



# Daewoo Securities Earnings Release 2009

1Q FY2009 : April 2009 ~ June 2009

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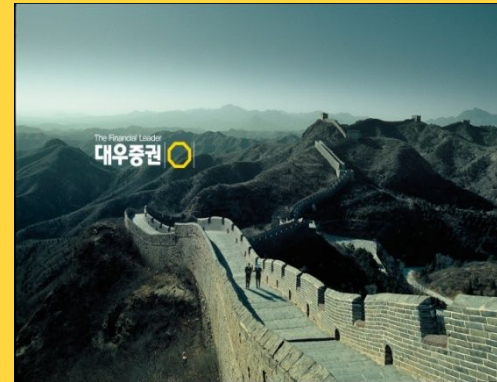
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## I. Company Overview

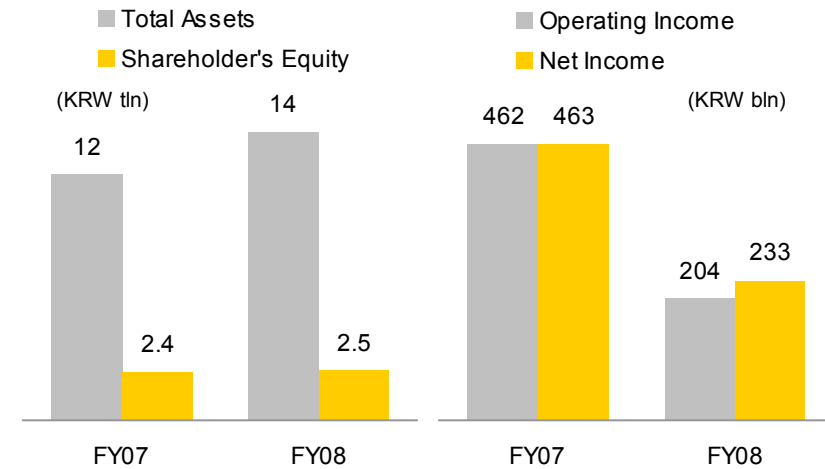
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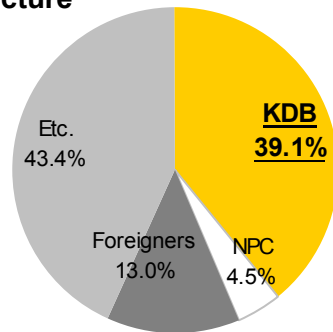
# Company Profile

- Established**                    SEP 23, 1970 (Listed in 1975)
  
- CEO**                                Kee-Young Im (June 2009)
  
- Credit Rating**                AA (Korea Ratings: Sep. 2007)
  
- Market Capitalization**    3.72 KRW tln (As of June 2009)

## Financial Highlights



## Shareholder Structure



(Common shares, as of June 2009)

## Number of Employees

(head count)	June '09	March '09	March '08
Branches	1,774	1,794	1,858
Headquarter	1,280	1,287	1,253
<b>Total</b>	<b>3,054</b>	<b>3,081</b>	<b>3,111</b>

