



# Daewoo Securities 1QFY2008 Earnings Release

1QFY2008 : April 2008 ~ June 2008

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This presentation material is prepared by Daewoo Securities Co., Ltd. for the information of current and future investors of the company. The contents are preliminary figures and forward-looking statements based on Daewoo Securities' internal projection. All such statements are subject to certain risks and uncertainties that could cause actual results to differ from those in this material.

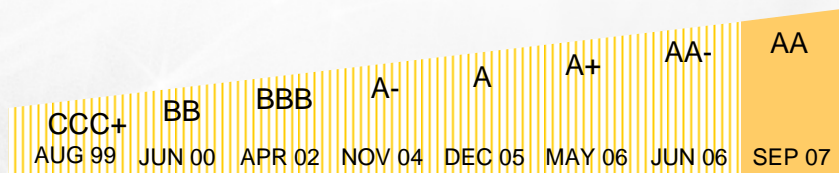
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# Company Profile

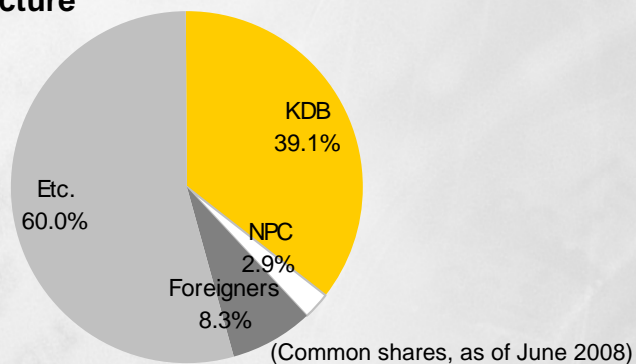
**Established** SEP 23, 1970 (Listed in 1975)

**CEO** Sung-Tae Kim (May 2007)

**Credit Rating** AA (Korea Ratings: Sep. 2007)



## Shareholder Structure



## Financial Highlights

(KRW tln)	FY07	FY06	(KRW bln)	FY07	FY06
Total Assets	12.1	9.0	Operating Income	462.1	455.2
Shareholder's Equity	2.4	2.1	Ordinary Income	463.2	470.8
Paid-in Capital	1.0	1.0	Net Income	336.8	446.1

## Market Capitalization

(as of June '08)	Common Shares	Preferred Shares	Total
Market Cap.(KRW tln)	4.49	0.18	4.67
Share Price (KRW)	23,650	12,600	-
Outstanding Shares	190,100,891	14,075,750	204,176,641

## Number of Employees

(head count)	June '08	March '08	March '07
Branches	1,960	1,858	1,825
Headquarter	1,305	1,253	1,085
<b>Total</b>	<b>3,265</b>	<b>3,111</b>	<b>2,910</b>

# Overseas Network

## ○ Number of branches and alliances

**Domestic Network** 122 branches (10 Wealth Management Centers, 1 IB Center, 3 Representative Offices)

**Overseas Network** 3 Subsidiaries (Hong Kong, New York, London), 2 Representative Office (Tokyo, Ho Chi Minh)

**Global Alliance** 8 Financial Institutions in Japan, China, Indonesia, Malaysia, Vietnam, Kazakhstan, Brazil



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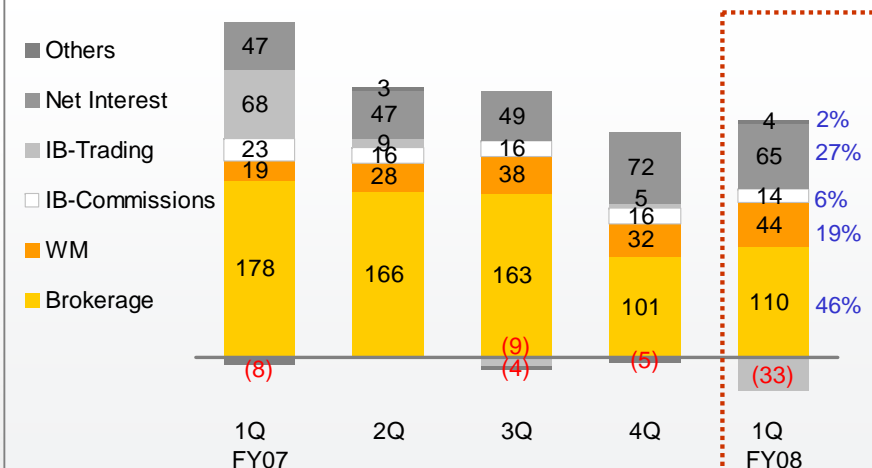
# Financial Highlight

## Summarized Income Statement

(KRW bln, %)	1Q FY08	4Q FY07	QoQ (%)	1Q FY07	YoY (%)
Net Commissions	153.2	133.6	15%	202.6	-24%
○ Brokerage Commissions	110.0	101.4	8%	177.7	-38%
○ IB Commissions	14.0	15.6	-10%	22.7	-38%
○ WM Commissions	44.4	31.7	40%	18.7	137%
• Structured Securities	34.3	22.6	51%	10.6	223%
△ Commission Expenses	15.3	15.2	1%	16.4	-7%
IB Gain or Loss of Sales and Valuation of Securities	-32.8	5.4	-	67.8	-
Interest Income/Loss	64.8	71.8	-10%	46.5	39%
Others	3.6	-5.0	-	-7.8	-
Net Operating Revenues <sup>(1)</sup>	204.0	221.0	-8%	325.5	-37%
SG&A	128.7	121.5	6%	137.5	-6%
<b>Operating Income</b>	<b>60.2</b>	<b>84.4</b>	-29%	<b>171.6</b>	-65%
Net non-operating income	2.2	10.4	-79%	5	333%
<b>Income before Income Tax</b>	<b>62.4</b>	<b>94.7</b>	-34%	<b>172.1</b>	-64%
Income Tax Expenses	17.7	20.5	-14%	50.5	-65%
<b>Net Income</b>	<b>44.7</b>	<b>74.2</b>	-40%	<b>121.6</b>	-63%

(1) Net Operating Revenues : Operating Income before deducting SG&A Expense and Commission Expense

