

3QFY2003 Earnings Release

Apr. ~ Dec. 2003

Shaper of Korean Financial Services Industry

Daewoo Securities (006800.KS)

Spring is all around...

Investor Relations

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Company Description

Establishment Sep. 1970
CEO Mr. Jong-Soo Park
Employees 2,340
Network 118 (1) branches, 1 PB
Overseas 5 subsidiaries,
1 office
Paid-in Capital KRW 1,021bln
Market Cap. KRW 865bln
Shares in issue 204,176,641
- Common 190,100,891
- Preferred 14,075,750
Price Range KRW3,270~5,890
(Apr.~Dec. 2003)
Majority Korea Development Bank
Shareholder (Ownership 39.1%)

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Daewoo Sec. posted operating income of KRW 52.4 bln and net loss of 31.2 bln for 3QFY03 (Apr.~Dec. 2003)

For the past 3 quarters, Daewoo Sec. posted operating revenue of KRW 526.0 bln and operating income of KRW 52.4 bln. However, loss on cases for redemption requests of beneficiary certificates increased non-operating loss resulting in a net loss of KRW 31.2 bln. (2~4p)

Last January, verdicts were given on the remaining cases for redemption requests of beneficiary certificates. Details of the verdicts were almost the same as those of last October. The Company realized all the related losses this 3Q to rid of all uncertainties. (4p)

Daewoo's discretionary wrap accounts welcomed in markets

'MasterWrap', Daewoo Securities' discretionary wrap accounts, reached the balance of KRW 300 bln at mid-February, leading the van. (7p)

Summarized PL

[Table 1] Summarized Income Statement

(KRW bln)	FY03		YoY (%)	FY03		QoQ (%)
	3Q	3Q		3Q	2Q	
Operating Revenues	526	546	-3.7	175	171	+2.0
Operating Expenses	474	495	-4.4	177	161	+10.2
Operating Income	52	51	+3.1	-2	11	-
Ordinary Income	-31	-12	-	-57	-11	-
Net Income	-31	-12	-	-57	-11	-
EPS (KRW)	-164	-6	-	-297	-59	-
ROE (%)	-2.8	-0.1	-	-5.2	-1.0	-
Adjusted EPS (KRW)	16	376	-95.7	29	-38	-
Adjusted ROE (%)	0.3	6.1	-95.5	0.5	-0.6	-

≒ EPS, ROE are not annualized.

≒ Adjusted EPS, ROE are based on (comm. received, interest income) minus (comm. expenses, interest expenses, SG&A excl. both credit loss expenses and provision for allowances for guarantees).

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Financials

1. Operating revenues

*Operating revenues of
KRW 526.0 bln, down by
3.7% in 3QFY03*

For the 3 quarters in FY03, Daewoo Securities marked operating revenues of KRW 526.0 bln and operating expenses of KRW 473.6 bln resulting in net operating income of KRW 52.4 bln, up by 3.1% from last fiscal year's KRW 50.8 bln.

*3Q commission received
decreased 12.4% to KRW
248.9 bln from weak
underwriting and BCs
brokerage commissions*

Commission received was KRW 248.9 bln, down 12.4% YoY. The market trading volume was KRW 657.766 trln, down by 4.8% from last fiscal year's KRW 690.787 trln and brokerage commissions were KRW 217.3 bln decreasing 5.9%.

Underwriting commissions recorded only KRW 12.4 bln. However, sluggish primary markets now seem to be on the recovery as indicated by higher performance results in 3QFY03.

Brokerage commissions on beneficiary certificates were KRW 14.9 bln, declining to as little as 51.4% of last year's. The balance has been on a steady decrease spurred on by the SK Global scandal in March along with sheer drops in market commission rates. We expect discretionary wrap accounts will generate new commission income.

Interest income, composed of gain on valuation of reserve for claims of customers' deposits(trust) and dividends income including distribution income were KRW 59.3 bln, KRW 26.0 bln and KRW 10.4 bln respectively.

As KOSPI ended at 810.71 Pt at end-December 2003, soaring from 535.70Pt during the 9 months, gains on sales and valuation of current securities increased to KRW 21.0 bln and KRW 21.8 bln respectively. Gains related to structured securities regarding ELS and stock warrants also advanced to KRW 12.6 bln and gain on derivatives transactions were KRW 99.3 bln, down by 19.7% YoY.