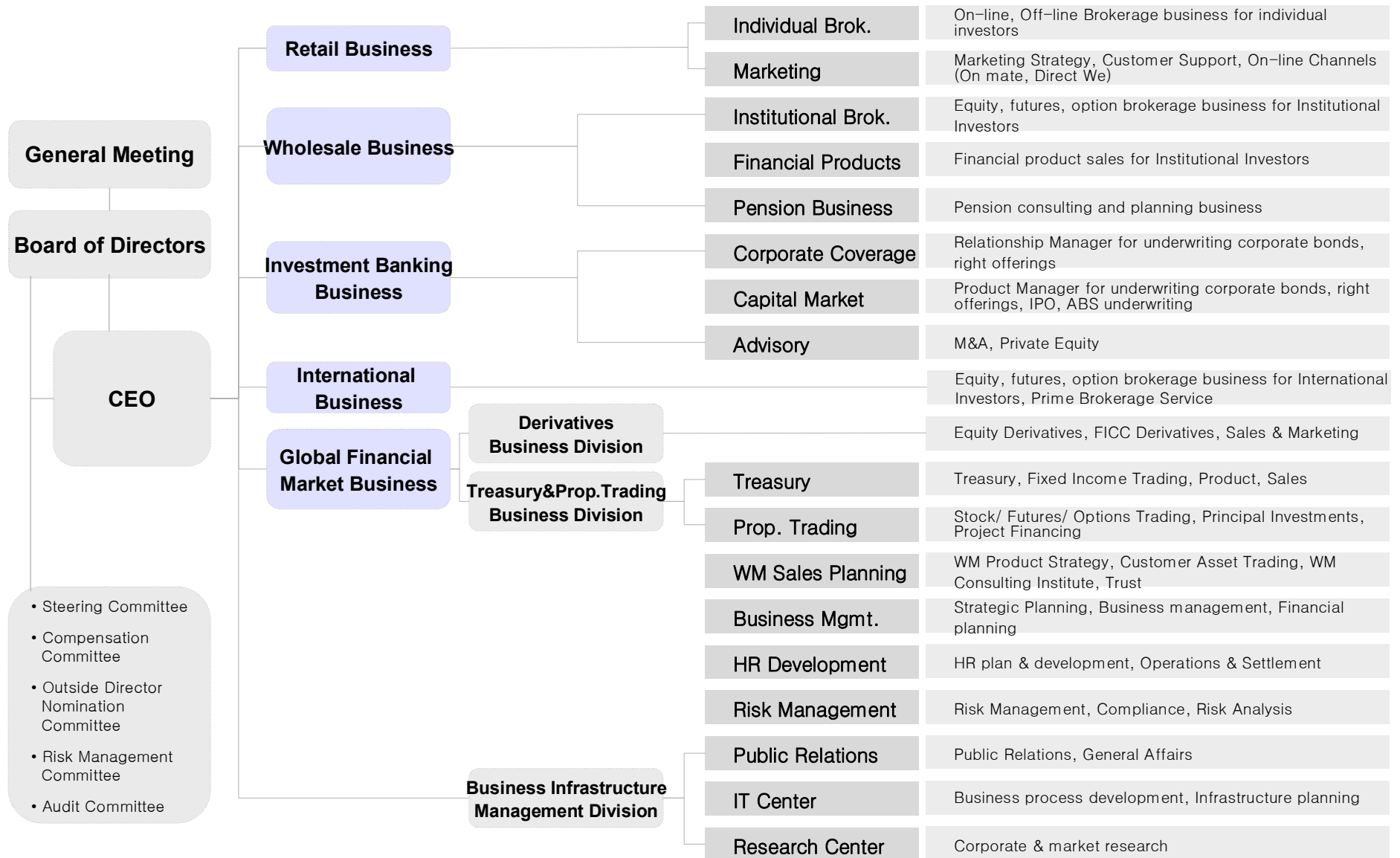
## Number of branches and alliances

- Domestic Network** 124 branches (12 Wealth Management Centers, 1 IB Center, 3 Representative Offices)
- Overseas Network** 3 Subsidiaries (Hong Kong, New York, London), 3 Representative Office (Tokyo, Ho Chi Minh, Beijing)
- Global Alliance** 8 Financial Institutions in Japan, China, Indonesia, Malaysia, Vietnam, Kazakhstan, Brazil



# Organization Chart

## I. Company Overview



## II. Business Performance

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# Earnings Summary

## II. Business Performance

### Summarized Income Statement

(KRW bln, %)	FY09 1Q	FY08 4Q	QoQ	FY08 1Q	YoY
Operating Revenue	290.7	211.8	37%	185.1	57%
Brokerage Commissions	173.3	101.4	71%	110.0	57%
IB Commissions <sup>1)</sup>	22.9	13.5	70%	11.7	96%
WM Commissions <sup>2)</sup>	31.8	19.0	68%	44.4	-28%
• Structured Securities	21.9	10.2	114%	34.3	-36%
Gain or Loss of Sales and Valuation of Securities	3.5	19.3	-82%	-32.8	-
Interest Income/Loss	78.1	76.1	3%	64.8	20%
△ Commission Expenses	-18.9	-17.5	8%	-13.1	45%
SG&A	133.8	119.7	12%	128.7	4%
Others	-1.5	-15.0	-	3.7	-
<b>Operating Income</b>	<b>155.4</b>	<b>77.0</b>	<b>102%</b>	<b>60.2</b>	<b>158%</b>
Net non-operating income	4.7	5.6	-17%	2.2	111%
<b>Income before Income Tax</b>	<b>160.0</b>	<b>82.6</b>	<b>94%</b>	<b>62.4</b>	<b>157%</b>
Income Tax Expenses	39.3	12.9	204%	17.7	122%
<b>Net Income (Loss)</b>	<b>120.7</b>	<b>69.7</b>	<b>73%</b>	<b>44.7</b>	<b>170%</b>

\* The above figures have not yet been audited by independent auditors.

### Highlights

#### [Accomplished No.1 income in the industry]

- As several government policies are executed in order to stabilize the market, abundant market liquidity flows into the financial market.
- Due to market liquidity, the market trading volume increases as well as the proportion of individual investors, resulting in the rise of KOSPI by 15%.
- Under the favorable market condition, our performances in brokerage and wealth management businesses both improve.
- Besides, stock and bond issuance gets revitalized and thus DWS' IB performance also jumps up.
- **To sum, the total result figure enhances, remarking the No.1 income in the industry.**

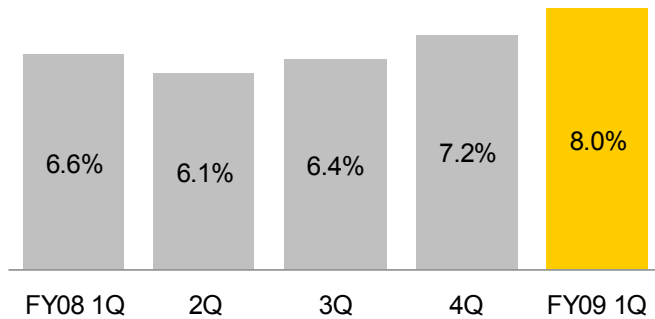


# Brokerage Business I

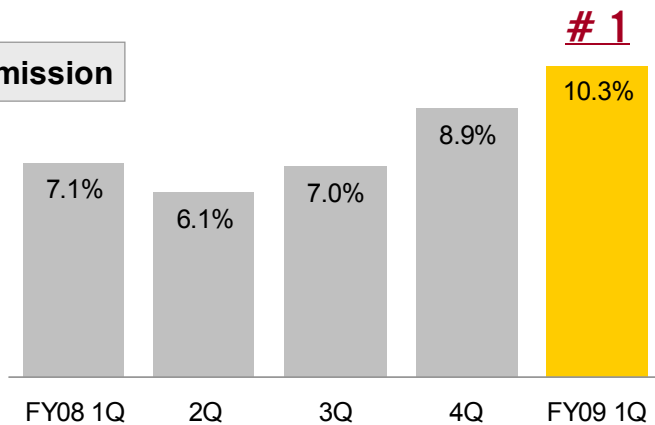
## II. Business Performance

### Brokerage Market Share

#### Turnover



#### Commission



### Brokerage Commission Revenue

	FY09 1Q	FY08 4Q	QoQ	FY08 1Q	YoY
Brokerage Commissions	173.3bln	101.4bln	71%	110.0bln	57%
Average Daily Trading Volume	10.3tln	6.8tln	52%	7.2tln	44%
Individual Portion in Mkt	71%	67%	4%p	57%	14%p