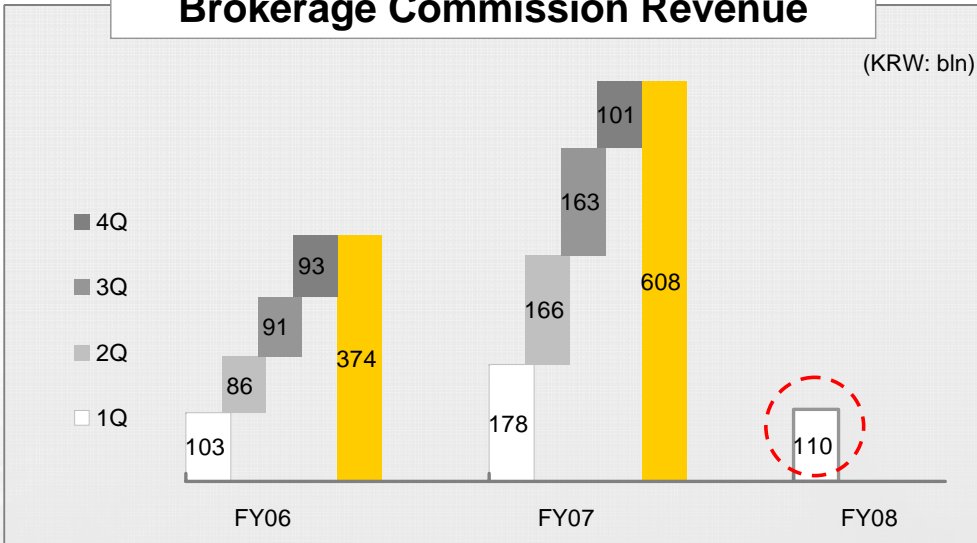
## Revenue Structure



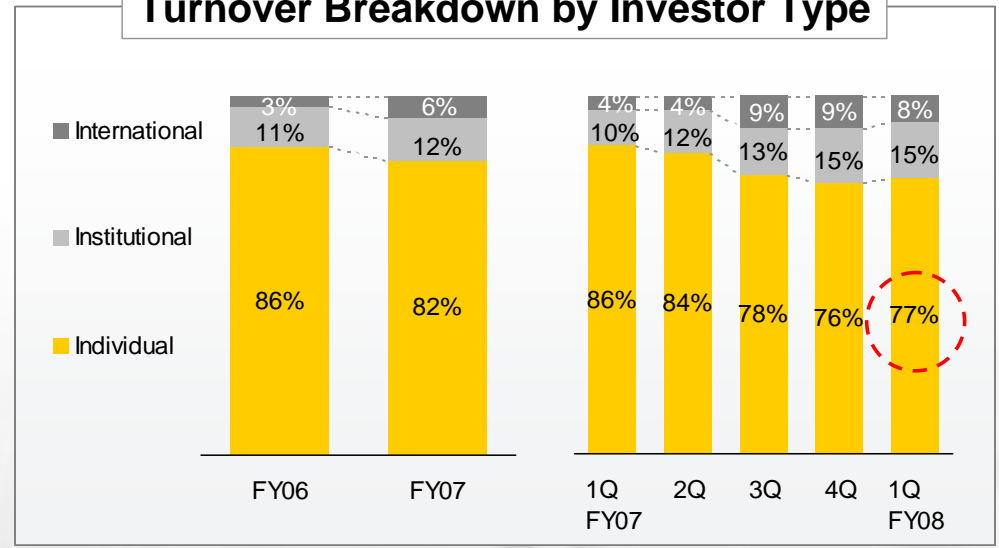
- In the first quarter, the Korean stock market recorded an average daily trading value of KRW7.19 tln and an individual investor turnover portion of 57%, similar figures to the quarter before. In contrast, KOSPI fell sharply and interest rates hiked drastically, resulting bearish market conditions.
- Despite of unfavorable market conditions, the company's brokerage and WM business revenue grew 8% and 40% respectively, over the previous quarter.
- However valuation loss from securities including Daewoo E&C brought the company's operating income down to KRW60.2 bln, decreasing 29% from the previous quarter.

# Brokerage Business I

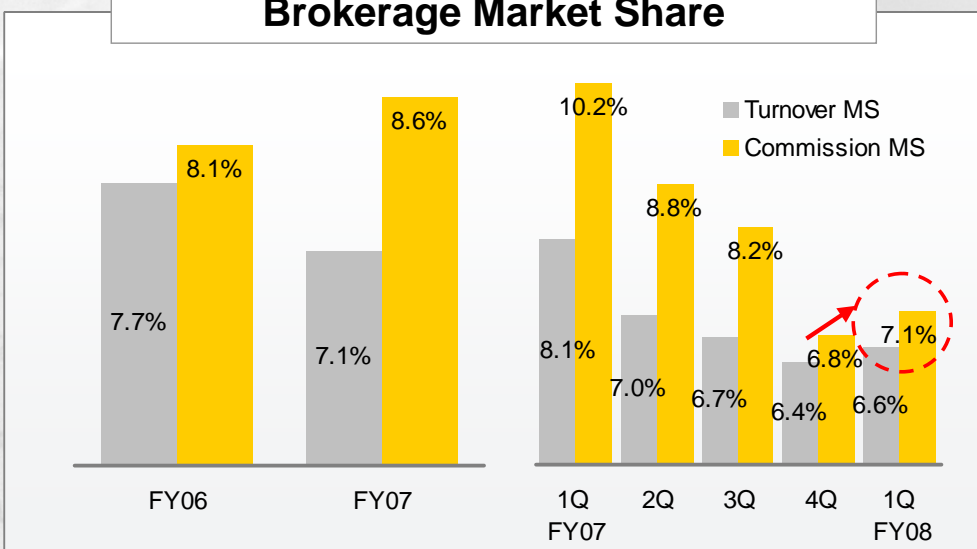
### Brokerage Commission Revenue



### Turnover Breakdown by Investor Type



### Brokerage Market Share

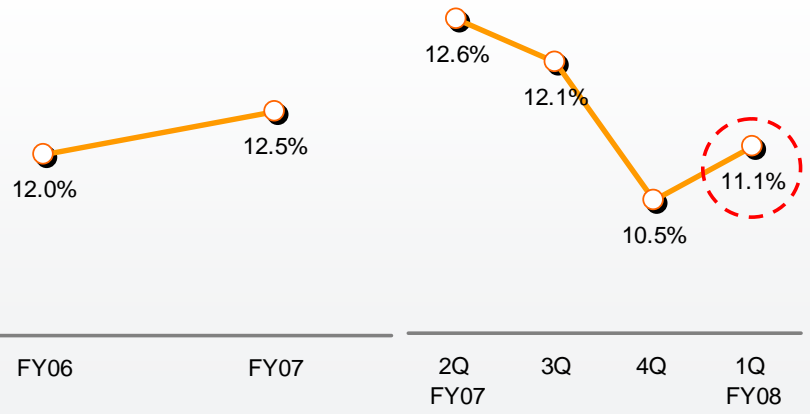


- On back of the heightened retail and institutional sales, brokerage market share reached 7.1%, up 0.3%pt from the previous quarter.
- In result, brokerage commission revenue expanded 8% quarter on quarter to reach KRW110 bln in first quarter.
- The company seeks to strengthen its top market share by agitating active communication between the research center and sales employees, producing diverse products, and providing stronger infra structure.