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2. Operating expenses

Out of operating expenses of KRW 473.6 bln, general & administrative expenses are KRW 235.5 bln

Operating expenses for the 3 quarters marked KRW 473.6 bln. General and administrative expenses spent were KRW 235.5 bln and losses on securities amounted to KRW 150.7 bln.

[Table 2] Operating revenues/expenses

KRW bln	FY03		QoQ	FY03	FY02	YoY
	3Q	2Q		acc.	acc.	
Operating revenues	174.8	171.3	2.0%	526.0	546.2	-3.7%
Commission received	79.6	81.9	-2.8%	248.9	284.1	-12.4%
Brokerage commissions	67.2	72.0	-6.7%	217.3	230.9	-5.9%
Underwriting commissions	6.7	3.8	77.9%	12.4	18.5	-33.1%
Brokerage commissions on BCs	3.9	5.2	-25.4%	14.9	30.6	-51.4%
Interest income	37.1	29.6	25.5%	95.3	98.1	-2.8%
Dividends and distribution	1.6	7.1	-77.4%	10.4	6.9	52.0%
Gains on securities	56.3	51.8	8.8%	170.0	148.3	14.6%
Others	0.1	0.9	-92.2%	1.4	8.9	-84.5%
Operating expenses	176.8	160.5	10.2%	473.6	495.3	-4.4%
Commission expenses	6.1	8.1	-25.6%	22.7	20.9	8.4%
Interest expense	22.4	21.4	4.7%	64.7	66.9	-3.2%
Losses on securities	68.0	49.5	37.4%	150.7	164.7	-8.5%
General & administrative expenses	80.3	81.4	-1.4%	235.5	242.8	-3.0%
Salary	37.7	41.9	-10.0%	118.7	118.6	0.1%
Credit losses & provisions	8.9	4.8	84.6%	17.7	19.9	-11.0%
Operating income	-2.0	10.8	-118.8%	52.4	50.8	3.1%

Commission expenses, which are dependent on the Company's total trading value increased to KRW 22.7 bln YoY despite the fact the trading value in FY03 was far less than in FY02. This was because securities related organizations exempted trading commissions during 3QFY02. Interest expense was KRW 64.7 bln.

Losses on securities decreased to KRW 150.7 bln. However, increase QoQ was rather noticeable at KRW 68 bln, which had valuation losses of KRW 6.2 bln on LG Card bonds.

General & administrative expenses were KRW 235.5 bln, down 3.0% YoY. KRW Salary of 118.8 bln did not change much and credit losses decreased 11.0%.

Operating income of KRW 52.4 bln

Operating income for 3QFY03 recorded KRW 52.4 bln, up by 3.1% from KRW 50.8 bln 3QFY02.

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3. Bottom line and others

Last losses of KRW 84.1 bln for lawsuits regarding redemption requests on BCs.

Of the KRW 17.9 bln, non-operating income bln, office rental income marked KRW 5.9 bln, equity method income KRW 4.1 bln and others KRW 4.5 bln. Of KRW 101.2 bln, non-operating expenses were losses of KRW 10.1 bln on disposition of securities available for sale and losses of KRW 84.1 bln on the redemption requests on beneficiary certificates lawsuits.

Operating income of KRW 52.4 bln and net losses of KRW 31.2 bln

Regarding the redemption requests on beneficiary certificates lawsuits, losses totaled KRW 129.8 bln, that is KRW 45.6 bln in FY02, KRW 22.5 bln in 2QFY03 to KRW 61.6 bln in 3QFY03. With this, we conclude a chapter and expect no further losses regarding this issue.

Considerable non-operating losses nibbled away at 52.4 bln of operating income marking net losses of KRW 31.2 bln for the 3 quarters and KRW 56.5 bln in the 3rd quarter. However, we find the financial structure to lack any uncertainties. As the Company closes books in March, it presumes to return to profitability buoyed by the stable recovery in the securities markets.

4. Capital Adequacy Ratio

As of December 2003, the Company's capital adequacy ratio was 513.8%. Net working capital totaled KRW 1,62.0 bln and risk weighted assets amounted to KRW 206.7 bln.

