



# Building frictionless invisible banking experiences



# The Kakao bank phenomenon

Headquartered in South Korea, KakaoBank Corp. is a provider of digital banking solutions. Services include advance deposits, loans, cards, and overseas remittances.

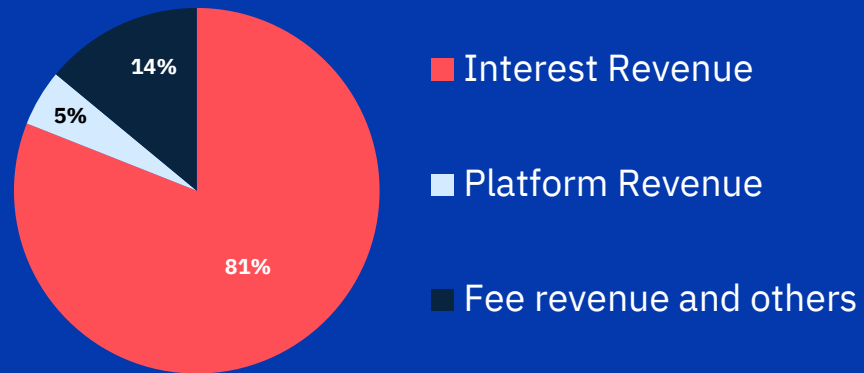


**3.6**  
**App Rating**



**#1** mobile  
banking app in  
South Korea.

**3/4<sup>th</sup>** of revenue comes from Interest



**WON 1605 .0 Bn**  
**( US\$ 1.2 Bn)**

(increased by 0.06% YoY)



**21.2 Mn**  
concurrent users  
↑ 14% YoY

Market capitalisation  
**US\$ 9,096 Mn**



**USD 1.23 Bn**  
digital revenue

Invested **WON 106.4 Bn**  
**(US\$ 82.2 Mn)** in ICT, primarily in  
AI which includes AI chatbots for customer  
support and AI-powered mortgage feature