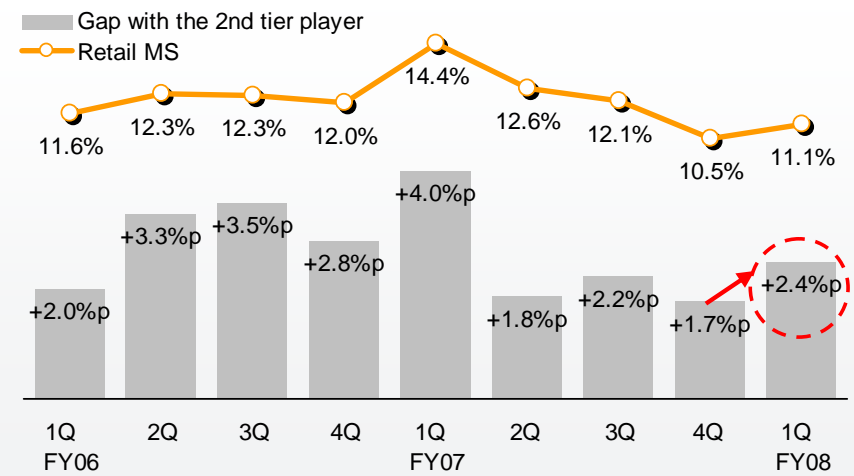


# Brokerage Business II – Retail

### Brokerage Retail Market Share

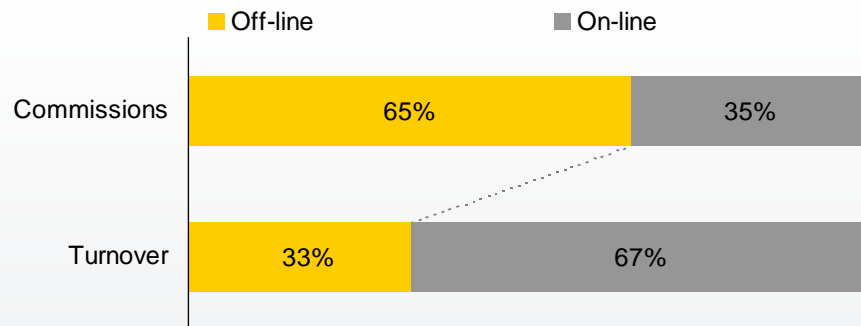


### Gap with 2nd Tier Player



### Online vs Offline

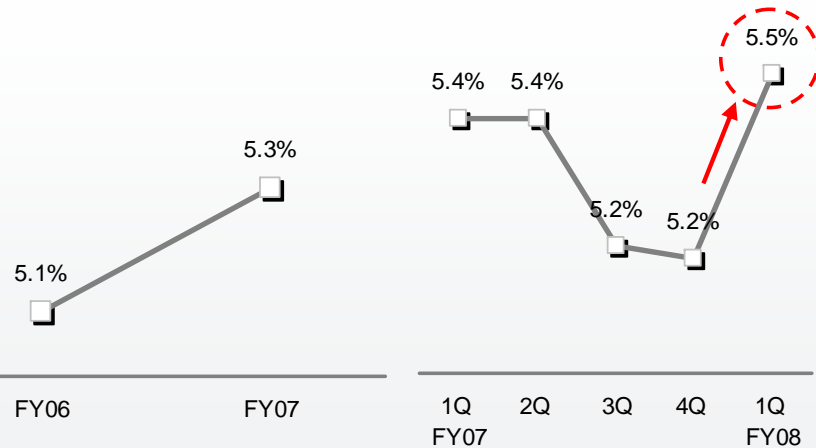
(as of 1QFY08)



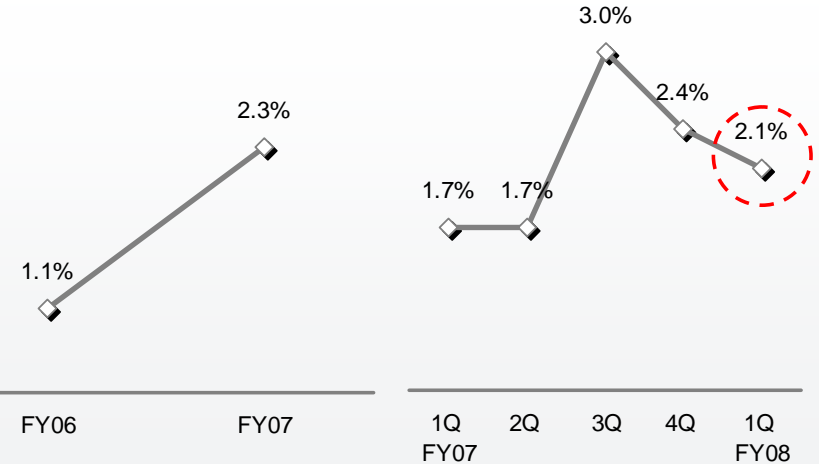
- The company's systemized internal education program emphasizing 'Total Consulting Service' led the retail market share to increase 0.6%pt, marking 11.1%. Moreover the gap with the 2<sup>nd</sup> tier player increased to 2.4%pt.
- The company is aiming to enlarge its customer base through differentiated service in all segments. Especially, resources are concentrated to enlarge the company's younger customer base. In line with these strategies, the company renewed its on-line consulting service, 'On-Mate', and newly launched 'Direct we' allowing customers to open brokerage accounts through banks.

# Brokerage Business III – Institutional & International

## Institutional Investor Market Share



## International Investor Market Share



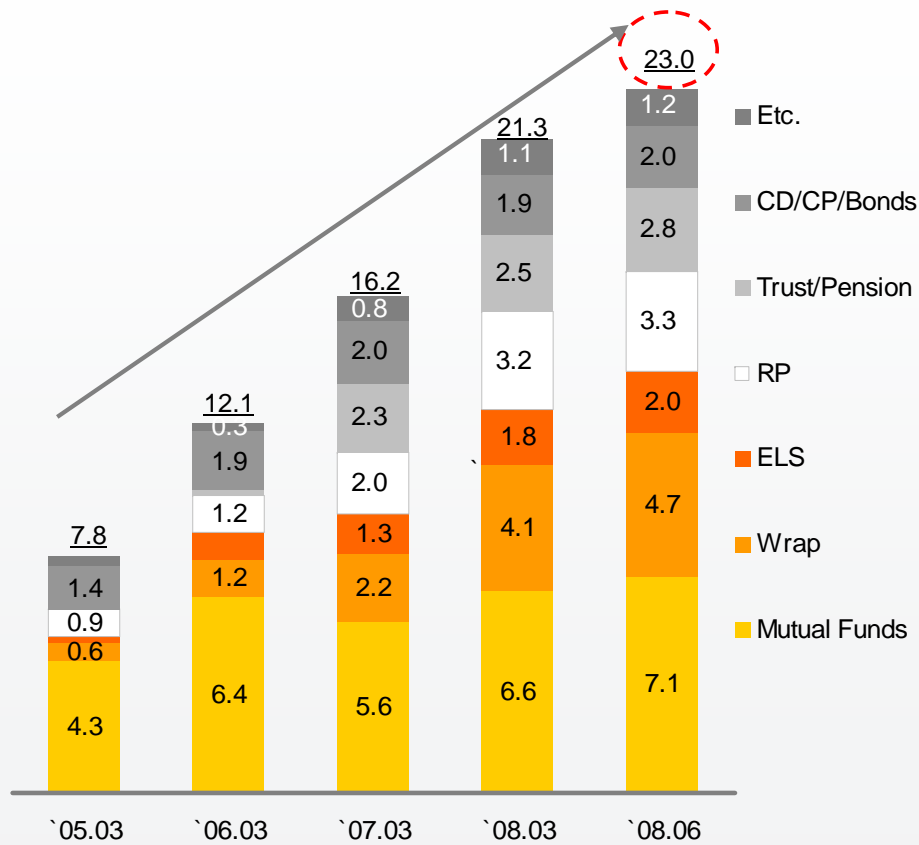
- In the first quarter, institutional investor sales business improved its trading system and intensified marketing for key clients. These efforts contributed to a 0.3%pt increase in market share.
- Also, the company won the glory to be 'the best institutional investor sales team of 1H2008' awarded from Hankyung Business for 7 consecutive terms since 2005.
- The company aims to lead the market status in institutional investors through targeted marketing and joint investments.

