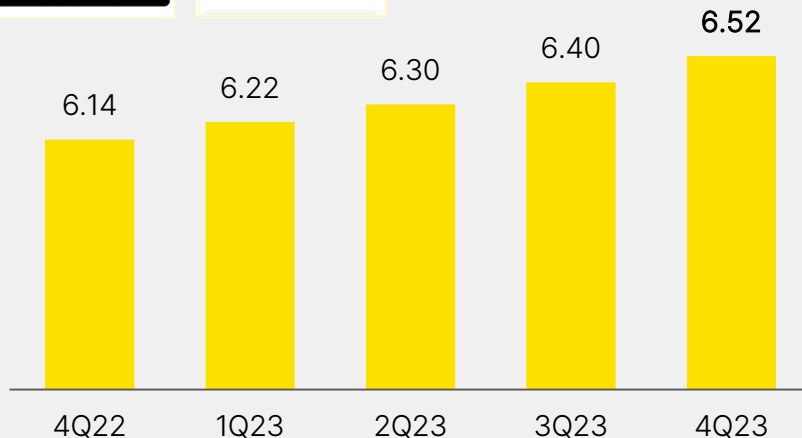
Securities account opening and domestic stock trading volume continues to increase despite market slowdown;
Sales of investment product QoQ +33%, with stronger product line-up including fund product launch as of January

Securities Brokerage Account

(mn account; cumulative)



YoY
+6%
(8 partners)

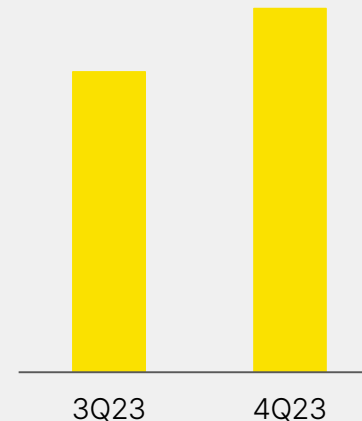


Investment Services

Domestic Stock Trading

(Daily average trading volume)

QoQ
+21%

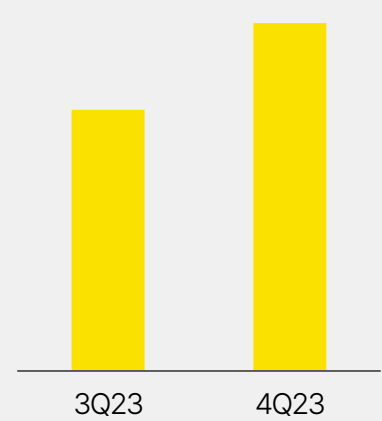


Domestic stock Web Trading System
Daily average trading volume QoQ +21%
(KOSPI daily average volume QoQ -23%)

Investment Product Sales

(Sum of commercial paper, bond)

QoQ
+33%



Investment product(CP, Bond)
Purchase amount QoQ +33%,
Number of customers QoQ +61%

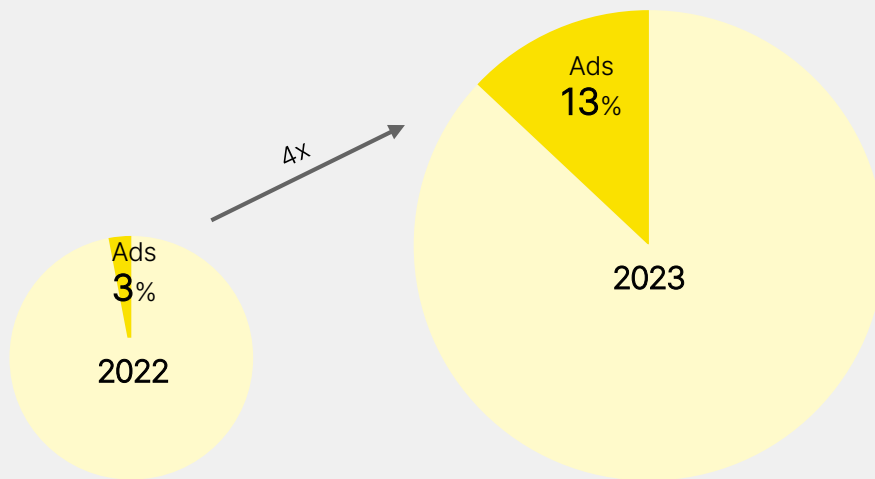
V. Fee & Platform Biz (4/5) – Advertisement

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Recorded highest quarterly ad revenue as internal traffic inflow continues

Enhanced ad revenue and renewal rate through targeting potential customers and optimized ad exposure

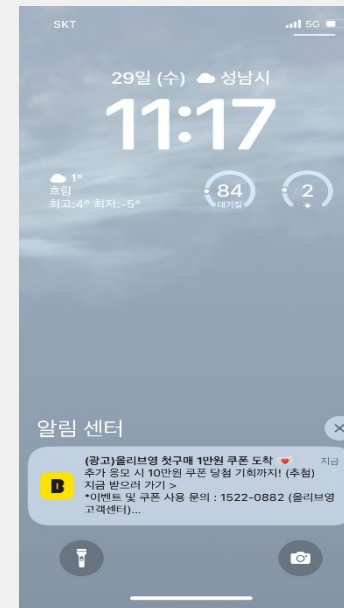
Advertisement revenue within platform business



- ✓ Ad revenue proportion grows 4x as full-fledged ad business started in 2023 (proportion within platform revenue 3% → 13%)
- ✓ Positioned as successful advertising channel; achieved lowest unsold rate of the year despite increase in ad unit price
- ✓ Continued influx of major advertisers from various industries, such as SKT, KIA, Samsung Fire & Marine Insurance etc.

