

Korea Kakao, Corp.

Financial Statements
December 31, 2016

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Korea Kakao, Corp.

We have audited the accompanying financial statements of Korea Kakao, Corp. (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the period from January 22, 2016 to December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the period from January 22, 2016 to December 31, 2016 in accordance with Korean IFRS.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

Seoul, Korea
March 13, 2017

This report is effective as of March 13, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Korea Kakao, Corp.
Statement of Financial Position
December 31, 2016

<i>(in Korean won)</i>	Notes	2016
Assets		
Cash and due from financial institutions	4	₩ 225,030,574,660
Property and equipment	5	5,744,680,921
Intangible assets	6	6,100,058,403
Deferred tax assets	15	26,612,335
Other assets	7	46,118,468,224
Total assets		<u>₩ 283,020,394,543</u>
Liabilities		
Post-employment benefit obligation	8	₩ 648,158,165
Provisions	9	392,014,124
Other liabilities	10	1,611,851,939
Total liabilities		<u>2,652,024,228</u>
Equity		
Share capital	11	300,000,000,000
Capital adjustments	11	(4,329,862,500)
Accumulated deficit	11	(15,301,767,185)
Total equity		<u>280,368,370,315</u>
Total liabilities and equity		<u>₩ 283,020,394,543</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Korea Kakao, Corp.
Statement of Comprehensive Loss
Period From January 22, 2016 to December 31, 2016

<i>(in Korean won)</i>	Notes	2016
Operating income		
Interest income	12	₩ 1,340,371,023
Operating expenses		
Interest expense	13	10,769,953
Selling and administrative expenses	14	16,658,720,671
Operating loss		<u>(15,329,119,601)</u>
Non-operating income		740,081
Non-operating expense		<u>-</u>
Loss before income tax		(15,328,379,520)
Income tax benefit	15	<u>(26,612,335)</u>
Loss for the period		<u>₩ (15,301,767,185)</u>
Other comprehensive income		<u>₩ -</u>
Total comprehensive loss for the period		<u>₩ (15,301,767,185)</u>

The above statement of comprehensive loss should be read in conjunction with the accompanying notes.

Korea Kakao, Corp.
Statement of Changes in Equity
Period From January 22, 2016 to December 31, 2016

(in Korean won)

	Share Capital	Capital adjustment	Accumulated deficit	Total Equity
Balance at January 22, 2016	₩ 900,000,000	₩ (13,954,500)	₩ -	₩ 886,045,500
Comprehensive loss for the period	-	-	(15,301,767,185)	(15,301,767,185)
Loss for the period	-	-	(15,301,767,185)	(15,301,767,185)
Total comprehensive loss for the period	-	-	(15,301,767,185)	(15,301,767,185)
Transactions with owners				
Contributions of equity	299,100,000,000	(4,315,908,000)	-	294,784,092,000
Total transactions with owners	299,100,000,000	(4,315,908,000)	-	294,784,092,000
Balance at December 31, 2016	₩ 300,000,000,000	₩ (4,329,862,500)	₩ (15,301,767,185)	₩ 280,368,370,315

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Korea Kakao, Corp.
Statement of Cash Flows
Period From January 22, 2016 to December 31, 2016

<i>(in Korean won)</i>	Notes	2016
Cash flows from operating activities		
Cash generated from operations		
Loss for the period	₩	(15,301,767,185)
Adjustments to reconcile loss for the period to net cash provided by operating activities	16	398,288,149
Changes in operating assets and liabilities	16	(42,979,240,523)
Interest received		720,053,064
Net cash outflow from operating activities		<u>(57,162,666,495)</u>
Cash flows from investing activities		
Increase in deposits		(17,425,556,130)
Payments for acquisition of property, plant and equipment	5	(5,313,277,181)
Payments for acquisition of intangible assets	6	(6,649,024,161)
Increase in leasehold deposits		(1,514,595,003)
Net cash outflow from investing activities		<u>(30,902,452,475)</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary shares		294,783,097,500
Net cash inflow from financing activities		<u>294,783,097,500</u>
Net increase in cash and cash equivalents		206,717,978,530
Cash and cash equivalents at the beginning of the year		887,040,000
Cash and cash equivalents at the end of the year	₩	<u>207,605,018,530</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Korea Kakao, Corp.
Notes to the Financial Statements
December 31, 2016

