COMPANY UPDATE

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Financial/Consumer Goods Team

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Kakao Bank (323410)

2Q review: Interest income drives growth

- Kakao Bank reported a 2Q net profit of KRW140.8b, up 11.5% y-y and topping consensus by 4.0%. The figure was down 24.9% q-q, due to one-off factors related to Indonesian digital bank Superbank in 1Q.
- The 2Q results were driven by interest income growth of 26.3% y-y and 7.7% q-q. Downward stabilization in credit cost and recovery in non-interest income also helped.
- To unlock a valuation re-rating, Kakao Bank will need to discover new sources of loan growth, enhance platform-driven revenues, and translate these into higher profitability.

AT A GLANCE

HOLD

Target price	KRW28,000	29.9%
Current price	**KRW21,550**	
Market cap	KRW10.3t/USD7.2b	
Shares (float)	477,120,437 (72.5%)	
52-week high/low	KRW28,700/KRW19,750	
Avg daily trading value (60-day)	KRW24.7b/ USD17.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kakao Bank (%)	-3.1	-19.7	-20.9
Vs Kospi (%pts)	18.7	-37.2	-61.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	28,000	28,000	0.0%
2026E EPS	1,295	1,295	0.0%
2027E EPS	1,452	1,452	0.0%

SAMSUNG vs THE STREET

No of estimates	13
Target price	29,654
Recommendation	3.7

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

WHAT'S THE STORY?

2Q net profit rises 11.5% y-y to KRW140.8b, led by interest income: Kakao Bank reported a 2Q net profit of KRW140.8b, up 11.5% y-y and topping consensus (FnGuide) by 4.0%. This improvement was driven by: 1) robust growth in interest income (up 26.3% y-y and 7.7% q-q); 2) stabilization in loan loss provisions (credit cost down 5bps y-y); and 3) recovery in non-interest income (fee income and other non-interest income).

2Q interest income up 26.3% y-y and 7.7% q-q, driven by NIM recovery: Interest income rose 26.3% y-y and 7.7% q-q, driven by a 13bps q-q expansion in NIM—loan growth was 7.6% y-y and 1.1% q-q.

2Q loan growth moderates to 1.1% q-q—accelerating momentum in SOHO lending is key: Loan growth moderated to 7.6% y-y and 1.1% q-q in 2Q (vs 1.7% q-q in 1Q), posing a concern. Accelerating momentum in lending, particularly to SOHOs, will be key going forward.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Operating profit	194.0	14.0	23.1	4.7	-
Pre-prov op profit	250.8	9.9	12.9	(1.1)	-
Provisioning	56.8	(2.2)	(12.0)	(16.6)	-
Net profit	140.8	11.5	(24.9)	5.9	4.0
Major indicators (%, %pts)					
Loan growth	0.00	(1.20)	0.00		
NIM	2.13	0.21	0.13		
NPLs below subs	0.54	0.00	0.01		

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	21.5	16.6	14.8
P/B	1.6	1.5	1.4
Div yield (%)	2.1	3.0	3.4
EPS growth (% y-y)	9.1	28.6	12.2
ROE (%)	7.2	8.9	9.4
Total payout ratio (%)	45.0	50.0	50.0
Per-share data (KRW)			
EPS	1,007	1,295	1,452
BVPS	13,700	14,138	15,510
DPS	450	650	730

Samsung Securities

Platform and fee income grows, but its share remains low—further monetization efforts critical: Platform and fee income grew 18.4% q-q and 25.7% y-y to KRW36.2b, yet still equates to only 9.0% of interest income—indicating a slow pace of improvement. Identifying additional platform revenue streams is critical.

Platform functionality and fundamentals must strengthen to justify valuation: Kakao Bank's strong capital position (CET-1 ratio of 20.98%) provides a solid foundation to deploy leverage and investments toward stable profit growth. With household loan growth cooling and platform profits slow to grow, unlocking a valuation rerating will depend on identifying and scaling high-potential loan segments—such as SOHO lending—and enhancing platform functionality.

2Q interest income up 26.3% y-y and 7.7% q-q, driven by NIM recovery: Interest income rose 26.3% y-y and 7.7% q-q, driven by a 13bps q-q expansion in NIM—loan growth was 7.6% y-y and 1.1% q-q.

