

### PRELIMINARY APPROVAL GRANTED TO KAKAO AND KT CONSORTIUMS FOR INTERNET-ONLY BANK

The FSC granted preliminary approval on November 29 to two consortiums – one led by Kakao and the other by KT Corp. – out of three bidders<sup>1</sup> to set up internet-only banks under its plan announced on June 19, 2015.<sup>2</sup>

Under the current Banking Act, the FSC gave out the preliminary licenses for internet-only banks on two conditions: 1) the two consortiums shall operate banking business in the form of electronic financial transaction business<sup>3</sup>; and 2) they shall meet qualifications to run banking business such as manpower, organization and electronic facilities before applying for final licenses.

The final approval will be granted after a review of relevant regulations upon their applications. The two banks – Kakao Bank and K-Bank – shall start business operation no later than 6 months after they receive the final approval.

As a revision bill on the Banking Act was proposed to ease regulations on minimum equity capital and ownership in Internet-only banks, the FSC will additionally grant license for internet-only bank in accordance with the revised Act after the revision is finally passed the National Assembly.

#### < Equity Capital and Shareholder Structure >

	<b>Kakao Bank</b>	<b>K-bank</b>
<b>Equity Capital</b>	KRW 300 billion	KRW 250 billion
<b>Shareholders</b>	Korea Investment Holdings (50%) Kakao (10%)* Kookmin Bank (10%)	Woori Bank (10%) GS Retail (10%)* Hanhwa Life (10%)* Danal (10%)* KT(8%)*

\* 4% shareholder right exercisable

<sup>1</sup> Kakao Bank, K-Bank and I-Bank (tentatively named)

<sup>2</sup> Please refer to the press release(June 19, 2015):「Plan to Introduce Internet-only Banks」

<sup>3</sup> The term "electronic financial transaction" means any transaction whereby a financial institution or an electronic financial business operator provides financial products and services through electronic apparatuses and users use them in a non-facing and automated manner without any direct contact with employees of the financial institution or electronic financial business operator. (*Electronic Financial Transaction Act, Article 2, phrase 1*)

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