1. The Company

Korea Kakao, Corp. (the "Company") was incorporated to provide banking services through non-face to face channel and electronic financial transaction as an internet-only bank. The Company aims to provide an innovative and differentiated banking service using IT technologies. The head office is located in 5F, S-dong, 231, Pangoyeok-ro(Sampyeong-dong, H square), Bundang-gu, Seongnam-si, Gyeonggi-do. In the meanwhile, the Mobile Banking Center is located in 17F, KDB life insurance tower 372(Dongja-dong) Hangang-daero, Yongsan-gu, Seoul to provide an effective customer service.

On January 6, 2017, the Company filed a petition in accordance with Article 5 (3) of the Banking Supervision Regulations in order to operate the banking business pursuant to Article 8 and 11 of the Banking Act.

The initial capital of the Company is amounted to ₩900 million and as at December 31, 2016, the Company's capital has been increased amounting to ₩300,000 million through issuance of additional shares. Shareholders as at December 31, 2016, are as follows:

Name of shareholder	Number of shares	Percentage of ownership (%)
Korea Investment Holdings Co., Ltd.	34,800,000	58.00
Kakao Corp.	6,000,000	10.00
Kookmin Bank	6,000,000	10.00
Netmarble Inc.	2,400,000	4.00
Seoul Guarantee Insurance Company	2,400,000	4.00
Korea Post	2,400,000	4.00
eBay Korea Co., Ltd. (Gmarket / Action)	2,400,000	4.00
Skyblue ¹	2,400,000	4.00
YES24 Co., Ltd.	1,200,000	2.00
	60,000,000	100.00

¹ Skyblue is a wholly-owned subsidiary of Tencent, a leading provider of internet value added services in China.

2. Basis of Preparation

The Company maintains its accounting records in Korea won and prepares statutory financial statements in the Korea language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korea IFRS). The accompanying financial statements have been condensed, restructured and translated into English from the Korea language financial statements.

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Certain information attached to the Korea language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flow, is not presented in the accompanying financial statements.

The financial statements of the Company have been prepared in accordance with Korea IFRS. These are the standards, subsequent amendments and related interpretations issued by the international Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

2.1 Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial instruments measured at fair value
- Defined benefit liabilities recognized at net of the fair value of the plant assets from the total present value of defined benefit obligations
- Provisions for restoration measured at the present value of the expenditures expected to be required to fulfil the obligation.

2.2 Functional and Presentation Currency

The financial statements of the Company are prepared in functional currency of the primary economic environment in which the Company operates. The financial statements are presented in Korean won, which is the Company's functional and presentation currency.

2.3 Use of Estimates and Judgments

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimates may be different from the related actual results. Uncertainty in estimates and assumptions with significant risk with that may result in material adjustment to the financial statements are as follows:

(a) Income tax

The Company recorded, based on its best estimate, current taxes and deferred taxes that the Company will be liable in the future for the operating results as at the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

(b) Defined benefit liability

Defined benefit liability depends on numerous factors, especially variation in discount rate, that are determined based on an actuarial basis.

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3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

3.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are cash equivalents in substance; for example, preferred shares that have a short maturity with a specified redemption date.

3.3 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of all property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful life
Tools and equipment	5 years
Others	5 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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3.4 Intangible Assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

	Useful life
Software	5 years
Development costs	5 years

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. If it is determined that such change in accounting estimates is appropriate, the change shall be accounted for a changes in accounting estimates.