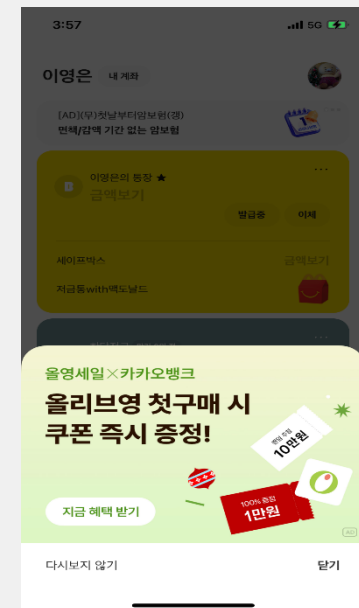
Targeted Ads Case

App-push



Send app-push notification to customers with high similarity to advertisers products, after analyzing payment patterns

Home screen Pop-up



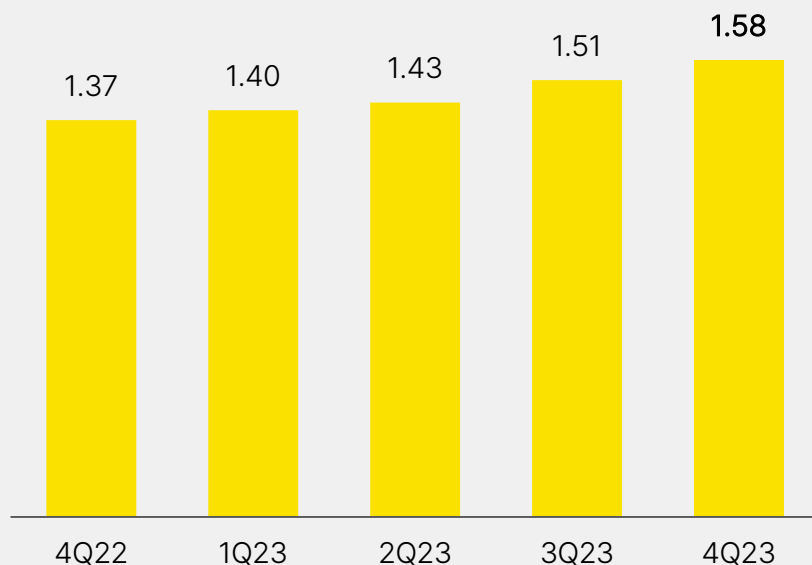
Planned 10k coupons fully distributed
Re-execution of ads in 2024 due to the high advertising effectiveness

Continuously expanding coverage of mini customers by lowering the minimum subscription age to 7;
Daily payment means for mini customers, as quarterly mini transaction value exceeds W500bn

mini Users⁽¹⁾

(mn customers; cumulative)

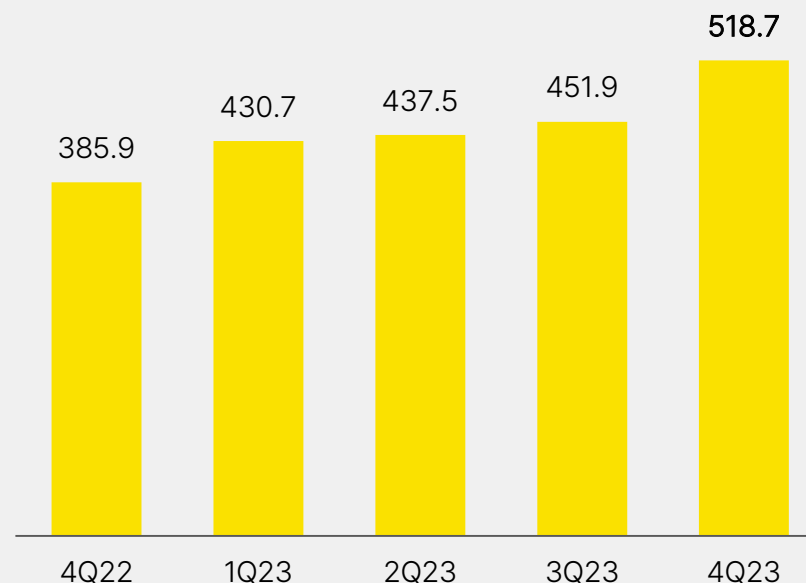
YoY
+15%



mini Transaction Value

(Wbn; Quarterly)