Quarterly and annual net profit

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
Net profit	126.3	111.4	105.2	187.3	140.8	(24.9)	11.5
	2021A	2022A	2023A	2024A	2025A		
Annual net profit	204.1	263.1	354.9	440.1	480.3		
Change		59.0	91.8	85.2	40.2		
Growth (%)		28.9	34.9	24.0	9.1		

Source: Company data, Samsung Securities

Interest income and key indicators

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)
Interest income	604.1	614.3	636.3	659.7	690.4	4.7	14.3
Interest expenses	(285.5)	(293.9)	(280.0)	(286.2)	(288.1)	0.7	0.9
Net interest income (NII)	318.6	320.4	356.3	373.4	402.3	7.7	26.3
NIM (%)	1.92	1.81	1.94	2.00	2.13	0.13	0.21
Loan growth (% q-q)	1.19	0.97	3.70	1.69	1.09		
Loan growth (% y-y)	5.29	5.47	8.58	7.74	7.62		

Source: Company data, Samsung Securities

2Q loan growth moderates to 1.1% q-q—accelerating momentum in SOHO lending is key: Loan growth moderated to 7.6% y-y and 1.1% q-q in 2Q (vs 1.7% q-q in 1Q), posing a concern. The KRW0.5t net loan increase in 2Q was a result of: 1) personal credit loans and SOHO loans expanding a respective KRW1.0t and KRW0.3t; and 2) mortgages and rental deposit loans contracting a respective KRW0.3t and KRW0.4t. Demand for funds fueled by the stock market rally supported growth in household credit loans, but the decline in housing-related loans weighed on overall loan expansion.

A key factor in Kakao Bank's potential valuation re-rating is loan growth—and the biggest near-term opportunity lies in SOHO lending. While household loan growth is likely to be constrained under tightening lending rules, SOHO loans are seen as lower risk now than before due to improving consumer spending and multi-year deleveraging. Banks are also shifting focus to productive lending, so competition in this space is not as fierce as before. That said, Kakao Bank's SOHO loan growth slowed from KRW348b in 1Q to KRW284b in 2Q. Investors will want to see clear signs of growth picking up again. Notably, it plans to launch a refinancing service for real estate-backed SOHO loans in 4Q.

Looking ahead, expanding into SME lending represents another key opportunity. In Jul 2026, regulatory groundwork was laid to support non-face-to-face corporate lending. The company plans to enter this space by launching a joint lending program with regional banks in 4Q27. Yet, given the time-intensive nature of this initiative, compressing the timeline to tangible outcomes will be the key determinant of success.

NIM jumps 13bps q-q, supported by favorable interest rate environment: NIM jumped 13bps q-q to 2.13% in 2Q, a positive development driven by three factors: 1) its heavy exposure to household loans amplified the impact of rising market rates, leading to stronger loan re-pricing; 2) household credit loans grew 5.5% q-q, increasing their share in loan portfolio; and 3) low-cost deposits (eg, transparent accounts) remained stable at 56.7% of total deposits, effectively anchoring funding costs. While funding costs remained broadly flat q-q, asset yield rose 7bps q-q.

Kakao Bank's NIM improvement is likely to continue into 2H, given:1) the likelihood of further Bank of Korea rate hikes; 2) a loan portfolio heavily weighted toward household loans (92.4%), which should drive meaningful repricing as rates rise.; and 3) a low loan-to-deposit ratio of 73%, offering significant room for optimization. Kakao Bank noted that 73% of loans are floating-rate.

Loan trends

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)	Change (y-y)
Unsecured	17,605	17,965	18,283	18,212	19,206	5.5	9.1	1,601.0
Jeonse/Wolse	11,560	11,083	11,028	10,937	10,517	(3.8)	(9.0)	(1,043.0)
Mortgages	13,097	13,415	14,541	15,147	14,807	(2.2)	13.1	1,710.0
SOHO	2,539	2,772	3,055	3,403	3,687	8.3	45.2	1,148.0
Total	44,801	45,235	46,907	47,699	48,217	1.1	7.6	3,416.0

Source: Company data, Samsung Securities

Credit cost improves to 0.47%—further downward stabilization will be key to watch: Kakao Bank's credit cost stabilized lower, falling 5bps y-y and 13bps q-q to 0.47%. Despite increased geopolitical risks in 2Q, delinquency and NPL ratios held steady q-q at a respective 0.51% and 0.54% (vs 0.51% and 0.53% in 1Q), underscoring robust management of asset quality indicators.