**Ho-Young Yun**  
**CEO**



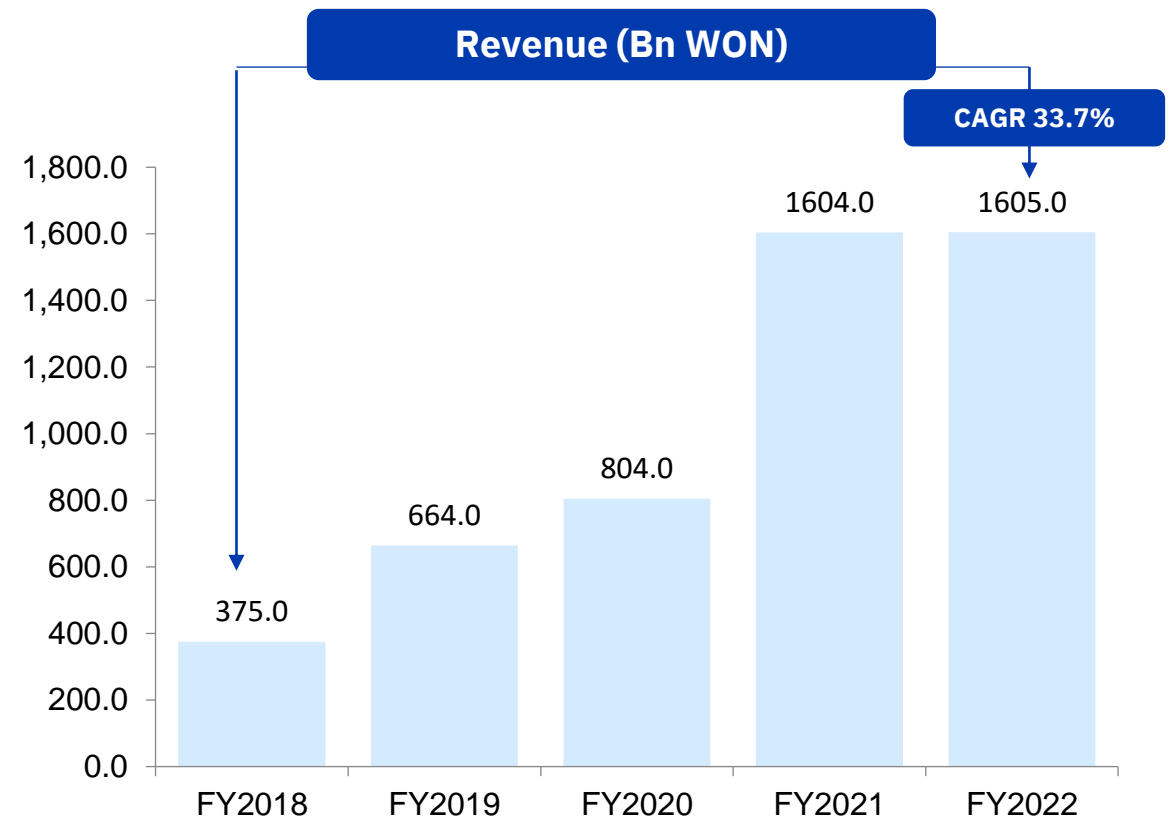
**Jaehong-Shin**  
**CIO**

# Financial highlights

## FY2022 Financial Discussion

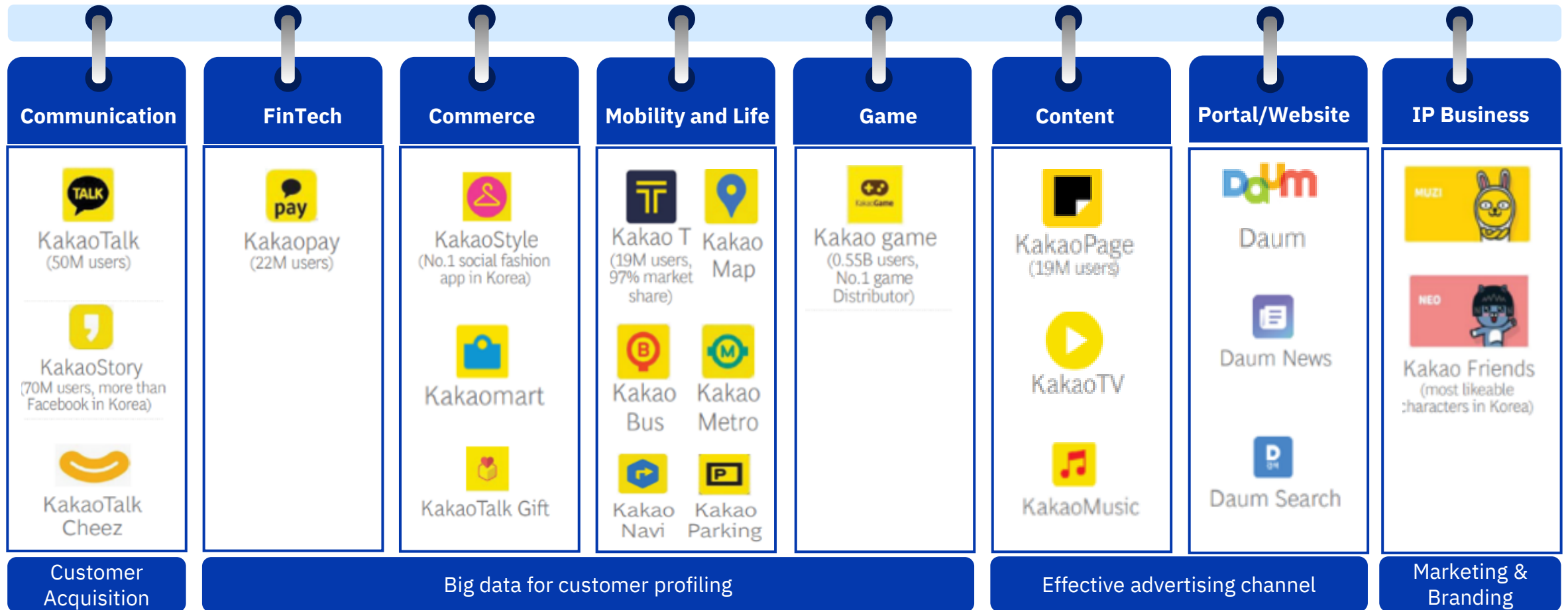
- In FY2022, Kakao bank reported revenue **increase of 0.09% YoY to reach WON 1065 bn(USD 835 mn)**, with a CAGR of 33.7% over the period of FY2018-22. The growth in FY2022 was primarily driven by two factors:
  - Loan growth by 8% YoY
  - Growth in fee income driven by increased debit card transaction volume and fees from platform
- High Contribution from Interest-Income-** Constant growth in loan book and interest income is the major driver of the bank's profitability