YoY
+34%



Note: (1) Users in 3Q22~2Q23, age of 14~18 / Users in 3Q23 ~ 4Q23, age of 7~18

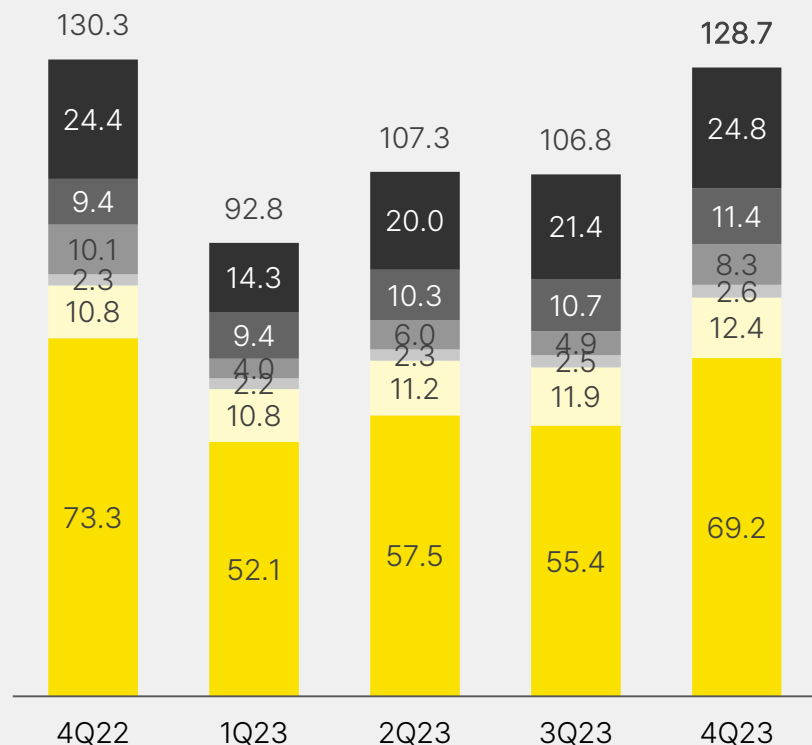
VI. SG&A and CIR

SG&A increased from one off costs such as advertisement and labor cost;
CIR improved YoY 5%p thanks to disciplined cost management and hiring

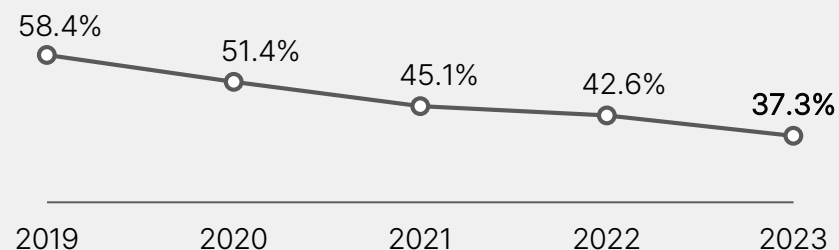
SG&A

(Wbn)

■ Labor ■ D&A ■ Rent
■ Advertisement ■ IT Expense ■ Others

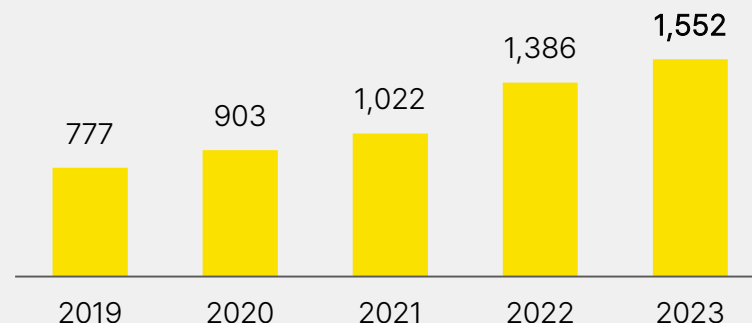


CIR(Cost to Income Ratio)



Number of Employees

(persons)