3.5 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.6 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases are charge to profit or loss on a straight-line basis over the period of lease.

3.7 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

3.8 Employee Benefits

3.8.1 Post-employment Benefits:

The Company operates defined benefit pension plans for post-employment benefits.

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A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

3.8.2 Short-term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognized as a liability (accrued expense), after deducting any amount already paid.

The expected cost of profit-sharing and bonus payments are recognized as liabilities when the Company has a present legal or constructive obligation to make such payments as a result of past events rendered by employees and a reliable estimate of the obligation can be made.

3.9 Revenue Recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

(a) Interest income and expenses

Interest income and expenses are recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income and expenses. Interest income and expenses on impaired loans and receivables is recognized using the original effective interest rate.

(b) Dividend income

Dividend income is recognized when the right to receive payment is established.

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3.10 Income Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

3.11 Operating Segment Reporting

According to Korean IFRS 1108 *Operating Segments*, the Company omitted disclosure for operating segment as the Company has a single segment. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and the Board of Directors that makes strategic decisions is considered as the chief operating decision-maker.

4. Cash and Due from Financial Institutions

4.1 Cash and due from financial institutions as at December 31, 2016, consists of:

<i>(in thousands of Korean won)</i>	Financial institution	Interest rate (%)	2016
Cash and cash equivalents			
Time deposit	Kookmin Bank and others	1.28~1.45	₩ 190,000,000
Ordinary deposit	Kookmin Bank	-	105,019
Other deposit	Kookmin Bank and others	1.17	<u>17,500,000</u>
			<u>207,605,019</u>
Due from financial institutions			
Time deposit	Woori Bank and others	1.25~2.20	<u>17,425,556</u>
			<u>₩ 225,030,575</u>

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Financial deposits which are restricted in use as at December 31, 2016, are as follows:

(in thousands of Korean won)

	Financial institution	2016	Restriction
Time deposit	Woori Bank	₩ 425,556	Pledged as head office rental deposit

5. Property and Equipment

Details of property and equipment as at December 31, 2016, are as follows:

(in thousands of Korean won)

	2016		
	Acquisition cost	Accumulated depreciation	Book amount
Tools and equipment	₩ 4,778,316	₩ (295,015)	₩ 4,483,301
Other	1,448,443	(187,063)	1,261,380
	<u>₩ 6,226,759</u>	<u>₩ (482,078)</u>	<u>₩ 5,744,681</u>

Changes in property and equipment for the period from January 22, 2016 to December 31, 2016, are as follows:

(in thousands of Korean won)

	2016			
	Beginning balance	Acquisition	Depreciation	Ending balance
Tools and equipment	₩ -	₩ 4,778,316	₩ (295,015)	₩ 4,483,301
Other	-	1,448,443	(187,063)	1,261,380
	<u>₩ -</u>	<u>₩ 6,226,759</u>	<u>₩ (482,078)</u>	<u>₩ 5,744,681</u>

6. Intangible Assets

Details of intangible assets as at December 31, 2016, are as follows:

(in thousands of Korean won)

	2016		
	Acquisition cost	Accumulated amortization	Book amount
Development costs	₩ 253,331	₩ (4,222)	₩ 249,109
Software	6,470,993	(620,044)	5,850,949
	<u>₩ 6,724,324</u>	<u>₩ (624,266)</u>	<u>₩ 6,100,058</u>

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Changes in intangible assets for the period from January 22, 2016 to December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016			
	Beginning balance	Acquisition	Amortization	Ending balance
Development costs	₩ -	₩ 253,331	₩ (4,222)	₩ 249,109
Software	-	6,470,993	(620,044)	5,850,949
	₩ -	₩ 6,724,324	₩ (624,266)	₩ 6,100,058

As at December 31, 2016, there are no intangible assets with indefinite useful lives.