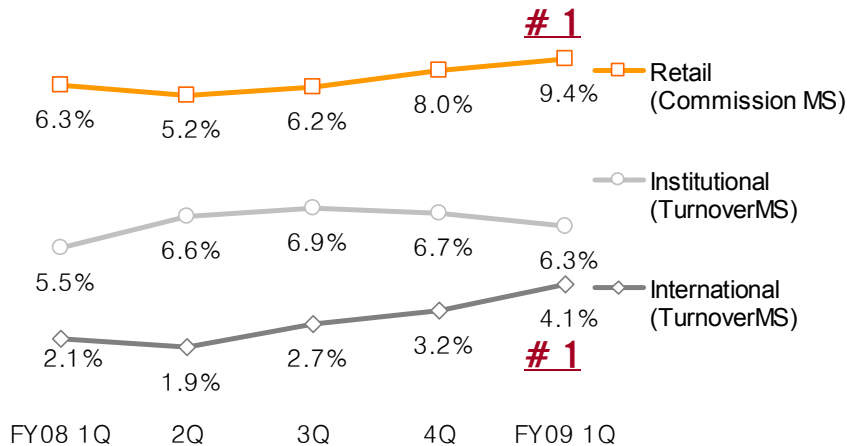
- In the 1<sup>st</sup> quarter, the market trading volume swells to KRW 10.3 tln and the proportion of individual investor reaches 71%. Under this bullish market environment, DWS' brokerage commission revenue grows significantly to KRW 173.3 bln. DWS' strong competency in off-line brokerage helps to achieve this great performance.

- We reaffirm the No.1 position in brokerage commission revenue MS.

# Brokerage Business I

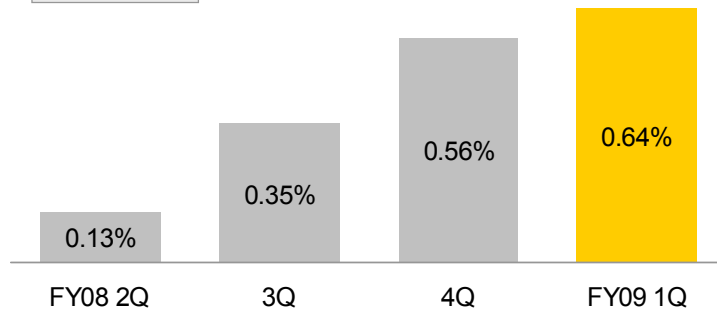
## II. Business Performance

### Market share by Investor type



### Direct We Market share

#### Turnover



### Highlights

#### [Retail Market]

- DWS records surprising growth especially in retail brokerage sector. As the participation of individual investors increases, the sales brokers' outstanding ability helps DWS' off-line turnover MS to rise from 1.2% to 1.5%. It contributes to increase the total retail commission MS.
- the newly launched on-line discount brokerage service 'Direct we' enables DWS to enlarge its business area in on-line brokerage, in which DWS used to have a relative weakness. On the basis of convenient home trading system and low commission rate, DWS succeeds to elevate turnover MS up to 0.64%.

#### [Institutional Market]

- DWS upholds the unrivalled position with outstanding sales force and strong research back-up, recording the MS of 6.3%.
- In this quarter, DWS is awarded for 'Best Brokerage Team for Institutional Investor' from Hankyung Business for four and a half consecutive years.

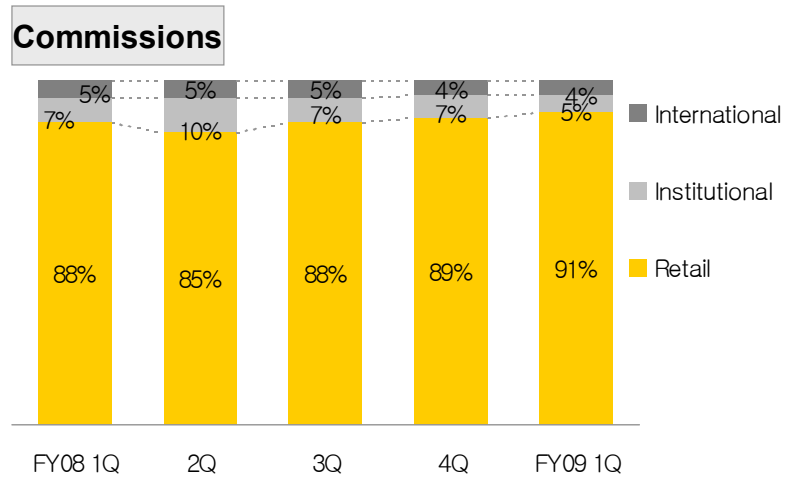
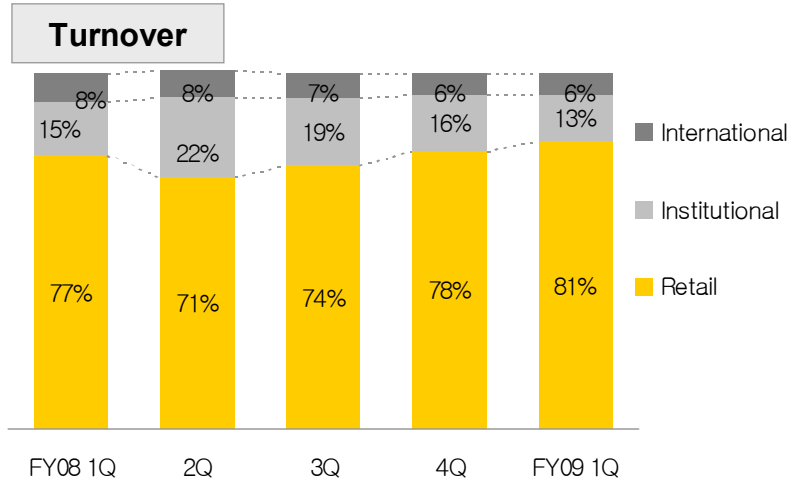
#### [International Market]