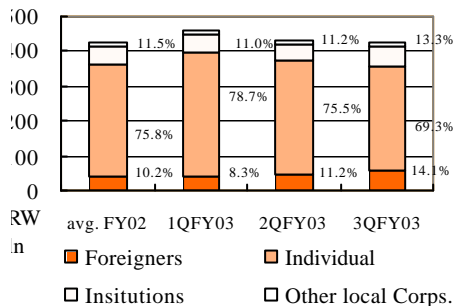
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Performances

1. Brokerages

Graph 1] Trading by Investor Group



Market Share of 7.41%

KSE market trading volume increased to KRW 158.251 trln in 3Q after a correction in 2Q while KOSDAQ market trading volume decreased to KRW 55.609 trln. Overall trading volume in 3Q was KRW 213.860 trln (daily average KRW 3.169 trln) down from 2Q KRW 214.791 trln (daily average KRW 3.416 trln).

The Company's stock market share (KSE and KOSDAQ) dropped to 7.41%. As shown in Graph 1, individual investors trading dwindled when foreigners and institutions trading were on the rise. This seems to have a direct influence on the Company's M/S, 1Q 7.66%, 2Q 7.62% and 3Q 6.91%.

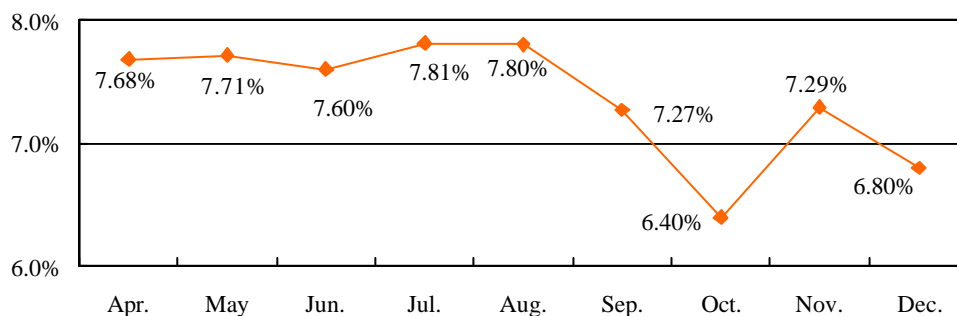
With the same reason above, the Company's online trading dropped as offline trading grew by 23.6%.

[Table 3] Markets shares in brokerages

(KRW bln, %)		FY03		QoQ	FY03 acc.	FY02 acc.	YoY
		3Q	2Q				
Stock	Market Value	3,169	3,416	-7.2%	3,556	3,714	-4.3%
	M/S	6.91%	7.62%	-9.3%	7.41%	7.46%	-0.7%
	KSE	6.53%	7.17%	-8.9%	7.02%	7.19%	-2.4%
	KOSDAQ	7.99%	8.48%	-5.8%	8.22%	8.19%	+0.4%
	Offline	2.51%	2.64%	-4.9%	2.57%	2.08%	+23.6%
	Online	4.40%	4.98%	-11.7%	4.84%	5.38%	-10.0%
Futures	M/S	3.09%	2.87%	+7.7%	2.87%	2.90%	-1.0%
	Online	2.64%	2.17%	+21.7%	2.29%	1.73%	+32.3%
Options	M/S	4.12%	3.88%	+6.2%	4.07%	4.17%	-2.4%
	Online	3.20%	2.63%	+21.7%	2.75%	2.51%	+9.5%
Brokerage Commissions		67	72	-7.5%	216	229	-5.9%

Source : Internal data

[Graph 2] Monthly stock market shares



Source : Internal data

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2. Wealth management

Market Share of 7.41%

As of end-December the Company's balance of BCs was KRW 2.6573 trln, down by 20.5% at KRW 3.3434 trln as of end-September.

Recovering BCs markets again faltered with problems stemming from the ailing LG Card. In these uneasy circumstances MMF and bond-type funds started flowing out again to the level of 1Q in addition to rising interest rates.

Although KOSPI has been rising steadily, there has been more redemption than buying of equity-hybrid and equity-type BCs. As a result, the balance has been declining.