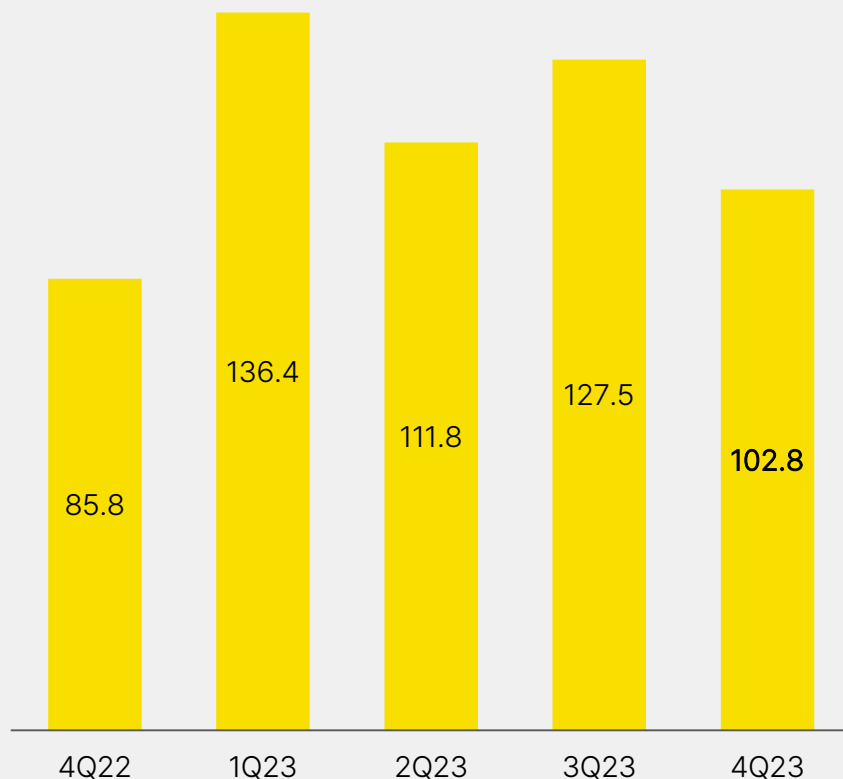


VII. Operating profit and ROE, ROA

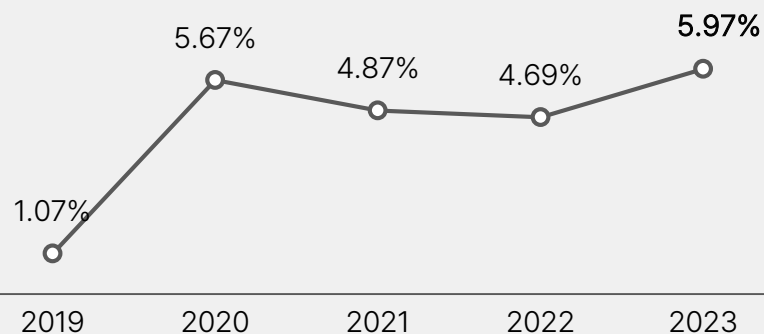
Operating profit increased YoY +20% thanks to interest income expansion;
ROE and ROA improved significantly along with profit expansion

Operating Profit

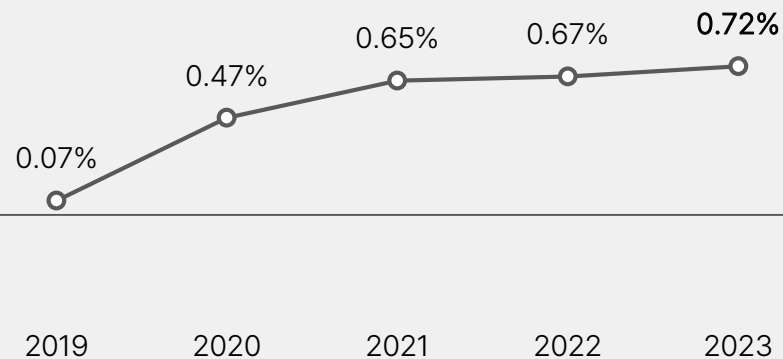
(Wbn)



ROE⁽¹⁾



ROA⁽¹⁾



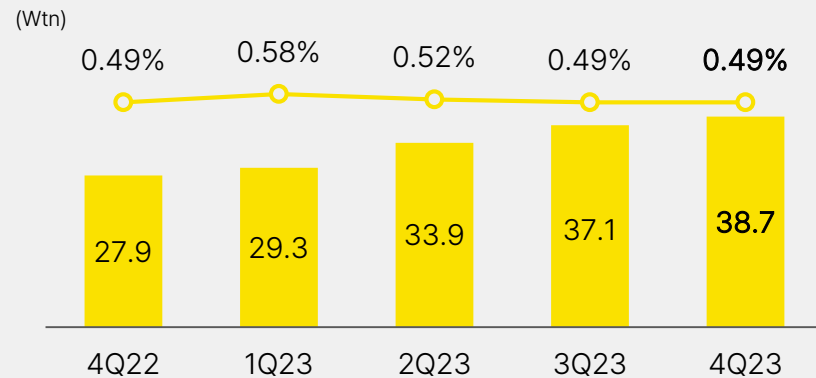
Note: (1) Financial Supervisory Service(FSS) Standard