- DWS has made continuous efforts to upgrade the quality of service. For example, we improve 'DMA(Direct Market Access)' system and try to provide timely reports.
- In consequence, DWS' MS jumps to 4.1% remarking the No. 1 market share among domestic securities firms.

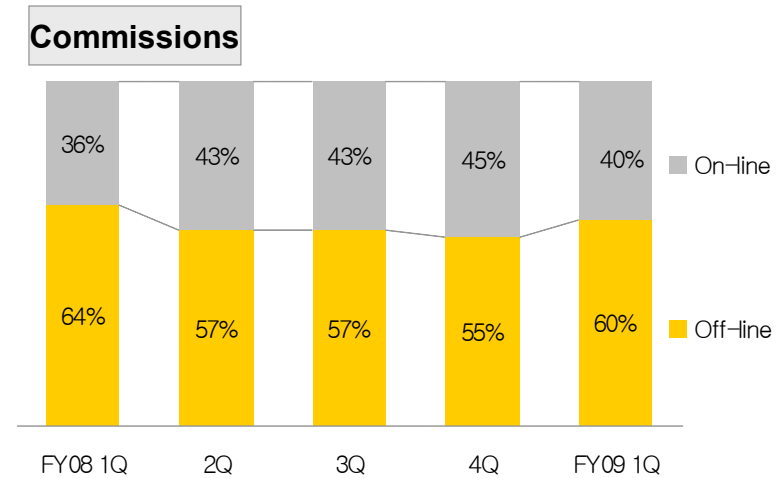
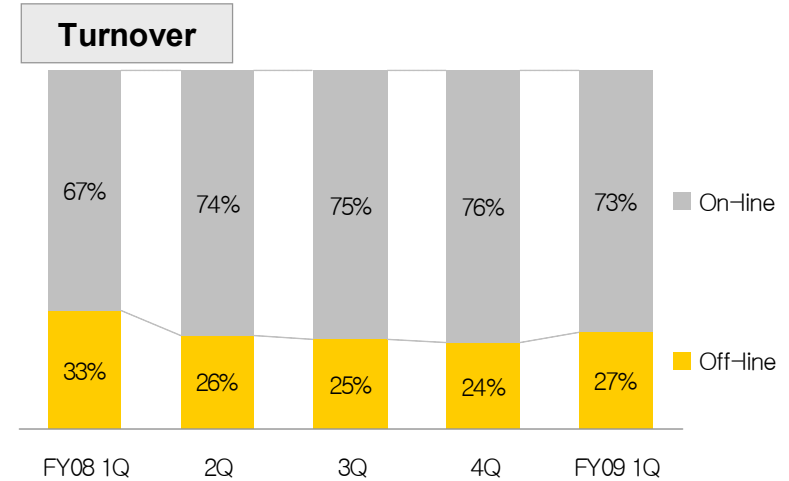
# Brokerage Business II – Retail