[Table 4] Balances of BCs

KRW bln		FY03		QoQ	FY03	FY02	YoY
		End-Dec.	End-Sep.		End-Dec.	End-Dec.	
Bond-type	MMF	1,116	1,380	-19.2%	1,116	1,463	-23.8%
	Total	1,967	2,531	-22.3%	1,967	2,753	-28.5%
Hybrid-type	Bond-hybrid	391	430	-9.1%	391	580	-32.6%
	CBO	46	46	-	46	46	-
	HY	42	42	-	42	44	-5.1%
	Equity-hybrid	269	333	-19.3%	269	266	+1.1%
	Total	660	763	-13.5%	660	846	-22.0%
Equity-type		16	36	-54.6%	16	37	-55.8%
Mutual fund		14	14	-	14	26	-45.4%
Totals		2,657	3,343	-20.5%	2,657	3,662	-27.4%
Commissions		3.9	5.2	-25.4%	14.9	30.6	-51.4%

Source : Internal data

Daewoo Securities' discretionary wrap account of a leading performance

Daewoo Securities' discretionary wrap account product 'MasterWrap' balance stood at KRW 60 bln at end-December and at more than KRW 300 bln at mid-February. The Company is aiming to exceed KRW 1 trln year-end.

MasterWrap is believed to be competitive in several respects. It comes in various mix-ups of securities, such as Daewoo Securities' KLCI(Korea Leading Company Index) Fund consisting of Korea's foremost blue chips, different minimums of initial investment and fees charged on a basis of a month-end or a quarter-end.

The Company started 'the Wealth Management Hub' system, through which wealth management sales persons communicate with each other and make the best use of different kinds of clients. The system is also involved in developing and improving products and reflecting clients' needs promptly.

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3. Investment banking

An uptrend in interest rates and looming credit card companies problems have kept securities markets uneasy, both primary and secondary. Nonetheless, Daewoo Securities had had outstanding deals with KT, Hyundai Oilbank Corp., Enclean and etc.

[Table 5] Investment Banking Performance

KRW bln	Underwriting Amounts and Market Share					
	~3QFY03		~3QFY02		FY02	
IPO	86	11.0%	586	30.8%	606	29.1%
Rights issues	295	38.5%	20	8.2%	20	4.9%
Corporate bonds	1,284	12.2%	1,624	9.2%	1563	9.1%
ABS and others	1,438	8.1%	1,746	12.0%	2491	17.2%
ELS	367	10.9%				

Excludes between-affiliates businesses

Source : Internal data

Recently, Daewoo Securities has built a database to share info on institutional customers between different investment banking departments. Also, training in/outside company, with the research team is expected to nurture sales persons' total financial consulting skills and find various profit sources.

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News

Upgrading in Company credit rating to BBB+

Last December, Korea Investors Service and Korea Ratings, 2 Korea's renowned credit rating agencies upgraded the Company's credit rating to BBB+. They concluded, now that the first verdicts on redemption requests on beneficiary certificates lawsuits freed Daewoo Securities from lingering uncertainties, the Company secured the ability to create stable operating income.

[Table 6] Credit rating history

Date	Aug-98	Aug-99	Jun.-00	Jul.-00	Jul.-01	Apr.-02	Dec.-03
Rating	A-	CCC+	BB	BB+	BBB-	BBB	BBB+

Based on issuer rating & ordinary debentures ratings

Wholesale team and Equity research got back on track

Institutional investing public has recently shown trust in Daewoo Securities' wholesale team and equity research according to surveys by domestic business magazines

[Table 7] Survey results

	Wholesale Team	Equity Research
Hankyung Busienss Weekly (Dec. 29 2003)	#2	#3
Maekyoung Business Weekly (Jan. 14 2004)	#2	#3