Meanwhile, its SOHO loans have grown primarily through guaranteed and secured lending, limiting asset quality risk. In fact, during the 45% y-y growth in SOHO loans, the share of guaranteed and secured loans rose from 61.6% to 69.1%.

However, its credit cost needs further downward stabilization. Its credit cost remains elevated compared to traditional banks, as household credit loans make up 39.8% of its loan book, and loans to low- to mid-credit-quality borrowers account for 31.9% of all credit loans—segments particularly sensitive to economic cycles and interest rate shifts. As a result, any future rate hikes could increase delinquency pressure on these portfolios. Therefore, sustained stabilization of credit cost will be a key indicator of the company's ability to manage asset quality effectively.

Credit cost and asset quality

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%, %pts q-q)	Growth (%, %pts y-y)
Total credits	44,801.0	45,235.0	46,907.0	47,699.0	48,217.0	1.1	7.6
Loan loss provision	58.1	55.7	69.1	64.6	56.8	(12.0)	(2.2)
Credit cost	0.52	0.49	0.59	0.54	0.47	(0.07)	(0.05)
NPL ratio (%)	0.54	0.55	0.53	0.53	0.54	0.01	0.00
Delinquency ratio (%)	0.52	0.51	0.51	0.51	0.51	0.00	(0.01)
Corporate (%)	1.26	1.29	1.50	1.40	1.43	0.03	0.17
Household (%)	0.47	0.46	0.44	0.44	0.43	(0.01)	(0.04)

Source: Company data, Samsung Securities

Platform and fee income grows, but its share remains low: Platform and fee income rose a solid 18.4% q-q and 25.7% y-y to KRW36.2b. However, interest income surged 26.3% y-y during the same period, leaving platform and fee income at just 9.0% of interest income. With regulatory tightening on household lending and rising market interest rates pressuring the household loan refinancing market, there is growing need to expand loan intermediation into segments such as SOHO lending and auto financing, as well as to diversify revenue streams into investment-related services.

Key to unlocking added value from platform lies in delivering monetizable solutions to customers acquired through M&A and investment tab: Kakao Bank continues to enhance its platform capabilities, and securing a viable monetization model through these efforts will be critical going forward.

Kakao Bank has signed a share purchase agreement to acquire 100% of Mastern Capital, with plans to launch full-scale operations next year. Following the acquisition, it intends to first offer auto financing services, then leverage the subsidiary to expand lending to SOHOs and SMEs. The main goal going forward is to strengthen platform functionality by adding auto financing and corporate loans through the new consumer finance subsidiary.

At the same time, Kakao Bank is strengthening its investment-focused platform services to broaden its user base. It reported that MAUs increased 3.2-fold in 2Q following the Apr 2026 launch of its investment tab, while cumulative subscribers for its conversational AI service reached 5m, showing rapid growth. While this customer base expansion is positive, a key challenge ahead will be whether it can provide monetizable solutions that meet these customers' real needs.

Platform and fee income

(KRWb)	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%, %p q-q)	Growth (%, %p y-y)
Fee income	52.1	54.1	52.6	57.4	62.8	9.5	20.7
Platform income	23.8	23.6	26.6	23.5	25.9	10.4	8.8
Platform + fee income	75.9	77.7	79.2	80.8	88.7	9.8	17.0
Platform + fee expenses	(47.1)	(49.7)	(50.1)	(50.3)	(52.6)	4.5	11.6
Net platform + fee income	28.8	28.0	29.2	30.5	36.2	18.4	25.7
NII	318.6	320.4	356.3	373.4	402.3	7.7	26.3
Portion vs NII (%)	9.0	8.8	8.2	8.2	9.0	0.8	(0.0)

Source: Company data, Samsung Securities

Financial assets shrink, underscoring need for structural base expansion and profitability improvement: In 2Q, investing was the biggest topic in the financial industry—and Kakao bank successfully leveraged this momentum to expand its customer base. But its financial assets shrank 15.5% q-q to KRW23.4t, as money moved out of short-term funds (which dropped from KRW6.6t in 1Q to KRW2.4t in 2Q) amid a bullish stock market. Money also moved out of investment funds (which dropped KRW0.2t q-q). In the context of capital shifting toward the stock market, Kakao Bank has benefited from growth in credit lending, but its gains from expanding investment assets have fallen short of expectations.