## II. Business Performance

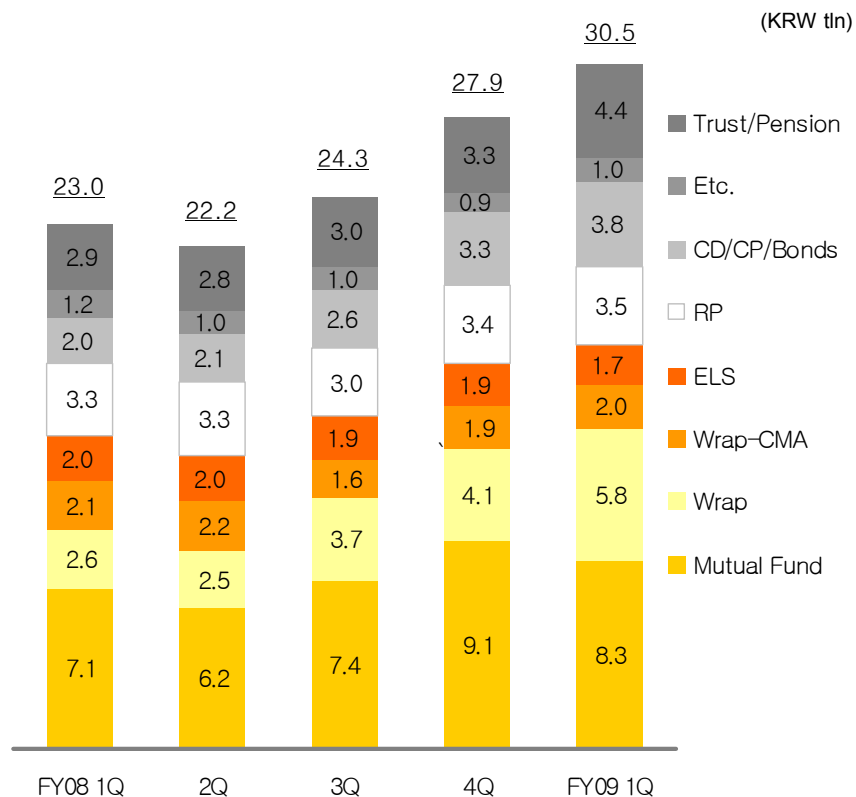
### Turnover Breakdown by Investor Type



### Retail Business : On-line vs Off-line



### End-Balance of WM Products



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

### WM Commission Revenue

(KRW bln)	FY09 1Q	FY08 4Q	QoQ	FY08 1Q	YoY
WM related commissions	31.8	19.0	68%	44.4	-28%
Commissions on Mutual Fund/ Wrap Account/ Trust	9.9	8.7	13%	10.2	-3%
Commissions on Structured Securities	21.9	10.2	114%	34.3	-36%

### WM Highlights

#### [Earnings]

- WM commission revenue escalates to KRW 31.8bln. The commission boost is greatly attributed to the increase of structured securities sales as the market environment for ELS issuance improves. Commissions from mutual funds, wrap accounts, trust increase as well.

#### [Wrap]

- By launching innovative new products such as 'Green Korea Master Wrap', which invests in green growth-related companies, the end-balance grows to KRW 5.8 tln generating commission of KRW 3.5 bln.

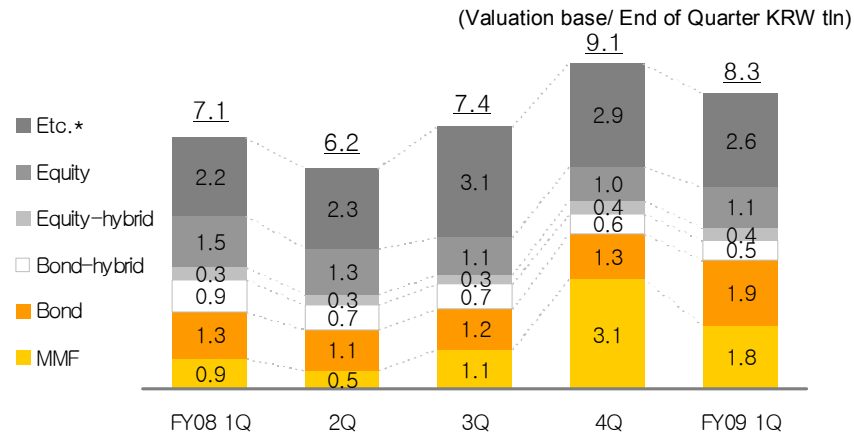
#### [Structured Securities]

- As the propensity for ELS investment revives, DWS actively provides customer-tailored products. Thus, DWS achieves the largest market share of 16.6% (\* Refer to p.12 for more details)