Kakao Bank operating revenue, FY2018- 22



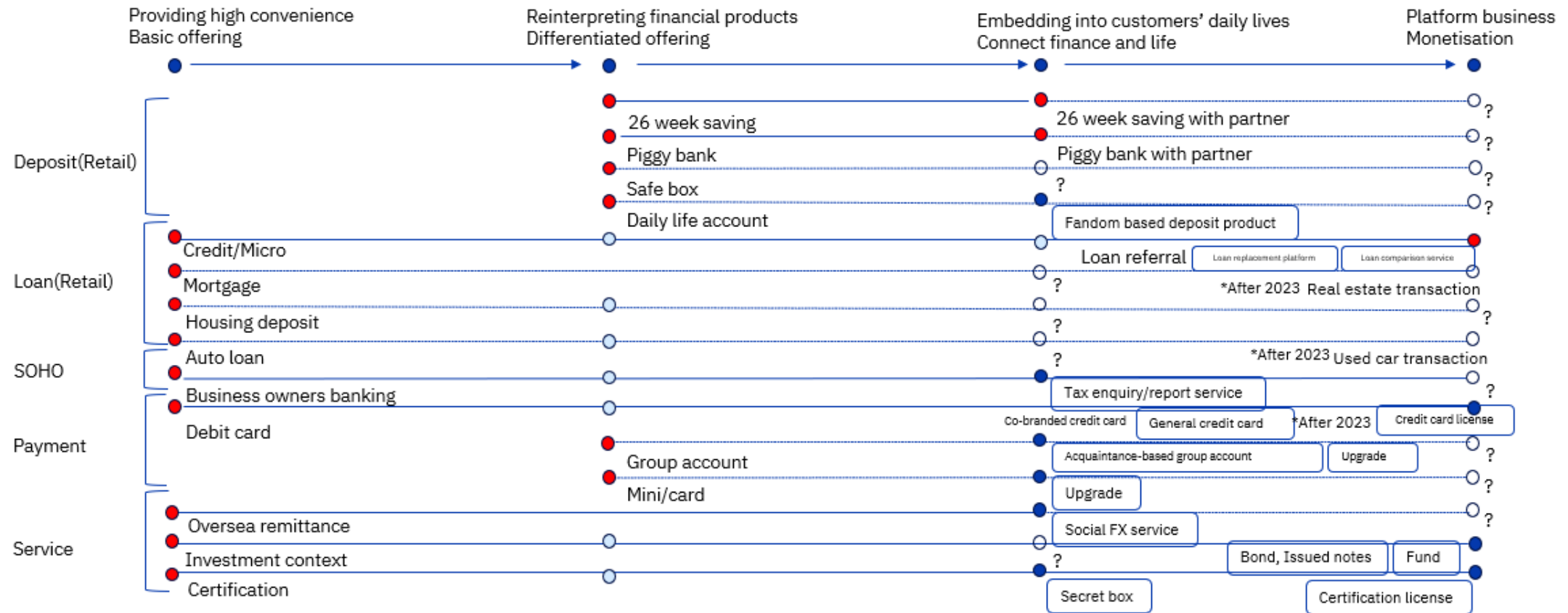
# Evolving through collaborative ecosystem

Kakao Bank is extending its product offerings through collaboration with related Kakao Group's companies to drive more diversified revenue streams.



# Bolstering its platform business

Aims to monetize and evolve its platform, creating a mutually beneficial revenue model for all users, providers and the platform.