VIII. Asset Quality

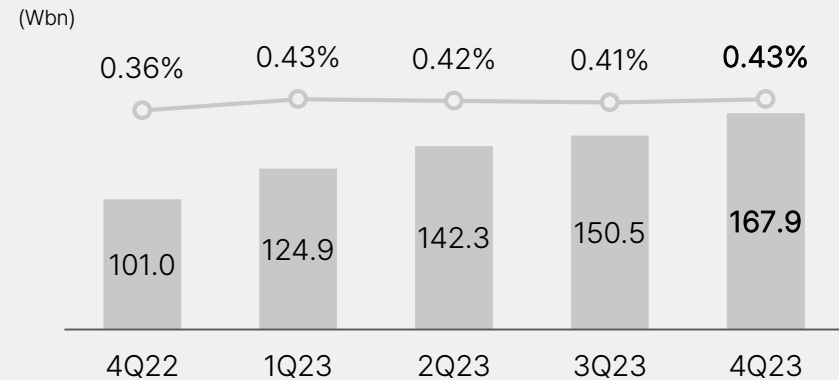
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Delinquency rate remained flat QoQ thanks to solid loan growth despite despite increased mid-credit loan portion; Credit cost ratio improved from lower pre-emptive provisioning and high base effect in 3Q, owing increase in short-term delinquency due to holiday effect in Sep

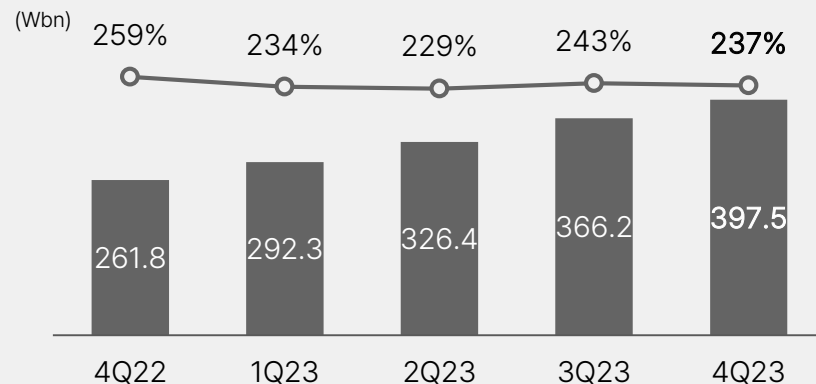
Total Loans & Delinquency Rate



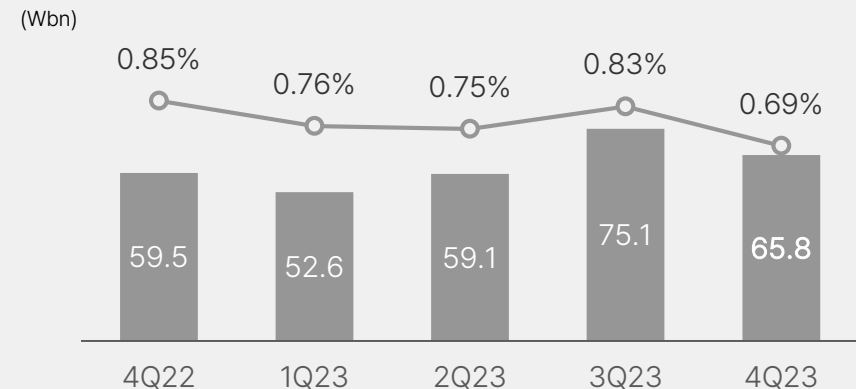
SBL & NPL Ratio



Loan Loss Allowance & Coverage Ratio⁽¹⁾



Provisioning & Credit Cost Ratio⁽²⁾

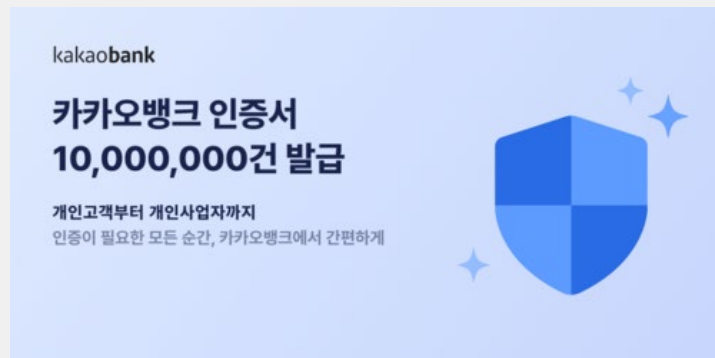


Note: (1) NPL coverage ratio = Loan loss allowance / Substandard or below loans
 (2) Credit Cost Ratio = Provision for credit losses / Average balance of total outstanding credits