- In the first quarter, international investor sales team focused sales in long-term funds and set up a stronger DMA Sales system. However due to unfavorable market conditions worldwide, the company's key clients including hedge funds and prop desks showed a relative decrease in turnover.
- Hence, the international investor market share recorded 2.1%, a slight decrease from the previous quarter.
- The company is strengthening its sales force in the overseas offices and is differentiating its service through equity swap and short-sell services.

# Wealth Management Business I

## End-Balance of WM Products

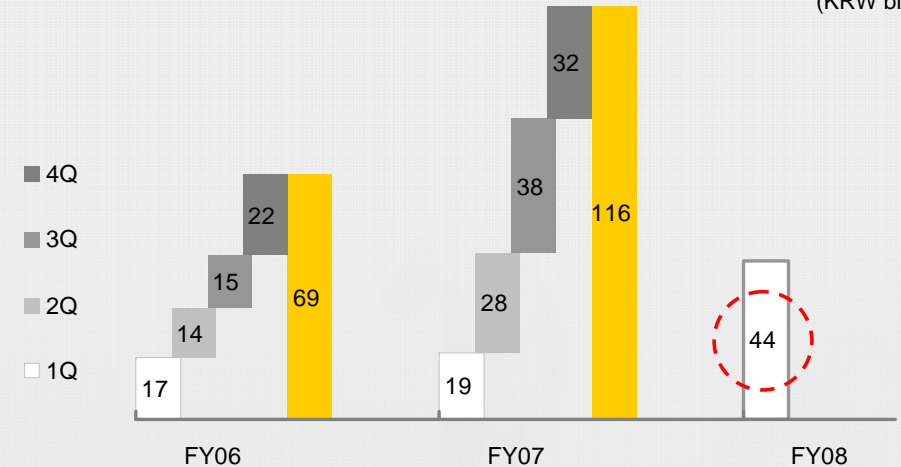
(KRW tln)



\* Etc. : REITs, Shipment related fund and etc.

## WM Commission Revenue

(KRW bln)



- WM Commissions in the first quarter recorded KRW44 bln, up 40% from previous quarter, and 137% from the year before.
- This was highly contributed from the rapid growth in the sales of Equity Linked Securities, which commissions recorded a 51% increase from the previous quarter amounting KRW34.3 bln.
- Balance of WM products recorded a sustainable growth rate with steady increase in mutual funds, wrap accounts, and equity linked securities, resulting a total balance of KRW23 tln.

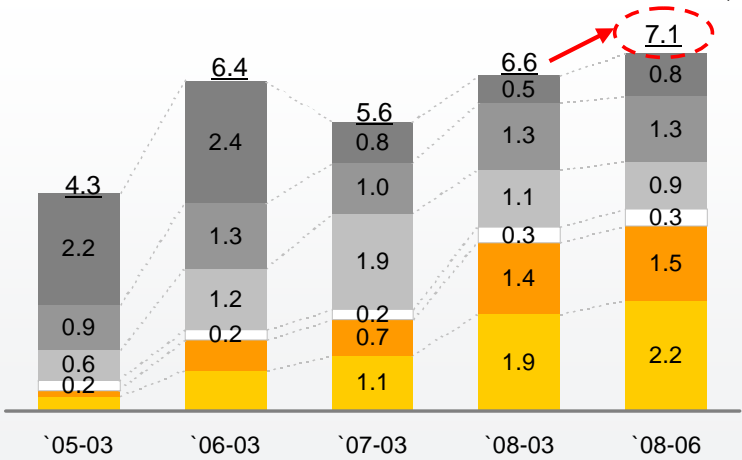
※ WM Commissions = Commissions from Mutual Funds + Wrap Accounts + Trusts + Structured Securities

# Wealth Management Business II

## Breakdown on Mutual Funds

(KRW tln)

- MMF
- Bond
- Bond-hybrid
- Equity-hybrid
- Equity
- Etc. 1)

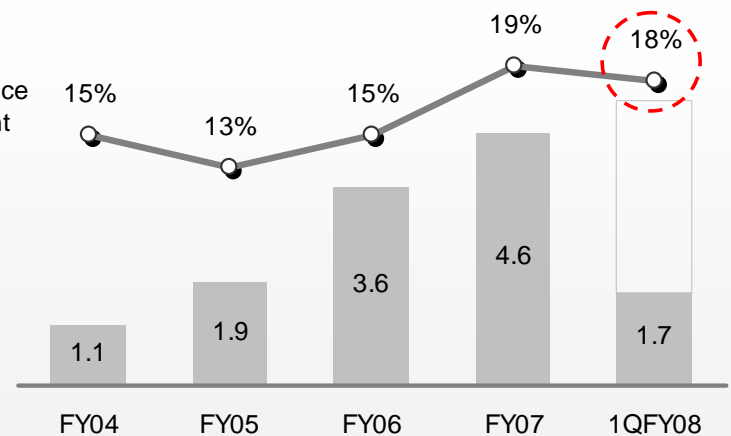


1) Mutual Funds – Etc. : Property, Commodities, Fund of Funds included

## ELS Issuance Market Share

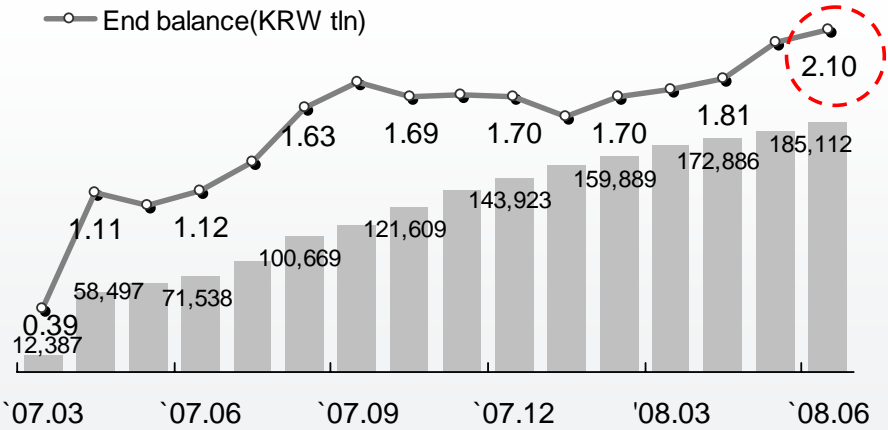
(KRW tln)

- Issuance Amount
- Market Share



## CMA End-Balance

- Number of Accounts
- End balance(KRW tln)

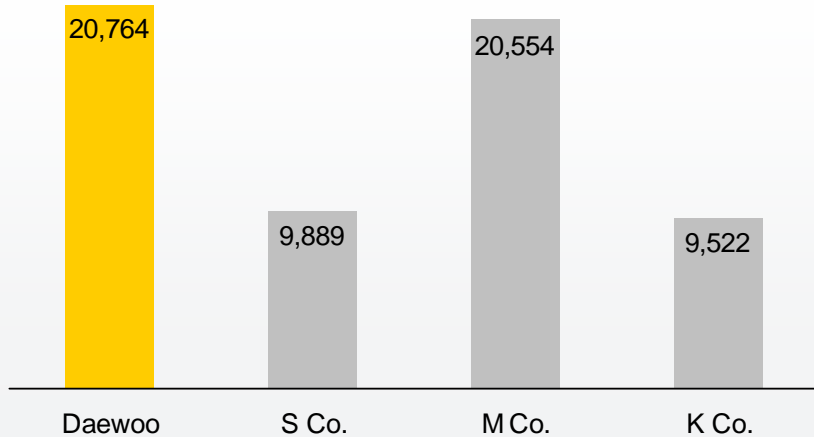


- Active cooperation between the Wealth Management Consulting Institute and the 10 Wealth Management Centers that was newly established last year contributed to the increased balance of Mutual Funds and CMAs. The end-balance for mutual funds increased 7.5% to KRW7.1 tln, and CMA balances surpassed KRW2tln for the first time to reach KRW2.1tln
- The company seeks growth in WM through foreign and higher-margin mutual fund sales, by strengthening cooperation with the global alliances.