# Strategic steps for platform business expansion

## Securities brokerage and stock trading

**6.14 Mn** securities brokerage accounts opened

- **Feature expansion:** Focus on expanding investment features by adding stock trading service to securities brokerage account service
- **Product expansion:** Plans to add more investment asset types and wealth management services

## Advertisement

**3** product mix with differentiated customer target and strategy

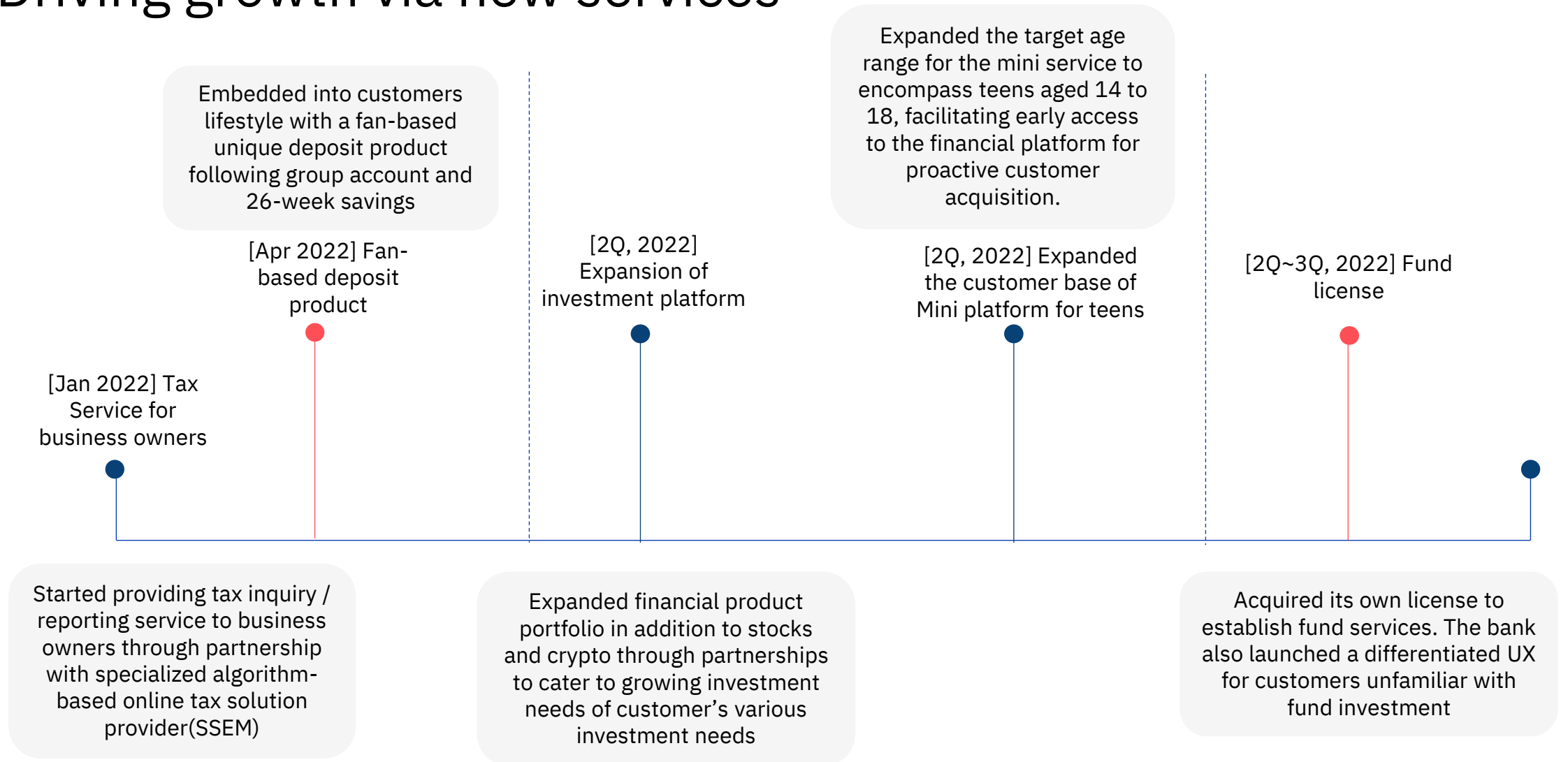
- **Ad revenue:** Increases revenue from advertisement fee from third parties
- **Categories:** Premium ads with multiple display, Kakao Adfit ads for businesses and Loan ads for third party loan ads
- **Leveraging ad data:** Customer data through the ads can help the bank to attract new customers and cross-sell its own products