Digital certificate issued exceeds 13 mn since launch; Expand service

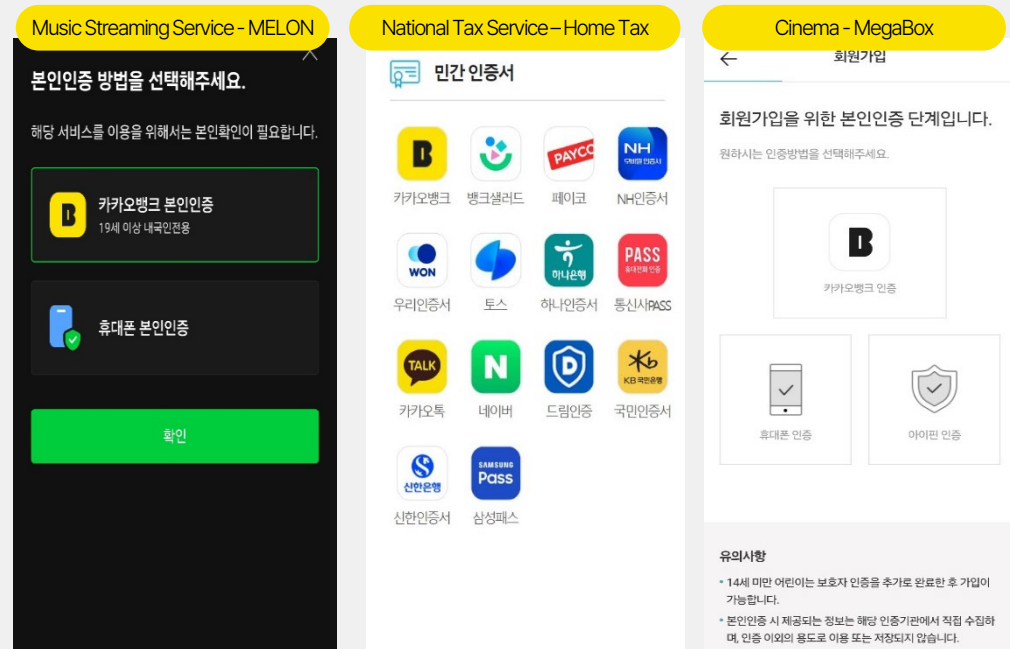
Enlarging scope of service as an authorized electronic signature identification provider and by expanding partnerships