# Wealth Management Business III – Pension

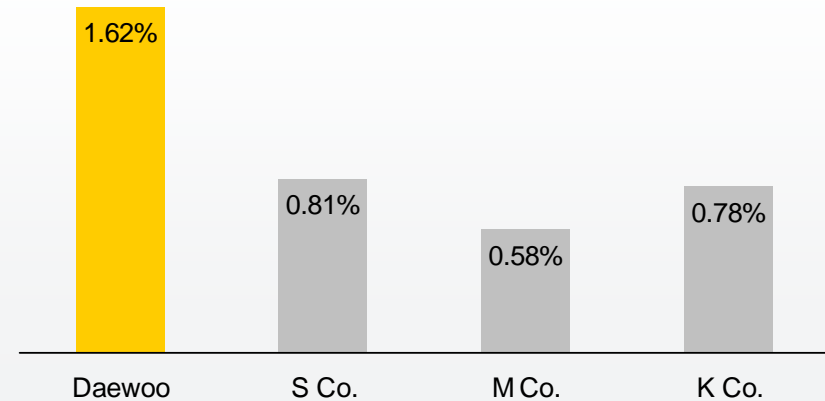
## Number of Clients

(June '08, Number of Clients)



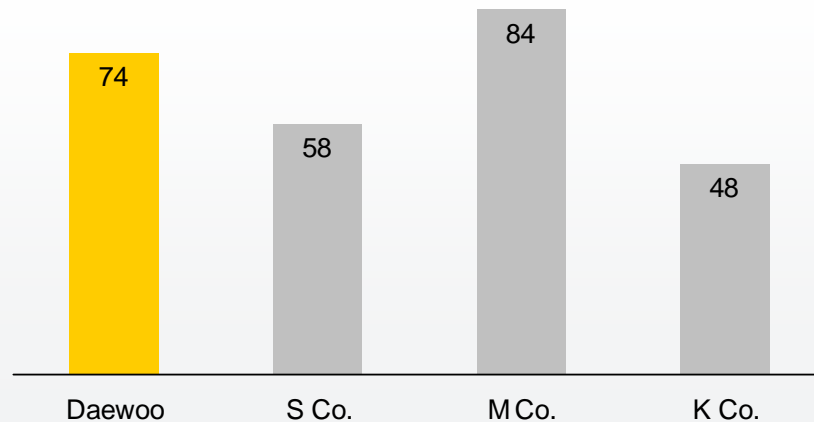
## Yield Ratio

(Defined Benefit Type, 2Q 2008)



## Accumulated Balance

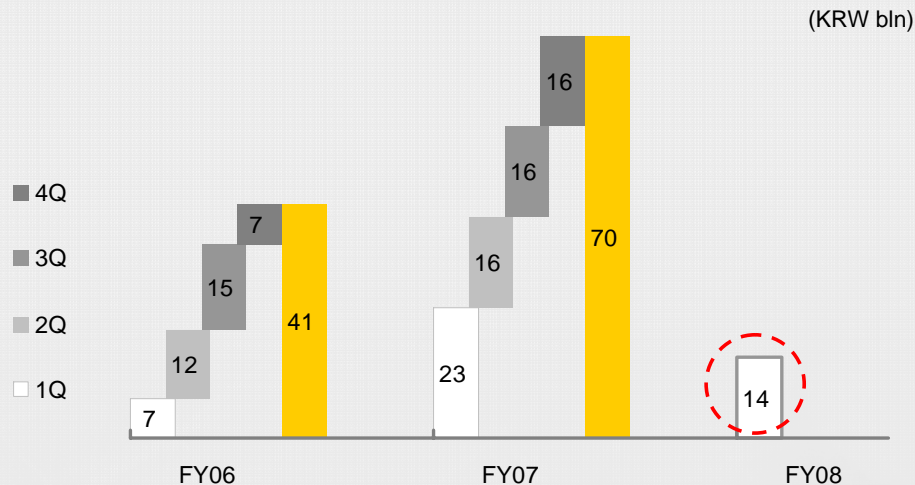
(June '08, KRW bln)



- The number of clients in the pension business increased by 1,249 clients in the first quarter to be 20,764 clients, highest in the industry.
- DWS was appointed as one of the 7 advisors of MBC's pension contract, DWS won the largest operating amount of KRW 26.5bln, including Defined Benefit and Defined Contribution clients.
- The company is empowering its consulting ability and wealth management product picking ability to solidify its reputation in the pension business

# Investment Banking I – Underwriting

## IB Commission Revenue



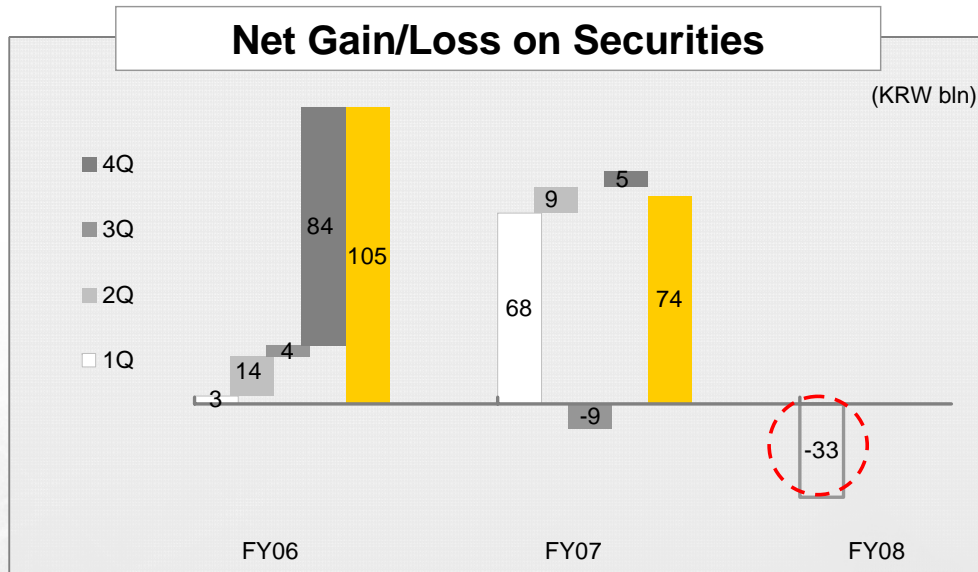
- Underwriting commissions recorded 4.2 bln, a 14% increase from the previous quarter. The company took conservative stances in the Project Financing business of the first quarter, resulting IB commissions, taking apart underwriting commissions, to record KRW9.8 bln, a 17% drop from the previous quarter.
- In the ABS business, on back of strong structuring schemes, the company once again recorded the dominating 28% market share, leading the industry for 4 consecutive years.