# Wealth Management Business II

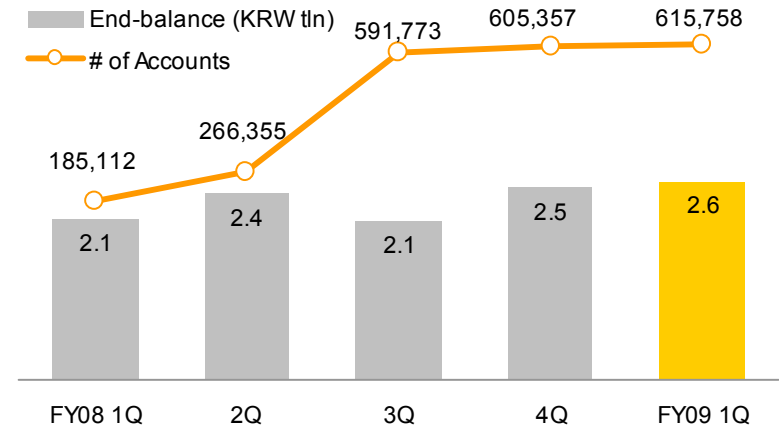
## III. Business Performance

### Breakdown on Mutual Funds

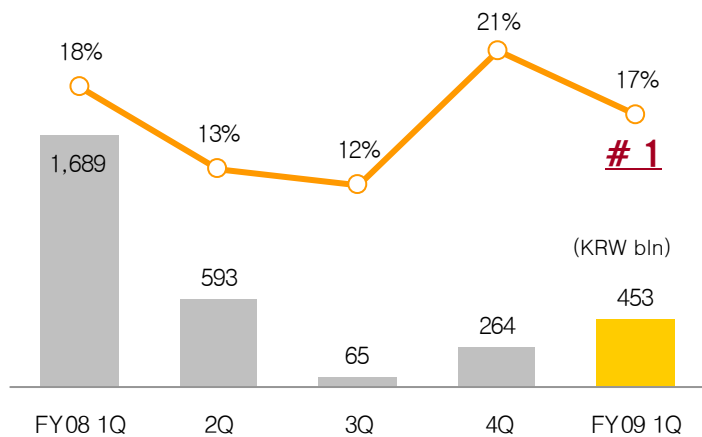


1) Mutual Funds – Etc. : Property, Commodities, Fund of Funds included

### CMA End-balance & Number of Accounts



### ELS Issuance Amount & Market Share



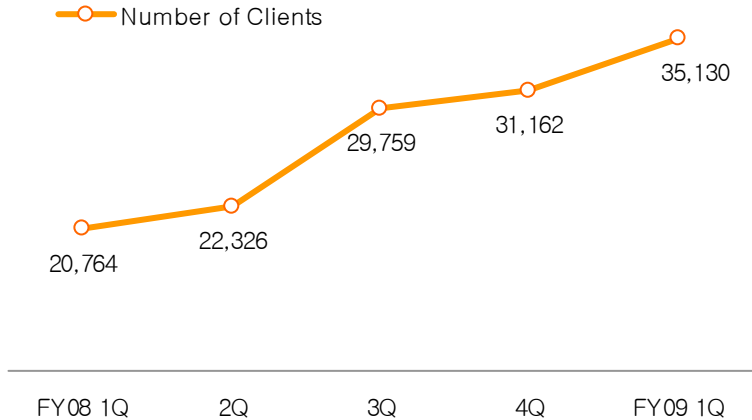
#### [CMA]

- As of June 2009, the CMA balance totals KRW 2.6 tln with more than 615,000 accounts.
- Once the retail settlement and payment operation is allowed to securities firms, it will pave the way for equal competition between commercial banks and securities firms.
- Utilizing the advantages of CMA, DWS seeks to advance one step further by promoting cross-selling among WM products.

# Wealth Management Business III – Pension

## II. Business Performance

### Number of Clients

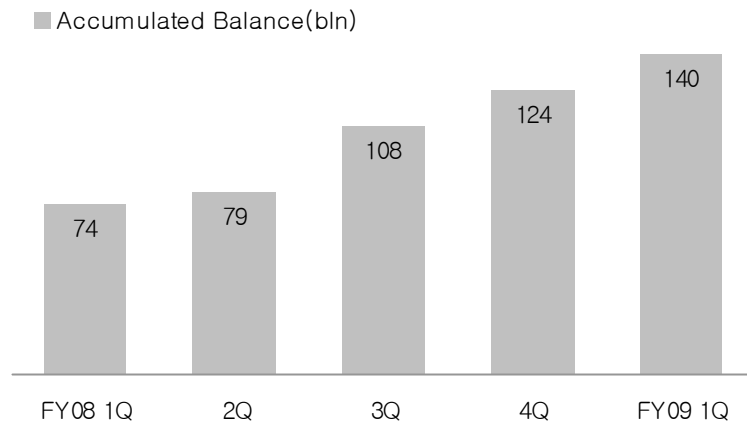


### Market Pension Balance

(KRW bln)	Defined Benefit	Defined Contrib.	IRA	Total	
<b>Banks</b>	2,485	1,213	518	4,216	51%
<b>Insurance</b>	2,445	428	143	3,015	37%
<b>Securities</b>	519	485	25	1,029	12%
<b>Total</b>	5,448	2,125	686	8,260	100%

\* Source : FSS June 2009

### Accumulated Balance



### Pension Highlights

- In pension business, DWS is gradually building up its track records. The total accumulated balance amounts to KRW 140 bln (MS 15%) with 35,130 pension subscribers.
- In addition, thanks to DWS' wholesale networks and the distinct consulting ability, DWS is selected for pension partner from all four local MBCs (Munhwa Broadcasting Corporation).

# Investment Banking I – Underwriting

## II. Business Performance

### IB League Table (Underwriting Amount & MS)



### IB Commission Revenue

(KRW bln)

(KRW bln)	FY09 1Q	FY08 4Q	QoQ	FY08 1Q	YoY
<b>IB Related Commission Revenue</b>	22.9	13.5	70%	11.7	96%
<b>Equity Underwriting</b>	6.2	0.8	722%	0.4	1,557%
<b>Bond Underwriting</b>	7.0	7.5	-7%	3.9	80%
<b>PF &amp; Consulting</b>	9.7	5.2	87%	7.4	31%

### IB Business Highlights

- Since the market condition turns favorable to capital market, stock and bond issuance gets revitalized and thus DWS' underwriting MS claims a prominent rise. Accordingly DWS remarks KRW 22.9 bln in commission revenue.

#### [Major recognized deals]

- Corporate bonds : Korean Air, Daewoo Motor Sales BW etc.
- Right Offerings : Hynix, Heung-a Shipping etc.
- ABS : Korea Housing Finance Corporation MBS etc.
- IPO : NSV corporation, Dong-a Geological Engineering etc.
- PF & Consulting : Vietnam Phumyhung PF etc.