1.3mn Digital Certificate Users

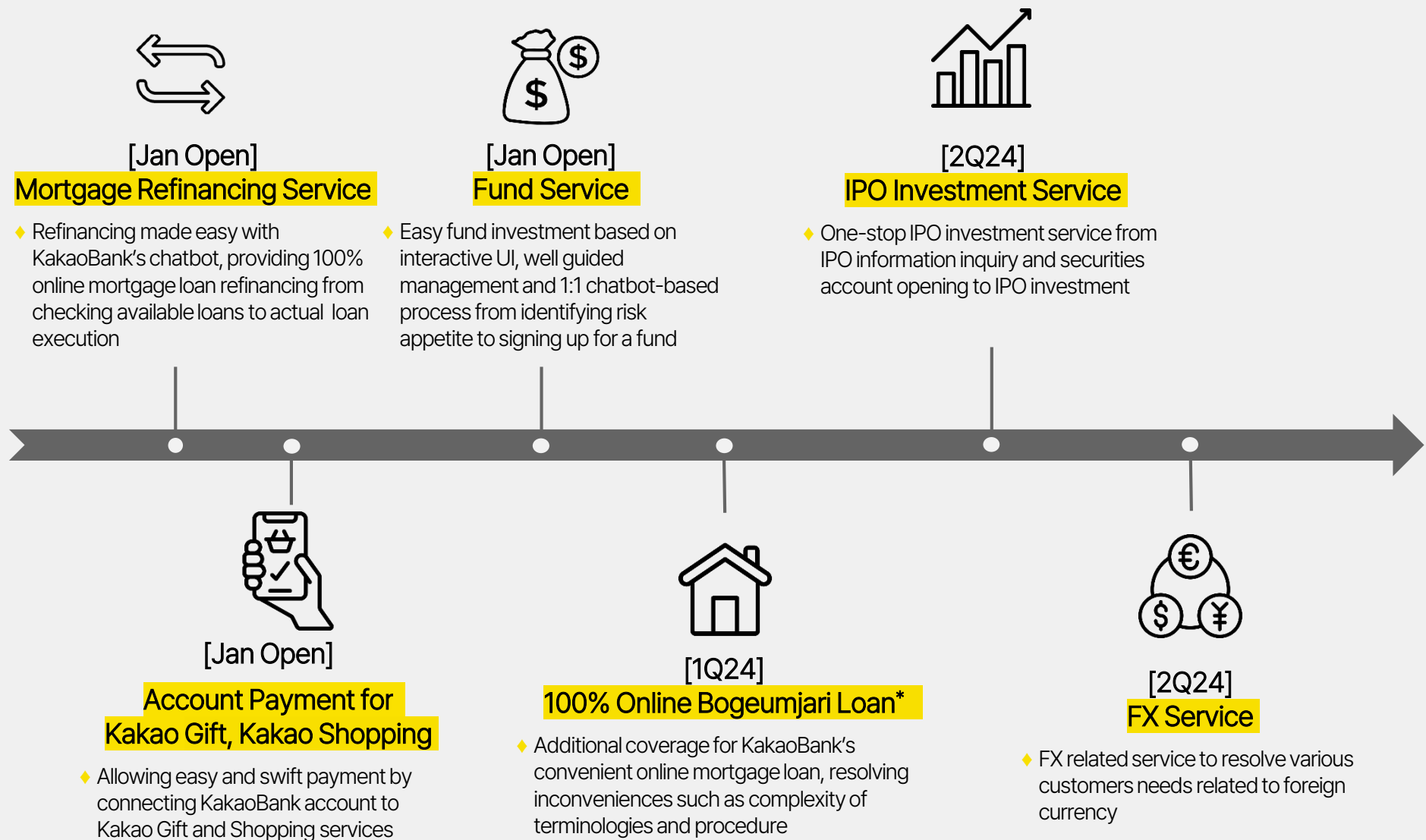


- ✓ Exceeded 1.3 million digital certificate users as of end Dec 2023, 9 months after launch in Mar 2023
- ✓ An average of 36,000 customers signed up per day, proving as a banking app specialized for financial services
- ✓ Plan to expand coverage into SOHOs by becoming the first KISA(Korea Internet & Security Agency)authorized 'electronic signature identification' provider in Dec 2023, to launch 'KakaoBank business owners certificate' service

Digital Certificate Partnerships (Kakao affiliates/ public & private business)



- A service capable of responding to real time failure by supporting safe and convenient simple authentication, operating a customer service center, and integrated monitoring center
- Continuously expand digital certificate usage, including identification for Home Tax (National Tax Service), Melon (music streaming service), and MegaBox (Cinema)



* Bogeumjari Loan : Mortgage designed by Korea Housing Finance Corporation(HF), eligible for houses of value less than ₩600mn, with loan limit of up to ₩360mn within maximum LTV of 70% and loan maturity of up to 50 years

IX. Appendix : Income Statement

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(Wbn)	4Q23	4Q22	증감(YoY)		3Q23	증감(QoQ)	
Income Statement							
Operating Revenue	663.7	484.7	179.0	<i>36.9%</i>	656.6	7.1	<i>1.1%</i>
Interest Revenue	566.1	399.6	166.5	<i>41.7%</i>	535.9	30.2	<i>5.6%</i>
Fee Revenue	47.7	42.8	4.9	<i>11.4%</i>	54.8	-7.1	<i>-13.0%</i>
Platform Revenue	18.0	16.4	1.6	<i>9.8%</i>	18.3	-0.3	<i>-1.6%</i>
Others	31.9	25.9	6.0	<i>23.2%</i>	47.6	-15.7	<i>-33.0%</i>
Operating Expense	496.1	341.2	154.9	<i>45.4%</i>	455.1	41.0	<i>9.0%</i>
Interest Expense	254.9	122.2	132.7	<i>108.6%</i>	247.7	7.2	<i>2.9%</i>
Loan & Deposit related Expense ⁽¹⁾	11.6	7.9	3.7	<i>46.8%</i>	10.4	1.2	<i>11.5%</i>
Fee & Platform Expense	41.6	41.7	-0.1	<i>-0.2%</i>	42.2	-0.6	<i>-1.4%</i>
CD/ATM Expense	16.4	15.5	0.9	<i>5.8%</i>	16.0	0.4	<i>2.5%</i>
SG&A	128.7	130.3	-1.6	<i>-1.2%</i>	106.8	21.9	<i>20.5%</i>
Others	42.9	23.3	19.6	<i>84.1%</i>	32.0	10.9	<i>34.1%</i>
Provision for Credit Cost	64.8	57.7	7.1	<i>12.3%</i>	74.0	-9.2	<i>-12.4%</i>
Operating Profit	102.8	85.8	17.0	<i>19.8%</i>	127.5	-24.7	<i>-19.4%</i>
<i>% Operating Revenue</i>	15.5%	17.7%		<i>-2.2%pt</i>	19.4%		<i>-3.9%pt</i>
Non-operating Income	0.6	0.3	0.3	<i>100.0%</i>	0.2	0.4	<i>200.0%</i>
Non-operating Expense	4.4	2.6	1.8	<i>69.2%</i>	1.1	3.3	<i>300.0%</i>
Pre-tax Profit	99.0	83.5	15.5	<i>18.6%</i>	126.6	-27.6	<i>-21.8%</i>
Net Profit	75.7	60.6	15.1	<i>24.9%</i>	95.4	-19.7	<i>-20.6%</i>
<i>% Operating Revenue</i>	11.4%	12.5%		<i>-1.1%pt</i>	14.5%		<i>-3.1%pt</i>