## IB League Table

(unit : KRW bln, %)		1Q FY2008	FY2007	FY2006	FY2005
Corporate Bonds	Underwriting Amount / MS	1,089 (12%)	2,733 (11%)	2,003 (12%, Rank #1)	1,801 (11%, Rank #1)
	Total Market Size	8,801	25,472	16,231	17,157
ABS	Underwriting Amount / MS	845 (28%, Rank #1)	2,309 (17%, Rank #1)	2,173 (18%, Rank #1)	1,935 (11%, Rank #1)
	Total Market Size	3,036	13,683	12,353	17,610
Right Offering	Underwriting Amount / MS	149 (14%)	340 (5%)	238 (8%)	266 (11%, Rank #1)
	Total Market Size	1,085	7,202	3,029	2,489
IPO	Underwriting Amount / MS	-	163 (6%)	51 (6%)	1,034 (52%, Rank #1)
	Total Market Size	285	2,553	847	1,985

•Source : Bloomberg

# Investment Banking II – Net Gain/Loss on Securities



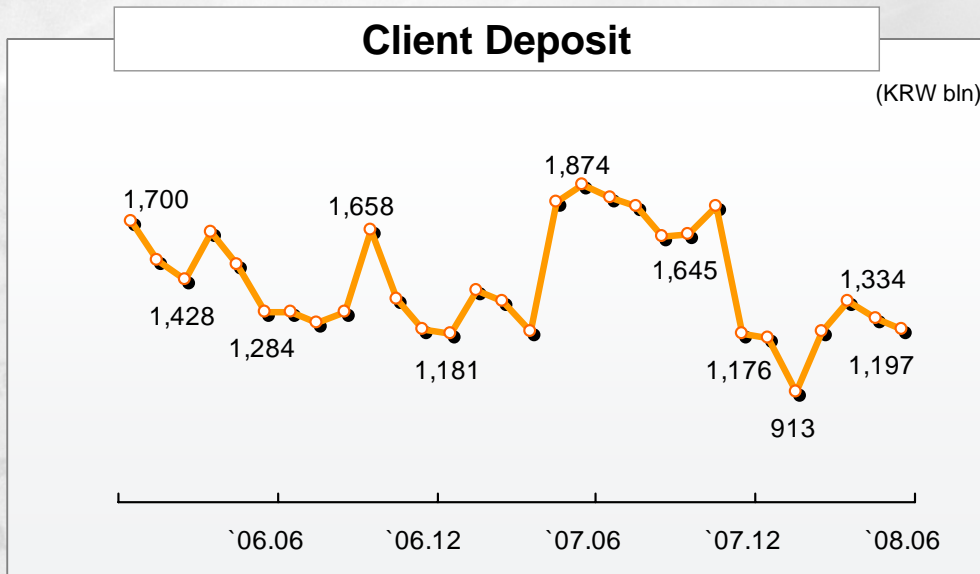
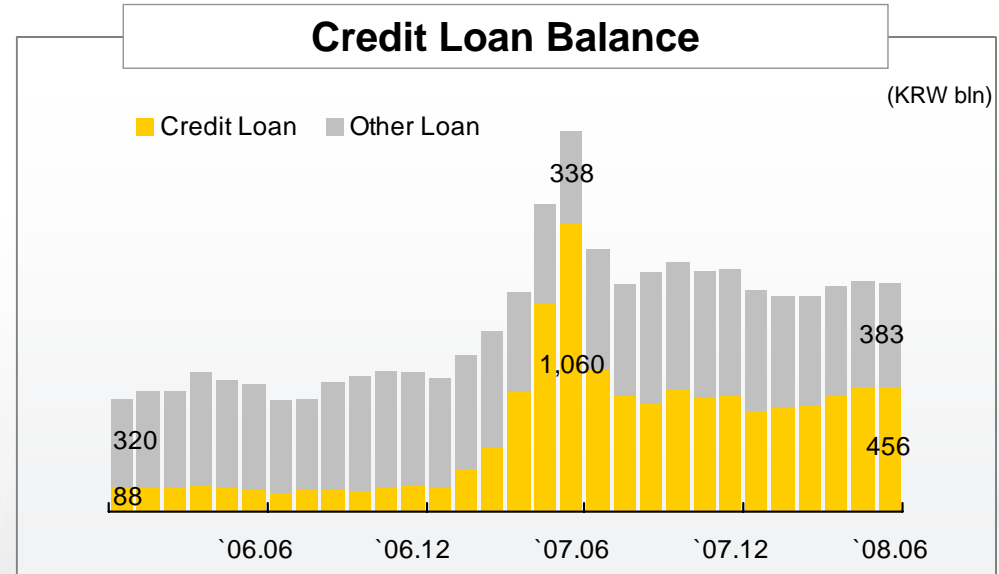
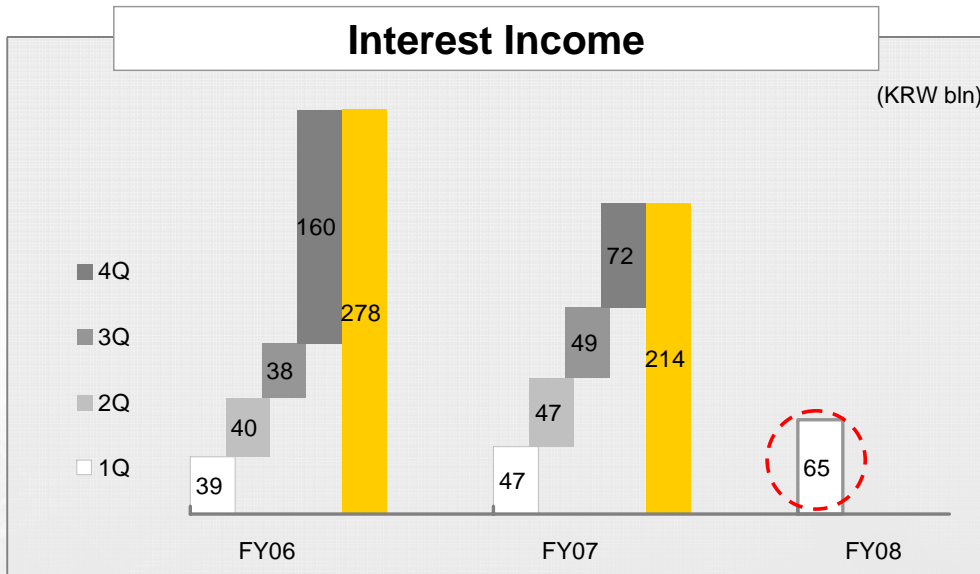
### Principal Investments

[as of June 08 / KRW bln]	Invested Amount	No. of Deals	Representing Deals
Equity	239.4	22	Daewoo E&C (200bln), Renaissance #1 PEF, etc
Fixed Income	341.5	30	Project Financing, CB, BW, etc.
Etc.	77.9	5	Infra, Real Estate related Funds
<b>Total</b>	<b>658.8</b>	<b>57</b>	