## Co-branded credit cards

**570K** exclusive co-branded credit cards issued

- **Brand recognition through partnerships:** Elevates cards' appeal with recognizable partner brands, boosting consumer interest
- **Personalized exclusive rewards:** Offers perks like discounts, cashback, and air miles, setting them apart from standard credit cards
- **Wider customer reach:** Convenience of use at various merchants expands customer base organically

# Driving growth via new services



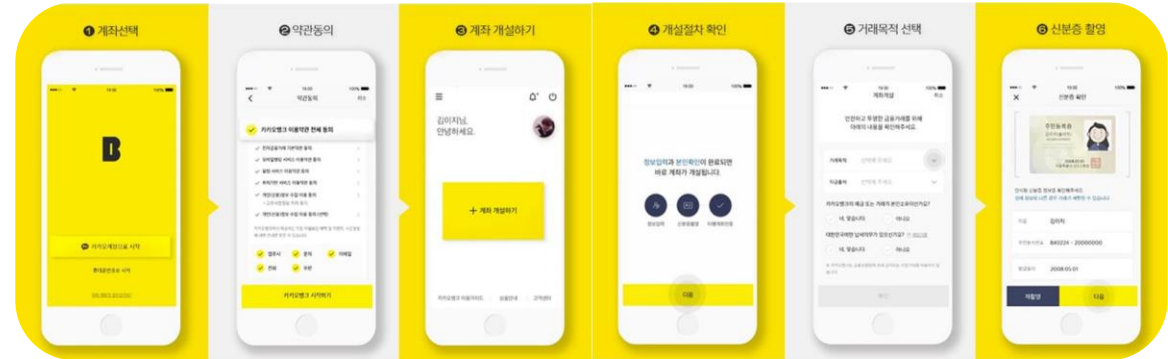
# Embodying convenience at every step(1/2)

## #1 Account opening process

- Uses existing KakaoTalk account to create new bank accounts in 7 steps under 7 minutes with intuitive guides

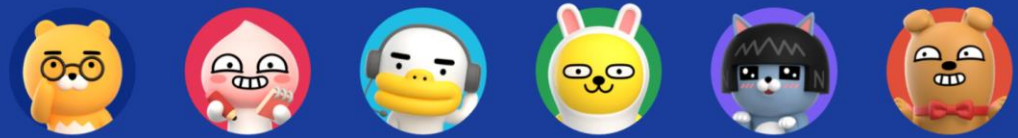
## #2 AI-supported Mortgage-application process

- Utilizes AI chatbots to help customers better apply for loans.
- The AI bot provides expected interest rates and maximum borrowing amount in under 3 minutes after applicants have provided information regarding the property of interest, yearly income, marital status and other relevant information.
- The applicant finalises the loan application by sending in the self-identification code and uploading a copy of the sales contract.



## The chatbot will help with each and every step of the Mortgage Loan

Don't worry about the loan,  
All process will be guided till the loan execution.





# Embodying convenience at every step(2/2)

## #3 Selfie authentication

- In Dec 2022, the bank launched a selfie one-time password (OTP) service for easy user authentication, eliminating physical OTP devices
- Offers enhanced security as real-time facial image capture replaces number input, enables secure high-value transfers
- swIDch's OTAC-based mOTP, applied to Kakao Bank's system generates unique, non-repeating codes tied to users' faces, pioneering in Korea

## #4 AI chatbots

- Has deployed non-disruptive AI customer service chatbots to quickly respond to queries or problems that may occur while using their app.
- More than 500,000 customers use the chatbots every month.
- It utilizes advanced natural language processing methods to train chatbots and monitor all responses.
- The bank regularly retrains language models, analyzes usage patterns, and delivers tailored content for efficient responses.
- 50% customer inquiries are handled by the AI chatbot service





# Kakao bank spends ~9.99% of its revenue on ICT expenditure

1. In 2022, Kakao bank invested WON 106.4 bn (US\$ 82.2 Mn) in ICT expenses.
2. The bank spent ~49% of its total ICT spend on its software service contracts.
3. Kakao bank uses new IT systems such as Linux X89 and open sources to create and run its banking application and internal systems.
4. The bank also invests heavily in building interactive UI/UX experience for its customers.
5. Further, to create seamless customer experiences, the bank invests in AI which includes AI chatbots for customer support and AI-powered mortgage loan applications.