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

IX. Appendix : SG&A

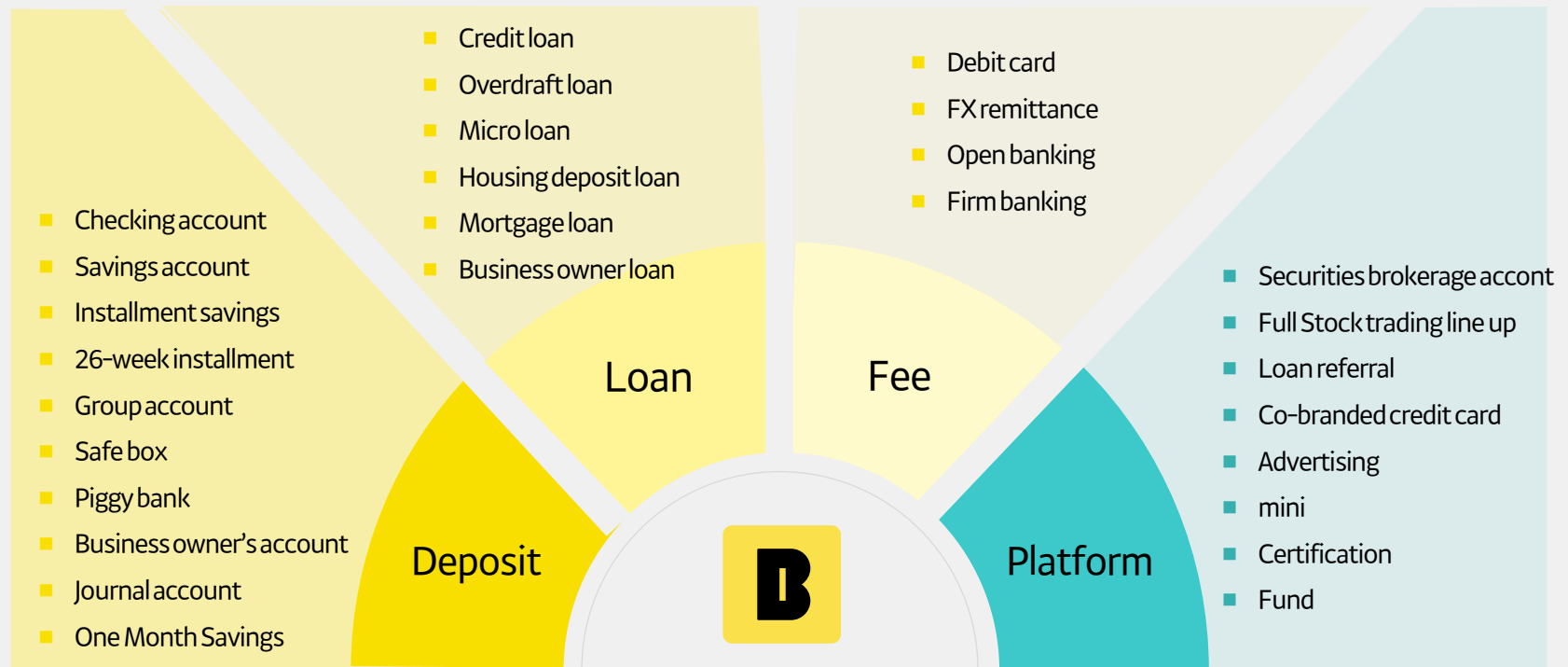
(Wbn)	4Q23	4Q22	증감(YoY)		3Q23	증감(QoQ)	
SG&A	128.7	130.3	-1.6	-1.2%	106.8	21.9	20.5%
Labor Cost	69.2	73.3	-4.1	-5.6%	55.4	13.8	24.9%
D&A	12.4	10.8	1.6	14.8%	11.9	0.5	4.2%
IT Expense	11.4	9.4	2.0	21.3%	10.7	0.7	6.5%
Rent	2.6	2.3	0.3	13.0%	2.5	0.1	4.0%
Advertisement	8.3	10.1	-1.8	-17.8%	4.9	3.4	69.4%
Others	24.8	24.4	0.4	1.6%	21.4	3.4	15.9%

IX. Appendix : Balance Sheet

(Wbn)	2023.12	2022.12	증감(YoY)	2023.09	증감(QoQ)
Balance Sheet					
Total Asset	54,488.2	39,516.1	37.9%	53,011.7	2.8%
Cash & Cash Equivalent	2,733.2	1,381.5	97.8%	1,572.1	73.9%
Financial assets at FV through profit or loss	2,554.9	1,324.4	92.9%	2,429.6	5.2%
Financial Investments	9,174.3	7,686.9	19.3%	9,216.6	-0.5%
Loan	38,649.0	28,053.4	37.8%	38,253.7	1.0%
Tangible Assets	180.8	172.9	4.6%	178.2	1.5%
Intangible Assets	34.2	28.2	21.3%	32.9	4.0%
Other Assets	1,161.8	868.8	33.7%	1,328.6	-12.6%
Total Liabilities	48,370.5	33,801.0	43.1%	47,045.8	2.8%
Deposit	47,142.8	33,055.8	42.6%	45,689.0	3.2%
Provision Liability	56.1	35.6	57.6%	44.7	25.5%
Other Liabilities	1,171.6	709.6	65.1%	1,312.1	-10.7%
Total Equity	6,117.7	5,715.1	7.0%	5,965.9	2.5%
Share Capital	2,384.4	2,383.7	0.0%	2,383.8	0.0%
Capital Surplus	2,987.5	2,986.8	0.0%	2,986.8	0.0%
Capital Adjustments	0.9	-6.7	NA	-0.3	NA
AOCI	-9.7	-102.0	NA	-83.4	NA
Retained Earnings	754.6	453.3	66.5%	679.0	11.1%

IX. 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