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Appendix 1. Balance Sheet

Unit: KRW million	Dec-03	Sep-03	Dec-02	Sep-02
Assets				
Current assets	2,951,237	2,915,998	2,166,420	1,933,985
Cash and bank deposits	202,629	239,225	293,618	78,684
Deposits	1,048,230	1,372,352	914,920	953,397
Current securities	1,479,141	1,030,415	781,134	746,076
Structured securities	38,464	32,459		
Options purchased	28	9	354	74
Loans	80,790	38,336	81,359	59,822
Other current assets	108,173	207,275	98,121	97,437
Allowance for credit loss (-)	6,219	4,072	3,086	1,506
Non-current assets	971,263	985,707	1,073,186	1,169,492
Non-current securities	476,307	479,831	563,735	436,248
Investment assets	116,294	119,893	126,389	122,438
Tangible fixed assets	280,083	283,364	300,793	306,767
Other non-current assets	98,580	102,619	82,268	304,040
Total assets	3,922,501	3,901,705	3,239,606	3,103,478
Liabilities				
Current liabilities	2,405,624	2,333,138	1,800,051	1,662,382
Call money	130,000	110,000	131,000	
Short-term borrowings		2,000	113,000	119,686
Bonds sold under reverse resale agreements	501,742	251,154	55,737	41,988
Customers' deposits	1,153,651	1,312,729	1,014,816	1,017,041
Securities sold	3,137	887		
Structured securities sold	195,651	160,602		
Short position in options	726	1,052	180	111
Others	420,718	494,714	485,318	483,556
Long-term liabilities	430,314	429,146	277,762	277,870
Debenture				
Long-term borrowings				
Allowance for guarantees	637	710	3,685	3,126
Reserve for severance and retirement benefits	29,748	28,524	21,004	19,935
Others	399,929	399,911	253,073	254,809
Total liabilities	2,835,937	2,762,284	2,077,813	1,940,252
Stockholders' equity				
Paid-in Capital	1,020,883	1,020,883	1,020,883	1,020,883
Capital surplus	250,724	250,724	250,724	250,724
Retained earnings	34,188	90,720	125,244	121,038
Capital adjustment	-219,232	-222,906	-235,058	-229,420
Total stockholders' equity	1,086,564	1,139,422	1,161,793	1,163,225
Total liabilities & stockholders' equity	3,922,501	3,901,705	3,239,606	3,103,478

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Appendix 2. Income Statement

Unit: KRW million	FY03		QoQ %	FY03	FY02	YoY %
	3Q	2Q		acc.	acc.	
Operating Revenues	174,753	171,254	2.0	525,953	546,153	-3.7
Commission received	79,628	81,884	-2.8	248,879	284,091	-12.4
Brokerage commissions	67,183	71,991	-6.7	217,268	230,860	-5.9
Underwriting commissions	6,738	3,787	77.9	12,390	18,514	-33.1
Brokerage commissions on beneficiary certificates	3,906	5,239	-25.4	14,859	30,551	-51.4
Wrap commissions	156	95	64.2	372	978	-61.9
Others	1,645	771	113.2	3,989	3,189	25.1
Interest income	25,649	17,107	49.9	59,324	98,081	-39.5
Interest on margin loans	555	607	-8.6	1,610	3,004	-46.4
Interest on deposits with KSFC	7	7	-3.4	21	37,833	-99.9
Interest on deposits with institutions	2,690	2,186	23.0	7,516	6,771	11.0
Interest on call loans	581	369	57.2	1,444	2,178	-33.7
Interest on advance for customers	578	69	739.5	960	2,005	-52.1
Others	21,239	13,868	53.1	47,772	46,290	3.2
Dividends income	1	65	-98.9	1,120	4,630	-75.8
Distribution income	1,596	6,987	-77.2	9,294	2,222	318.3
Gain on sales of current securities	13,573	11,961	13.5	36,338	21,042	72.7
Gain on sales of stock	7,980	6,030	32.3	19,912	8,615	131.1
Gain on sales of bonds	2,617	3,376	-22.5	8,767	10,487	-16.4
Gain on sales of beneficiary certificates	2,764	2,202	25.5	6,860	1,537	346.2
Others	212	353	-40.0	798	403	98.1
Gain on valuation of current securities	7,556	1,439	425.0	21,759	3,624	500.3
Gain on valuation of stock	7,556			5,665	5	106314.3
Gain on valuation of bonds		1,439		579	1,283	-54.9
Gain on valuation of beneficiary certificates				15,515	2,336	564.1
Others						
Gain on structured securities transactions	8,208	1,723	376.4	8,851		
Gain on valuation of structured securities	4,944	1,723	186.9	5,586		
Gain on valuation of trading securities sold	10	6	66.2	6		
Gain on structured securities sold transactions	2,204	3,983	-44.7	3,729		
Gain on valuation of reserve for claims of customers	11,499	12,505	-8.0	36,009		
Gain on derivatives transactions	24,755	32,652	-24.2	99,265	123,603	-19.7
Gain on futures transactions	7,800	9,763	-20.1	26,388	39,216	-32.7
Gain on exchange trading options transactions	16,956	21,043	-19.4	72,476	83,642	-13.3
Gain on OTC derivatives transactions		1,847		401	744	-46.1
Other operating income	74	942	-92.2	1,370	8,859	-84.5
Reversal of allowance for allowances						
Reversal of allowance for guarantees	74	942	-92.2	1,370	8,859	-84.5
Others						
Operating expenses	176,777	160,473	10.2	473,575	495,334	-4.4
Commission expenses	6,051	8,136	-25.6	22,692	20,933	8.4
Trading commissions	3,152	5,505	-42.7	14,762	11,669	26.5
Investment consultant fees	1,579	1,617	-2.3	4,852	6,895	-29.6
Other commissions	1,320	1,014	30.1	3,077	2,369	29.9
Interest expenses	22,373	21,375	4.7	64,719	66,855	-3.2
Interest on borrowings from KSFC	904	416	117.2	2,146	5,346	-59.9
Interest on customers' deposits	4,228	4,801	-11.9	14,335	16,736	-14.3
Interest on call money	1,132	1,197	-5.4	4,198	5,140	-18.3
Interest on debentures	11,568	11,535	0.3	34,819	36,970	-5.8