To strengthen its position as a financial platform, Kakao Bank must also focus on attracting and intermediating investment-related funds—key to sustainable growth. The cornerstone of this effort will be building a differentiated product lineup, and the most critical factor in achieving that is establishing a proven track record of superior investment returns. Notably, its yield on financial assets improved from 2.2% in 1Q to 2.9% in 2Q, supported by higher bond interest income amid rising market interest rates.

Gains on financial instruments

	2Q25	3Q25	4Q25	1Q26	2Q26	Growth (%, %pts q-q)	Growth (%, %pts y-y)
Financial assets (KRWt)	25.2	25.7	26.4	27.7	23.4	(15.5)	(7.1)
Gains on financial instruments (KRWb)	181.0	181.1	143.9	152.0	169.8	11.7	(6.2)
Return (%)	2.9	2.8	2.2	2.2	2.9	0.7	0.0

Source: Kakao Bank, Samsung Securities

Platform functionality and fundamentals must strengthen to justify valuation: Kakao Bank's strong capital position (CET-1 ratio of 20.98%) provides a solid foundation to deploy leverage and investments toward stable profit growth. With household loan growth cooling and platform profits slow to grow, unlocking a valuation rerating will depend on identifying and scaling high-potential loan segments—such as SOHO lending—and enhancing platform functionality.

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash & dues	1,855.4	2,113.4	899.4	992.5	1,095.3
Financial instruments	15,277.8	20,802.3	26,193.1	28,904.9	31,897.6
Net loans	44,503.8	51,745.6	55,097.2	60,520.4	66,477.3
Interest earning assets	**61,636.9**	**74,661.3**	**82,189.7**	**90,417.8**	**99,470.1**
Other assets	1,168.4	1,748.4	1,685.3	1,824.2	1,974.6
Total assets	**62,805.3**	**76,409.8**	**83,875.0**	**92,242.0**	**101,444.7**
Deposits	54,971.0	68,323.6	75,051.1	82,438.2	90,552.5
Borrowings /debentures / other	0.0	0.0	0.0	0.0	0.0
Interest bearing liabilities	**54,971.0**	**68,323.6**	**75,051.1**	**82,438.2**	**90,552.5**
Other liabilities	1,294.1	1,336.3	1,769.5	2,056.6	2,393.1
Total liabilities	**56,265.2**	**69,659.9**	**76,820.6**	**84,494.8**	**92,945.5**
Paid-in capital	2,384.8	2,385.1	2,385.6	2,385.6	2,385.6
Capital surplus	2,988.2	2,988.4	2,988.6	2,988.6	2,988.6
Retained earnings	1,123.2	1,432.0	1,830.5	2,523.3	3,275.2
Capital adjustment	0.2	0.1	(7.0)	(7.0)	(7.0)
Other	43.7	(55.7)	(143.3)	(143.3)	(143.3)
Total shareholder equity	**6,540.1**	**6,749.9**	**7,054.4**	**7,747.2**	**8,499.2**

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Net interest income before prov.	**1,269.4**	**1,318.6**	**1,611.3**	**1,818.2**	**1,964.5**
Loan—loss provisioning	(270.5)	(243.8)	(285.7)	(316.6)	(347.7)
Net interest income after prov.	**998.9**	**1,074.8**	**1,325.7**	**1,501.6**	**1,616.7**
Fee income	22.6	24.3	40.9	46.5	54.4
Other non-interest income	78.6	67.7	(25.3)	45.1	60.9
Gross income	**1,100.1**	**1,166.8**	**1,341.3**	**1,593.2**	**1,732.0**
SG&A expenses	(493.2)	(517.5)	(580.9)	(633.2)	(690.2)
Operating profit	**606.9**	**649.4**	**760.3**	**960.0**	**1,041.8**
Other non-operating income	(18.0)	(9.3)	84.1	(4.4)	(4.6)
Pre-tax profit	**588.9**	**640.0**	**844.4**	**955.6**	**1,037.2**
Taxes	148.8	159.8	226.7	262.8	285.2
Net profit	**440.1**	**480.3**	**617.7**	**692.8**	**752.0**
Pre-provisioning operating profit	877.4	893.2	1,046.0	1,276.6	1,389.5