7. Other Assets

Details of other assets as at December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016
Accrued revenues	₩ 612,500
Advance payments	43,569,497
Prepaid expenses	239,296
Prepaid rent	63,144
Prepaid income tax	111,619
Deposits provided	1,522,412
	₩ 46,118,468

8. Post-employment Benefits

Details of defined benefit liabilities as at December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016
Present value of funded defined benefit obligations	₩ 648,158
Fair value of plan assets	-
Defined benefit liabilities	₩ 648,158

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Key actuarial assumptions used as at December 31, 2016, are as follows:

	<u>Ratio (%)</u>
	2016
Discount rate	3.39
Salary growth rate ¹	2.00

¹Salary growth rate is based on the standard rate issued by Korea Insurance Development Institute.

The sensitivity of the defined benefits obligation to changes in the principal assumptions as at December 31, 2016 as follows:

(in thousands of Korean won)

	Changes in principal assumption	Effect on defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate	1.00%	₩ (50,932)	₩ 59,245
Salary growth rate ¹	1.00%	₩ 59,543	₩ (52,085)

¹Salary growth rate is based on the standard rate issued by Korea Insurance Development Institute.

There is no change in present value of defined benefit obligation, and fair value of plan asset is not available as at December 31, 2016. This is because the Company was established in 2016 and it has been operated for less than one year from the incorporation date.

9. Provisions

Details of provisions as at December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016
Provision for restoration costs	₩ 392,014

Changes in provisions for restoration costs for the years ended December 31, 2016, are as follows:

<i>(In thousands of Korean won)</i>	2016
Beginning	₩ -
Provision	381,244
Unwinding of discount	10,770
Ending	<u>₩ 392,014</u>

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Provisions for restoration costs are recognized for the present value of the estimated expenditures required to remove leasehold improvements. Actual expenses are expected to be incurred at the end of each lease contract. The discount period is five years, which is the depreciation period for leased facilities. Also, the Company measured estimated restoration costs using a discount rate set with reference to 10 year maturity financial bond yield with credit rating of Korea Investment Holdings Co., Ltd. and an average inflation rate during the last 12 months.

10. Other Liabilities

Details of other liabilities as at December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016
Other financial liabilities	
Non-trade payables	₩ 1,268,346
	<u>1,268,346</u>
Other liabilities	
Non-trade payables	191,188
Taxes withheld	152,318
	<u>343,506</u>
	<u>₩ 1,611,852</u>

11. Equity

Details of share capital as at December 31, 2016, are as follows:

<i>(in Korean won and in number of shares)</i>	2016
Type of shares	Ordinary share
The number of authorized shares	400,000,000 shares
Par value per share	₩ 5,000
The number of outstanding shares	60,000,000 shares
Share capital	₩ 300,000,000,000

Details of capital adjustment as at December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016
Discount on issuance of shares	₩ (4,329,863)

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Details of disposition of deficit are as follows:

<i>(in thousands of Korean won)</i>	2016	
Deficit before disposition	₩	(15,301,767)
Loss for the period		(15,301,367)
Disposition		-
Undisposed deficit carried forward to subsequent year	₩	<u>(15,301,767)</u>

12. Interest Income

Details of interest income for the period from January 22, 2016 to December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016	
Interest on deposits	₩	1,330,286
Other interest income		<u>10,085</u>
	₩	<u>1,340,371</u>

13. Interest Expenses

Details of interest expenses for the period from January 22, 2016 to December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016	
Other interest expenses	₩	10,770

14. Selling and Administrative Expenses

Details of selling and administrative expenses for the period from January 22, 2016 to December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016	
Salaries and wages	₩	6,507,436
Post-employment benefits		648,158
Employee benefits		1,470,892
Electronic data processing expenses		1,137,889
Rent		1,423,647
Service fees		3,607,243