*Note: ICT includes Amortisation, computer operation expenses, communication expenses and service contract expenses*

Source: twimbit analysis, industry reporting

# Key partnerships

Partnerships	Overview
	In Jun 2023, Kakao Bank and SCB X, the parent company of Siam Commercial Bank, partnered to apply for a license to establish a virtual bank in Thailand. The partnership aims to combine the strengths of both companies to create a leading digital bank in Thailand.
	In Apr 2023, partnered with Denodo in to modernize the bank's data analytics platform. This will help the bank to improve the speed and reliability of data analytics, provide a centralized view of data and improve data security and governance.
	Kakao bank collaborated with swIDch to leverage its OTAC-based mOTP solution to enhance security and provide a fast and convenient authentication service using facial recognition information.
	In Aug 2022, collaborated with Coinone to allow their customers to invest in cryptocurrencies through Coinone. The partnership is expected to help the bank to attract new customers, increase customer engagement and generate a new revenue source.

# Key USP

## Ecosystem Approach

- Kakao bank has been extending its product offerings through collaborations with related Kakao Group's companies, to drive more diversified revenue streams
- Related group companies such as KakaoTalk, KakaoPay, Kakao mini, etc.

## Payments

- KakaoTalk has a wire transfer feature that allows its users to directly transfer funds to other accounts via personal or group chats.
- Users can perform this function by simply entering their passcode or using their fingerprint.
- Moreover, money can also be transferred to those not using KakaoTalk or Kakao Bank.
- Users can use the “Pester” feature in the app to automatically send a reminder asking others to pay them.

## Expense management

- The 26-week challenge is a flexible and gamified savings plan that aims to inculcate savings habits in young Kakao customers.
- Customers can save for different goals.
- Customers can choose their preferred deposit minimums- KRW 1,000 (USD 0.87), KRW 2,000 (USD 1.74), KRW 3,000 (USD 2.60), KRW 5,000 (USD 3.47) and KRW 10,000 (USD 4.34).
- The total amount of savings increases by the minimum deposit chosen by them.

# Key lessons from Kakao Bank

## #1 Identify the synergy inflexion points

- To achieve a competitive advantage in the market, building a mass reach out strategy in customer acquisition

## #2 Robust retention mechanism

- Leverages KakaoTalk, its chat platform, for user acquisition at low cost

## #3 Understand user behaviour and personas

- Understand the visual behavioural patterns of the customers to design the application interface based on customer likings and preferences, creating a strong recall value and retention mechanism