Per-share data

Year-end Dec 31 (KRW)	2024	2025	2026E	2027E	2028E
EPS (KRW)	923	1,007	1,295	1,452	1,576
BVPS (KRW)	13,352	13,700	14,138	15,510	17,026
DPS (KRW)	360	450	650	730	790
Dividend payout ratio (%)	39.0	45.0	50.0	50.0	50.0
Total payout ratio (%)	39.0	45.0	50.0	50.0	50.0

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
Return on avg assets	0.8	0.7	0.8	0.8	0.8
Return on avg equity	7.0	7.2	8.9	9.4	9.3
Loan growth	15.1	16.3	6.5	9.8	9.8
Deposit growth	16.6	24.3	9.8	9.8	9.8
Asset growth	15.3	21.7	9.8	10.0	10.0
Loans-to-deposit (KRW-denominated)	81.0	75.7	73.4	73.4	73.4
Net interest margin	2.2	1.9	2.1	2.1	2.1
Cost-to-income	56.2	57.9	55.5	49.6	49.7
BIS CAR, total	27.2	23.2	21.1	20.6	20.1
BIS CAR, Tier 1	26.1	22.0	20.1	19.7	19.3
BIS CAR, CET-1	26.1	22.0	20.1	19.7	19.3
Equity-to-assets	10.4	8.8	8.4	8.4	8.4

Source: Company data, Samsung Securities estimates

Year-end Dec 31	Pre-prov operating profit (KRWb)	Net profit (KRWb)	FD EPS (KRW)	Chg (%)	Adj. BVPS (KRW)	P/E (x)	P/B (x)	ROE (%)	ROA (%)	CET-1 (%)	Div. yield (%)
2024	877.4	440.1	923	24.0	13,352	22.8	1.6	0.8	7.0	26.1	1.7
2025	893.2	480.3	1,007	9.1	13,700	21.5	1.6	0.7	7.2	22.0	2.1
2026E	1,046.0	617.7	1,295	28.6	14,138	16.6	1.5	0.8	8.9	20.1	3.0
2027E	1,276.6	692.8	1,452	12.2	15,510	14.8	1.4	0.8	9.4	19.7	3.4
2028E	1,389.5	752.0	1,576	8.5	17,026	13.7	1.3	0.8	9.3	19.3	3.7

Source: Company data, Samsung Securities estimates

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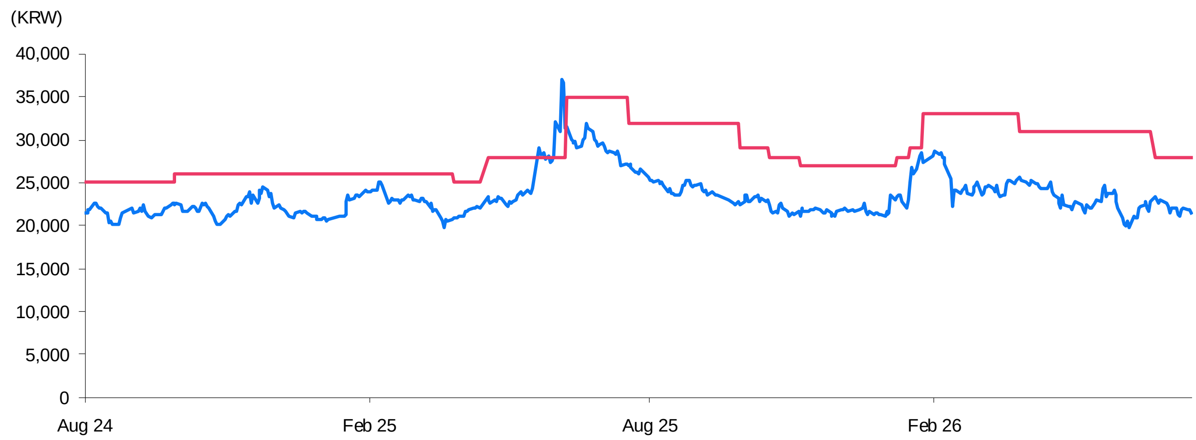
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

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	

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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Company

BUY Expected to increase in value by 15% or more within 12 months and is highly attractive within sector

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

SELL Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT Expected to outperform market by 5% or more within 12 months

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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General

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