# Investment Banking II – Net Gain/Loss on Securities

## II. Business Performance

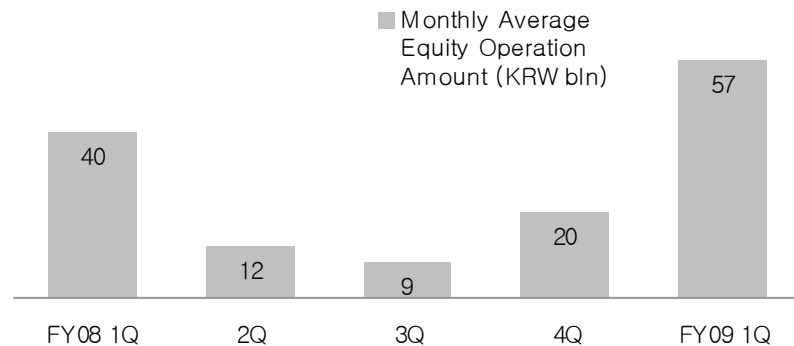
### Investment Status

[as of June `09 / KRW bln]	Invested Amount	No. of Deals	Representing Deals
PI	244.8	14	Daewoo E&C (200bln), etc.
PE	20.0	4	Renaissance #1 PEF
IB	20.8	8	Project Financing, Convertible Bonds, Bond Warrants, etc.
PF	166.9	11	
Etc.	26.2	7	Infra, Real Estate related Funds
<b>Total</b>	<b>478.7</b>	<b>44</b>	

### Net Gain/Loss on Securities

(KRW bln)	FY09 1Q	FY08 4Q	QoQ	FY08 1Q	YoY
Net Gain/Loss on Securities	3.5	19.3	-82%	-32.8	-

### Dealing Room – Proprietary Trading



As the interest rates rise, net gain on securities decreases by 82%. Therefore, the total net gain on securities slides to KRW 3.1 bln.

	June 09	March 09	change
Government & Public bond 3y	4.16%	3.94%	+ 22bp
Corporate Bonds 3y(AA-)	5.39%	6.13%	- 74bp
Bank Bonds 1.6y(AAA)	3.94%	3.86%	+ 8bp
IRS 3y	4.04%	3.55%	+ 49bp
KTB-IRS Spread	12bp	39bp	- 27bp

# Interest Income & Client Assets

## II. Business Performance

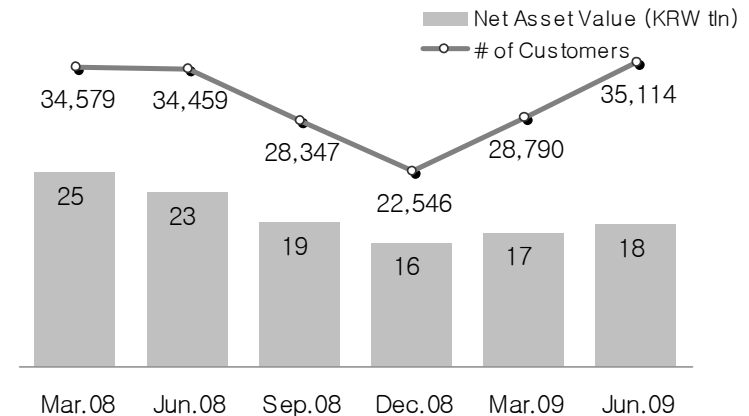
### Interest Income

(KRW bln)	FY09 1Q	FY08 4Q	QoQ	FY08 1Q	YoY
Interest Income	78.1	76.1	3%	64.8	20%

• Interest income includes interest on loans, bonds, deposits, receivables and etc.

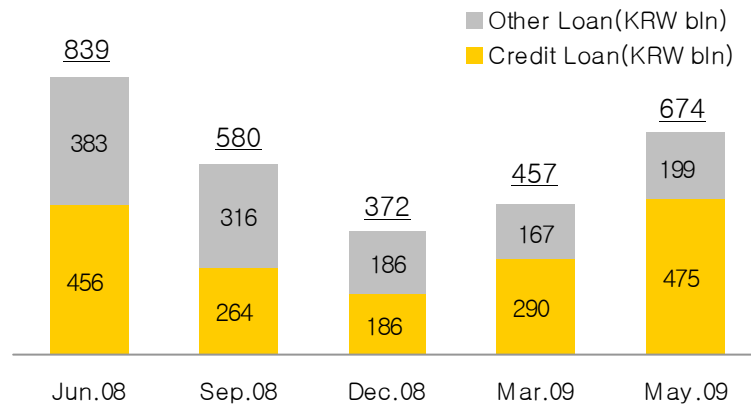
- Excluding the dividend effect in the last quarter, the interest income in 1Q shows a significant increase. This is because credit loan balance increases as the stock market gets recovered. Furthermore, decrease in interest cost for ELS coupon swap helped to enhance interest income.

### Retail High-Net Worth Clients



\* 'High-Net Worth Clients' are retail clients holding more than KRW 100 mln in assets