### Proprietary Trading

- Average monthly operating amount in stocks : KRW37.5 bln
- Net revenue of 'Dealing Room' in trading equity, futures, options and bonds
  - 1QFY08 : KRW4.4 bln
  - FY07 : KRW62.3 bln
  - FY06 : KRW19.0 bln

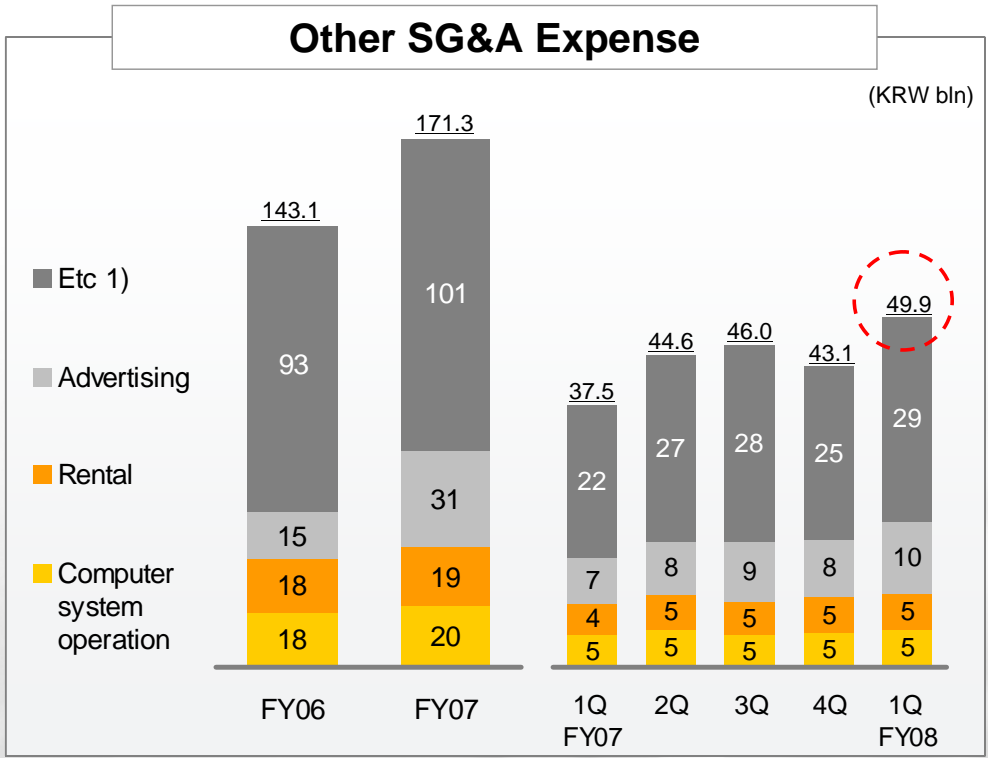
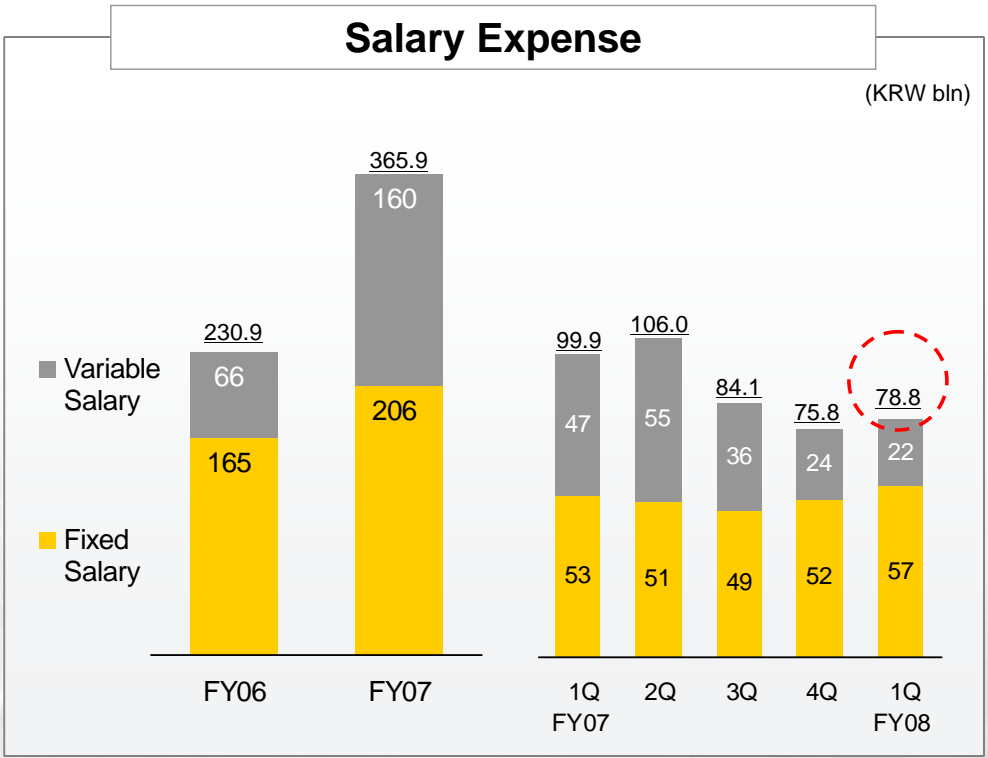
- Unfavorable market conditions in the first quarter contributed to a net loss of KRW32.8 bln in valuation and sales of securities.
- The loss was highly contributed by the company's holding position of Daewoo E&C, which the company participated as a financial investor in the Kumho-Asiana Consortium. However this investment contains a put option that will guarantee a certain profit at maturity.
- In the first quarter, the company injected KRW181.7 bln, and exited KRW108.1 bln in principal investment deals, resulting a KRW73.6 bln increase quarter-on-quarter to reach a total end balance of KRW658.7 bln. Recent new principal investment deals take a conservative approach due to volatile market conditions.



- Interest income recorded KRW64.8 bln, down 10% from the previous quarter. Taking account that the previous quarter's interest income included dividend income of KRW14.5 bln, realized from companies who's fiscal year ends in December, the interest income of first quarter outstands the average KRW56.3 bln of the fiscal year before.
- The credit loan balance stays steady around KRW456 bln, under tight risk management policies.



# SG&A Expenses



- Fixed salary grew in proportion to the increased number of employees, and variable salary decreased due to less incentive payments to sales employees.
- In consequence, the total salary expense recorded a slight increase of 3.9% quarter on quarter, amounting KRW78.8 bln.