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Appendix 2. Income Statement (Continued)

Unit: KRW million	FY03		QoQ	FY03	FY02	YoY
	3Q	2Q	%	acc.	acc.	%
Others	4,540	3,426	32.5	9,220	2,663	246.2
Loss on sales of current securities	16,395	5,374	205.1	24,852	38,266	-35.1
Loss on sales of stock	5,092	1,066	377.6	6,872	24,227	-71.6
Loss on sales of bonds	9,518	2,534	275.6	13,127	5,279	148.6
Loss on sales of beneficiary certificates	1,331	1,627	-18.2	4,042	8,665	-53.4
Others	455	148	207.9	812	95	755.8
Loss on valuation of current securities	8,915	7,622	17.0	8,383	15,212	-44.9
Loss on valuation of stock		7,039		703	14,917	-95.3
Loss on valuation of bonds	3,782			3,524		
Loss on valuation of beneficiary certificates	1,102	583	89.1	126		
Others	4,030			4,030	295	1264.3
Loss on structured securities transactions	2,839	2,564	10.7	3,002		
Loss on valuation of structured securities	2,839	2,564	10.7	3,002		
Loss on valuation of trading securities sold	264	35	659.7	466		
Loss on structured securities sold transactions	14,375	3,615	297.7	17,620		
Loss on derivatives transactions	25,248	30,307	-16.7	96,371	111,260	-13.4
Loss on futures transactions	6,097	9,114	-33.1	23,279	37,826	-38.5
Loss on exchange trading options transactions	17,265	20,984	-17.7	72,444	71,789	0.9
Loss on OTC derivatives transactions	1,886	208	805.0	648	1,645	-60.6
Selling and administrative expenses	80,318	81,445	-1.4	235,471	242,808	-3.0
Salary, Severance pay, other benefits	37,714	41,898	-10.0	118,652	118,550	0.1
Computer system operations expenses	6,129	6,732	-9.0	19,084	18,219	4.7
Rental expenses	3,550	3,803	-6.6	10,928	10,681	2.3
Advertising expenses	3,608	4,533	-20.4	11,042	10,451	5.7
Depreciation	5,983	7,171	-16.6	20,283	25,959	-21.9
Credit loss expense	8,917	4,830	84.6	17,740	19,942	-11.0
Provision for allowances for guarantees						
Others	8,174	8,181	-0.1	23,609	23,070	2.3
Operating income	-2,024	10,781	-118.8	52,377	50,818	3.1
Non-operating income	10,220	5,859	74.5	17,869	14,399	24.1
Rental Income	1,943	1,998	-2.7	5,924	5,735	3.3
Gain on disposition of securities available for sale	315	14	2167.6	345	727	-52.5
Gain on equity method valuation	4,423	345	1181.6	4,082	707	477.0
Gain on recovery of write-offs	109	2,632	-95.9	2,917	2,206	32.2
Others	3,430	870	294.5	4,600	5,024	-8.4
Non-operating expenses	64,724	27,823	132.6	101,211	66,410	52.4
Loss on disposition of securities available for sale	717	2,601	-72.4	11,176	25,730	-56.6
Securities reduction loss					125	
Loss on equity method valuation					4,068	
Loss on valuation of investment in stock market stabilization fund					17,783	
Others	64,007	25,222	153.8	90,035	18,704	381.4
Ordinary income	-56,528	-11,184	405.4	-30,965	-1,192	2497.3
Extraordinary gain						
Extraordinary loss	4	3	31.0	276	37	640.7
Net income	-56,532	-11,187	405.3	-31,241	-1,229	2441.0