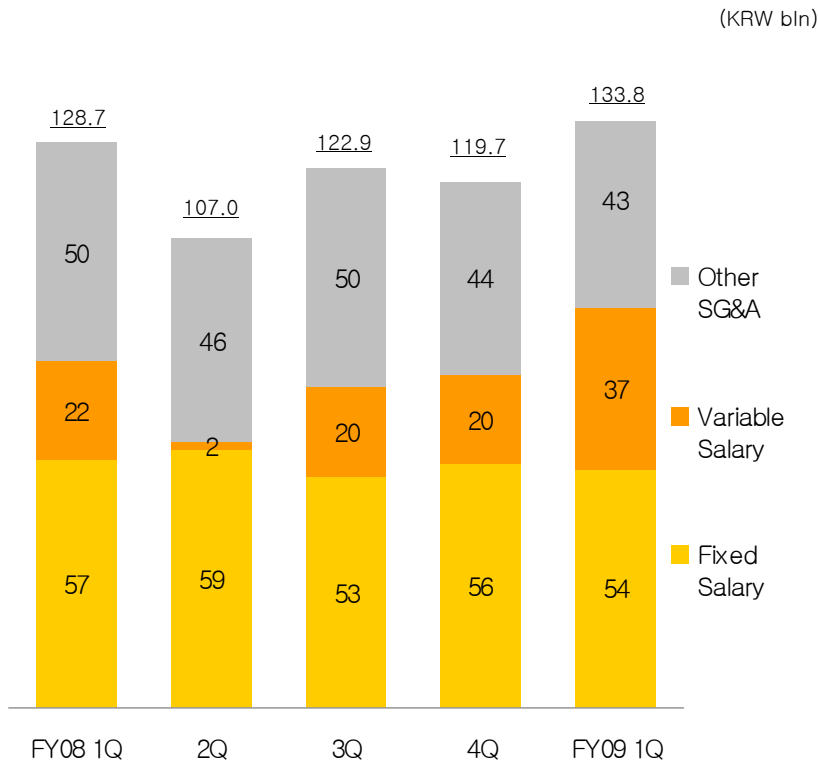
### Client Loan Balance



- DWS' HNW(High-Net-Worth) clients balance reaches KRW 18.4 tln in NAV with 35,114 clients. It is highly attributed to the natural increase of NAV and the aggressive marketing in order to attract new HNW clients.
- Since the HNW clients' contribution to commission exceeds 70% in total, DWS keeps on the efforts to bring more HNW clients as our long-term customers.

# SG&A Expenses

## SG&A Expense



## Other SG&A in Detail

(KRW bln)	FY09 1Q	FY08 4Q	QoQ	FY08 1Q	YoY
Other SG&A	42.8	44.0	-3%	49.9	-14%
IT expenses	5.0	4.2	19%	5.4	-7%
Rental expenses	3.7	4.1	-10%	5.1	-27%
Advertising	3.9	7.0	-44%	10.4	-63%
Depreciation	5.7	5.8	-2%	5.4	6%
Tax and dues	6.7	4.6	46%	5.5	22%
Others*	17.9	18.2	-2%	18.0	-1%

\* Others : Entertainment Expense, Research and study expense, Training Expense, Amortization of intangibles and etc.

## SG&A Highlights

- The total SG&A expense is raised to KRW 133.8 bln mainly due to the increase of the variable salary as the brokerage performance improves.
- The advertising cost which is the biggest factor in other SG&A except salary dropped by 44%, resulting in decrease of other SG&A in sum.

# Summarized F/S & Ratios

[KRW bln]	Annual				Net Quarter								
	FY2005 (06.03)	FY2006 (07.03)	FY2007 (08.03)	FY2008 (09.03)	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09
Operating Revenue	776	820	1,016	703	317	248	236	215	185	77	229	212	291
Brokerage Commissions	492	372	608	394	178	166	163	101	110	83	99	101	173
IB Commissions	47	40	67	43	22	15	15	15	12	8	10	13	23
WM Commissions (Structured Securities)	115	69	116	104	19	28	38	32	44	26	16	19	32
(Structured Securities)	96	46	77	71	11	19	25	23	34	17	9	10	22
Gain or Loss of Sales and Valuation of Securities	36	103	78	-47	68	9	-9	9	-33	-83	50	19	4
Interest Income/Loss	142	280	215	263	46	47	50	72	65	59	63	76	78
Commission Expense	-56	-44	-68	-55	-16	-17	-21	-14	-13	-15	-9	-18	-19
SG&A	390	370	537	478	137	151	128	121	129	107	123	120	134
Others	0	5	-17	-21	-8	3	-4	-9	4	4	-13	-15	-2
<b>Operating Income</b>	<b>386</b>	<b>456</b>	<b>462</b>	<b>204</b>	<b>172</b>	<b>101</b>	<b>105</b>	<b>85</b>	<b>60</b>	<b>-26</b>	<b>93</b>	<b>77</b>	<b>155</b>
Non Operating Income	8	15	1	30	0	1	-10	10	2	2	20	6	5
<b>Net Income Before Income Tax</b>	<b>395</b>	<b>471</b>	<b>463</b>	<b>233</b>	<b>172</b>	<b>102</b>	<b>94</b>	<b>95</b>	<b>62</b>	<b>-24</b>	<b>113</b>	<b>83</b>	<b>160</b>
Income Tax Expense	-16	25	126	53	78	28	27	-7	18	-6	28	13	39
<b>Net Income</b>	<b>410</b>	<b>446</b>	<b>337</b>	<b>181</b>	<b>94</b>	<b>74</b>	<b>67</b>	<b>102</b>	<b>45</b>	<b>-18</b>	<b>84</b>	<b>70</b>	<b>121</b>
<b>Balance Sheet (KRW tln)</b>													
Total Assets	6.50	9.00	12.07	14.23	10.78	11.07	11.96	12.08	13.70	14.09	13.07	14.23	15.80
Total Liabilities	4.76	6.89	9.66	11.74	8.63	8.78	9.62	9.66	11.32	11.75	10.68	11.74	13.22
Total Shareholder's Equity	1.73	2.11	2.43	2.49	2.16	2.29	2.34	2.43	2.38	2.34	2.39	2.49	2.58
<b>Net Capital Ratio (NCR)</b>													
Net Capital Ratio (%)	592%	621%	489%	531%	513%	492%	495%	489%	461%	469%	509%	531%	501%
Net working capital (KRW bln)	1,227	1,332	1,565	1,917	1,210	1,374	1,513	1,565	1,562	1,552	1,635	1,917	2,072
Risk-weighted assets (KRW bln)	207	214	320	3,613	236	280	306	320	339	331	321	3,613	414

**대우증권**



**DAEWOO  
SECURITIES**

**Thank You**

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