- Expanded TV commercial in the first quarter led to a 28% increase in advertising expense quarter on quarter. In total, SG&A expenses excluding salary expenses recorded KRW49.9 bln, up 16% quarter on quarter.
- ※ 1) Etc: Entertainment expense, miscellaneous commissions, depreciation, research and study expense, training expense, amortization of intangible assets, tax and dues included

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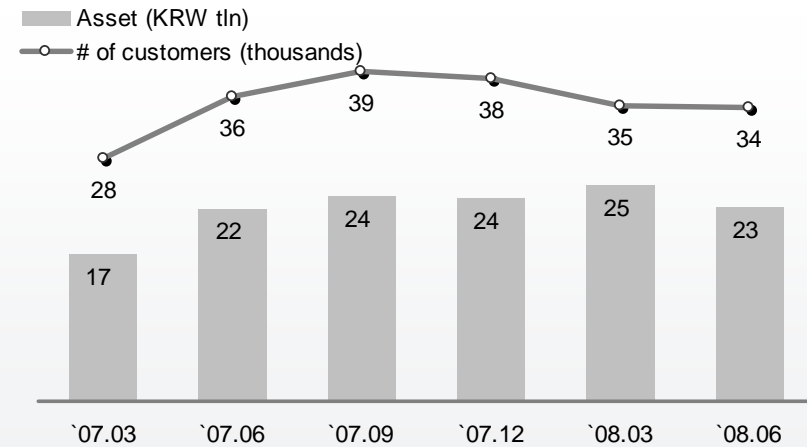
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# Client Base

## Total Client's Asset

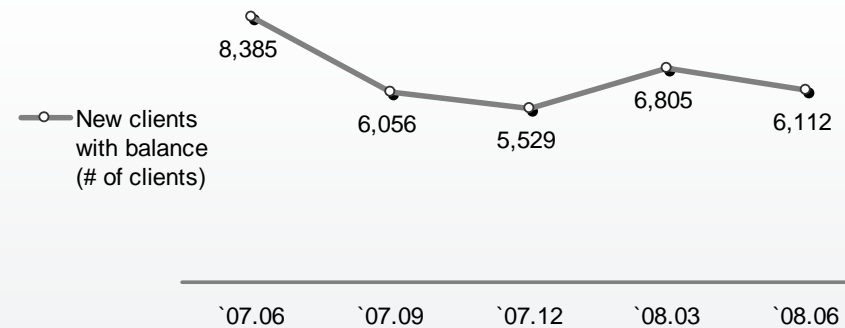
(end-balance / KRW tln)	`08.06	`08.03	QoQ	`07.06	YoY
Securities in custody	<b>58.8</b>	62.1	-5%	62.4	-6%
Trustor securities in custody	<b>50.2</b>	53.8	-7%	55.6	-10%
Saver securities in custody	<b>0.2</b>	0.2	-	0.3	-33%
Beneficiary securities in custody	<b>6.6</b>	6.5	2%	5.8	14%
Others	<b>1.8</b>	1.6	13%	0.7	157%
Customer's deposit	<b>1.2</b>	1.2	-	1.2	-
<b>Total</b>	<b>60.0</b>	<b>63.3</b>	-5.2%	<b>63.6</b>	-6%

## Retail High-Net Worth Clients



\* 'High-Net Worth Clients' are retail clients holding more than KRW100 mln in assets

## Retail New Clients



\* Total Clients holding an account at DWS (equity, WM products, etc all together)

# Summarized F/S & Ratios

Income Statement (KRW bln)	Annual				Net Quarter									
	200503	200603	200703	200803	200606	200609	200612	200703	200706	200709	200712	200803	200806	
Operating Revenue	824	1,858	2,765	3,693	675	767	624	687	955	1,152	822	816	10	
Operating Expense	735	1,472	2,310	3,231	609	701	563	436	784	1,051	717	732	10	
1. Net Commissions	262	598	437	724	115	101	109	112	203	192	196	134	153	
● Brokerage Commissions	243	492	374	608	103	86	91	93	178	166	163	101	110	
● IB Commissions	31	47	41	70	7	12	15	7	23	16	16	16	14	
● WM Commissions	18	115	69	116	17	14	15	22	19	28	38	32	44	
- Commissions on Structured Securities	0	96	46	77	12	9	9	16	11	19	25	23	34	
▲ Commission Expense	29	56	46	70	12	11	12	11	16	18	20	15	15	
2. Net gain/loss on valuation and sales of securities	37	36	105	74	3	14	4	84	68	9	-9	5	-33	
3. Interest Income	69	142	278	214	39	40	38	160	47	47	49	72	65	
4. SG&A	282	390	370	537	89	89	91	102	137	151	128	121	129	
5. Etc.	2	0	6	-13	0	0	0	6	-8	3	-4	-5	4	
<b>Operating Income</b>	<b>89</b>	<b>386</b>	<b>456</b>	<b>462</b>	<b>69</b>	<b>66</b>	<b>60</b>	<b>260</b>	<b>172</b>	<b>101</b>	<b>105</b>	<b>84</b>	<b>60</b>	
6. Non Operating Income	-238	8	21	1	15	13	7	-14	0	1	-11	10	2	
<b>Net Income Before Income Tax</b>	<b>-149</b>	<b>395</b>	<b>471</b>	<b>463</b>	<b>81</b>	<b>80</b>	<b>68</b>	<b>243</b>	<b>172</b>	<b>102</b>	<b>94</b>	<b>95</b>	<b>62</b>	
Income Tax Expense	0	-16	25	127	0	-10	2	34	51	28	28	21	18	
<b>Net Income</b>	<b>-149</b>	<b>410</b>	<b>446</b>	<b>337</b>	<b>81</b>	<b>90</b>	<b>66</b>	<b>209</b>	<b>122</b>	<b>74</b>	<b>67</b>	<b>74</b>	<b>45</b>	
EPS(KRW)	-783	2,131	2,318	1,743	426	474	348	1,070	640	390	352	742	9	
<b>Balance Sheet (KRW tln)</b>														
Total Assets	5.05	6.50	9.00	12.07	8.12	8.93	9.20	9.00	10.78	11.07	11.96	12.08	0.14	
Total Liabilities	3.75	4.76	6.89	9.66	6.39	7.08	7.29	6.89	8.63	8.78	9.62	9.66	0.11	
Total Shareholder's Equity	1.29	1.73	2.11	2.43	1.73	1.85	1.91	2.11	2.16	2.29	2.34	2.43	0.02	
<b>Net Capital Ratio (NCR)</b>														
Net Capital Ratio (%)	460%	592%	621%	482%	525%	531%	514%	621%	513%	493%	495%	476%	463%	
Net working capital (KRW bln)	962	1,227	1,332	1,531	1,228	1,322	1,166	1,332	1,210	1,377	1,513	1,543	1,566	
Risk-weighted assets (KRW bln)	209	207	214	318	234	249	227	214	236	280	306	324	339	
<b>Financial Ratios</b>									<b>200503</b>	<b>200603</b>	<b>200703</b>	<b>200803</b>	<b>200806</b>	
Common Stock DPS(KRW)	-	400	400	400	ROE					-11.7%	27.1%	23.2%	14.8%	7.9%
Preferred Stock DPS(KRW)	-	440	440	440	PER(times)					N/A	7.6	7.7	14.6	23.4
Dividend Policy		19.8%	18.3%	24.2%	PBR(times)					1.0	1.8	1.6	1.7	1.5
Dividend Yield (common shares)		2.7%	2.3%	1.9%	BPS(KRW)					6,945	9,271	11,262	12,758	125



Thank You

**Daewoo Securities IR Team**

Fax: +82-2-768-2101

Tel: +82-2-768-2103/ 3903

Email: [irteam@bestez.com](mailto:irteam@bestez.com)