## How to match up with Kakao Bank?

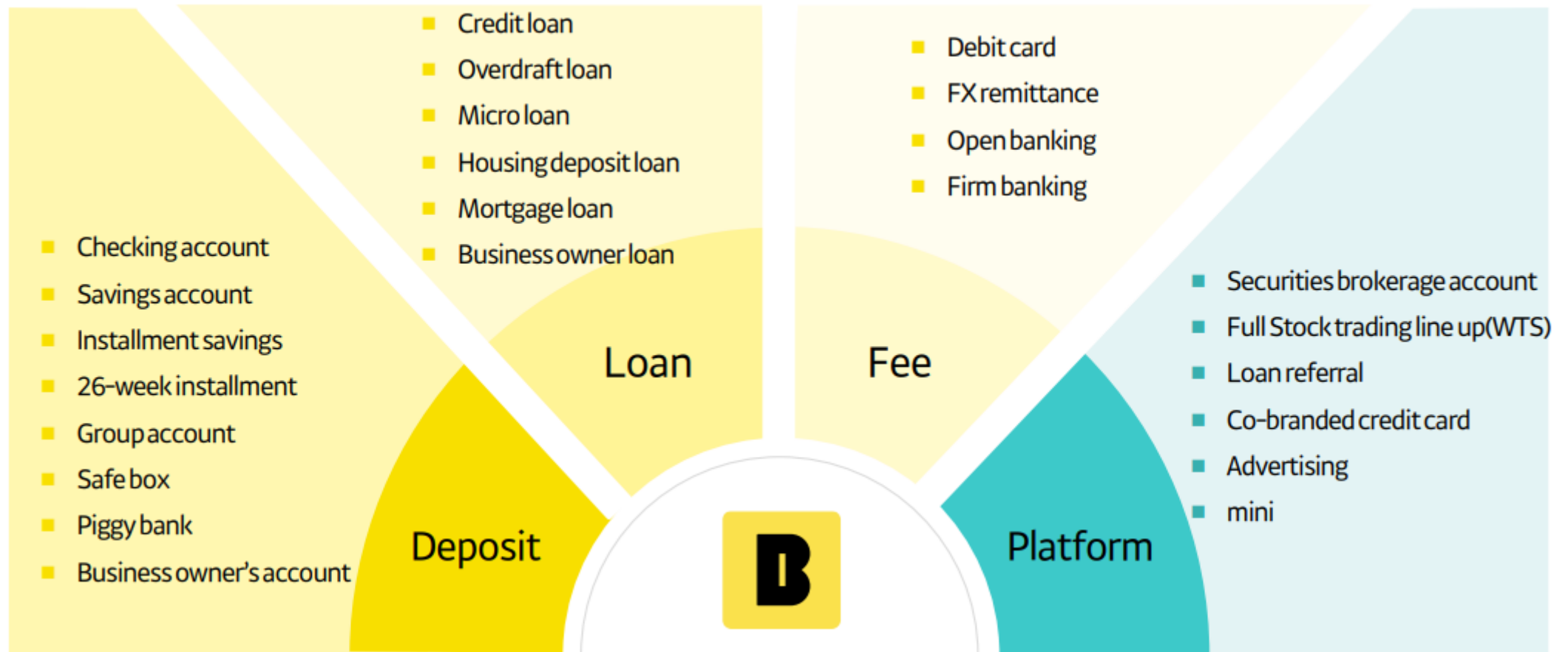
Leverage the APIs of social media giants or create in-house instant messaging banking capabilities within your banking application to simplify your customers' banking journey.

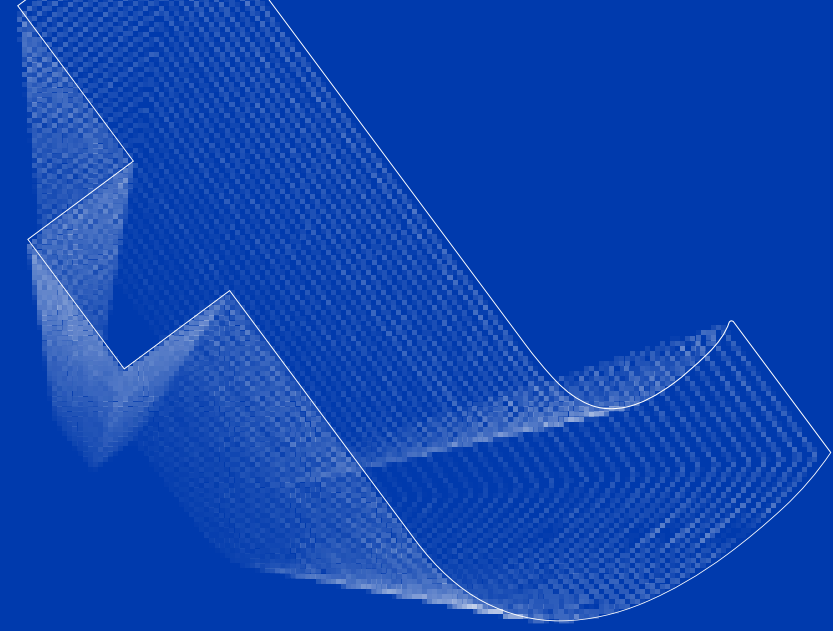
Adopt gamification practices to make your customers' banking, budgeting, and savings experience fun and engaging.

# Appendix

# Kakao bank product portfolio

Expandable financial platform with banking and platform service all in one app.





We help build and grow  
**purpose-driven businesses**

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