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Entertainment	80,783
Depreciation	482,078
Research expenses	3,659
Training	1,148
Amortization	624,266
Taxes and dues	38,397
Publication	1,202
Travel	91,045
Vehicles maintenance expenses	32,613
Supplies	192,772
Event cost	17,317
Others	298,176
	₩ 16,658,721

15. Income Tax

Income tax benefit for the period from January 22, 2016 to December 31, 2016, consists of:

<i>(in thousands of Korean won)</i>	2016
Current tax:	₩ -
Changes in deferred tax assets (liabilities) due to temporary differences	26,612
Income tax expenses charged directly to equity	-
Income tax benefit	₩ 26,612

Details of deferred tax assets and liabilities as at December 31, 2016, consist of:

<i>(in thousands of Korean won)</i>	2016		
	Assets	Liabilities	Net amount
Provision for restoration costs	₩ 110,244	₩ 92,261	₩ 17,983
Post-employment benefits	156,854	-	156,854
Interest receivables	-	148,225	(148,225)
Leasehold deposits	15,281	-	15,281
Prepaid rent	-	15,281	(15,281)
	₩ 282,379	₩ 255,767	₩ 26,612

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16. Supplemental Cash Flow Information

Cash and cash equivalents as at December 31, 2016, are as follows:

<i>(In thousands of Korean won)</i>	2016	
Cash	₩	-
Deposits held by financial institutions		207,605,019
	₩	<u>207,605,019</u>

Adjustments to reconcile loss for the period to cash flow generated from operating activities during the year ended December 31, 2016 are as follows:

<i>(In thousands of Korean won)</i>	2016	
Interest income	₩	(1,340,371)
Income tax benefit		(26,612)
Depreciation of property & equipment		482,078
Amortization of intangible assets		624,266
Post-employment benefits		648,158
Interest expense		10,770
	₩	<u>398,289</u>

The changes in assets and liabilities related to cash flows from operating activities during the year ended December 31, 2016 are as follows:

<i>(in thousands of Korean won)</i>	2016	
Increase in other assets	₩	(43,983,555)
Increase in other liabilities		<u>1,004,315</u>
Income tax revenue	₩	<u>(42,979,240)</u>

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17. Operating Lease

As at December 31, 2016, the Company has entered into a operating lease agreement for vehicles with Lotte Rent-A-Car.

The total of future minimum lease payments to the lessor as at December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016	
Within one year	₩	44,568
Later than one year but not later than five years		40,876
	₩	<u>85,444</u>

18. Related Party Transactions

Related Parties as at December 31, 2016, are as follows:

	Related parties
Parent	Korea Investment Holdings Co., Ltd.
Parent's subsidiaries	Korea Investment & Securities Co., Ltd. Korea Investment Partners Co., Ltd. EQ Partners Korea Investment Savings Bank Korea Investment Management Co. Korea Investment Capital

Sales and purchases with related parties for the period from January 22, 2016 to December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>		2016	
	Details	Income	Expenses
Parent's subsidiaries			
Korea Investment & Securities Co., Ltd.	Interest income	₩ 1,091,407	₩ -

Outstanding balances arising from sales/purchases of goods and services as at December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>		2016	
	Details	Receivables	Payables
Parent's subsidiaries			
Korea Investment & Securities Co., Ltd.	Other deposits	₩ 8,000,000	₩ -
	Time and instalment deposits	180,000,000	-
	Due from financial institutions	17,000,000	-
	Interest receivables	<u>590,115</u>	<u>-</u>

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₩ 205,590,115	₩ -
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The compensation paid or payable to key management for employee services for the period from January 22, 2016 to December 31, 2016, consists of:

<i>(in thousands of Korean won)</i>	2016	
Short-term employee benefits	₩	450,000
Post-employment benefits		46,987
	₩	496,987

Key management includes directors, members of the Executive Committee, the Company Secretary and the Head of Internal Audit.

19. Approval of Issuance of the Financial Statements

The financial statements 2016 were approved for issue by the Board of Directors on February 8, 2017.