



KDB Financial Group

# Daewoo Securities

## 3Q10 Operating Result January 2011

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# 3Q Operating Summary

**Reported pre-tax profit of KRW 59 billion in 3QFY10**

## Revenue Structure

(KRW billion)	1Q	2Q	3Q(P)	3Q YTD
Operating revenue	226	301	229	756
Brokerage commissions	108	99	119	327
IB commissions	15	15	20	50
WM commissions	22	24	25	71
G/L on sales and Val. of Sec.	75	158	68	301
Interest income/loss	16	16	11	43
△ Commission expenses	-11	-12	-14	△37
SG&A expenses	134	180	167	481
Others*	0	-3	-1	△5
Operating income	92	117	61	269
Non-operating income	3	3	-2	5
Net income (before tax)	95	120	59	274
Income tax expense	35	28	18	81
Net income	61	92	41	193

## Main Points

### ↻ Brokerage

Brokerage commissions increased by 20% QoQ to KRW 119 billion on the back of rise on market trading volume (daily average trading volume KRW 9.6 trillion in 3QFY10 vs. KRW 8.8 trillion in 2QFY10)

### ↻ Wealth Management

WM business continued to generate stable revenue of KRW 25 billion in 3QFY10 backed by increasing contribution from wrap account

### ↻ Investment Banking

Actively participating in the major deal of the quarter, IB commissions rose 27% QoQ to KRW 20 billion in 3QFY10

### ↻ Sales & Trading

Decent revenue of KRW 68 billion despite unfavorable market environment

# 3Q Operating Summary

## Diversification of revenue structure is well on track

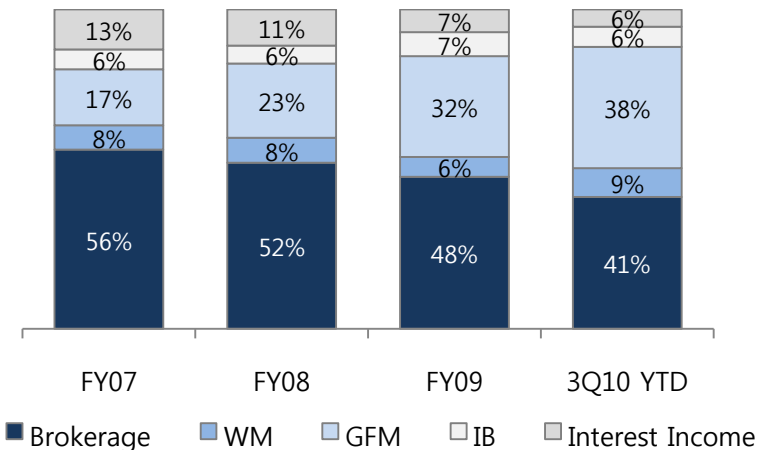
### Operating Result

(KRW billion)	FY07	FY08	FY09	3Q YTD
Operating revenue	1,013	703	1,049	756
Brokerage commissions	608	394	530	327
IB commissions	67	43	83	50
WM commissions	83	59	69	71
G/L on sales and Val. of Sec.	189	177	351	301
Interest income/loss	137	86	80	43
△ Commission expenses	-72	-55	-65	△37
SG&A expenses	537	478	594	481
Others*	-13	-21	-43	△5
Operating income	462	204	412	269
Non-operating income	1	30	11	5
Net income (before tax)	463	233	423	274
Income tax expense	126	53	104	81
Net income	337	181	319	193

### Revenue Structure

Before deducting commission expenses

GM = PI + Prop. Trading + FI (including Interest Income)



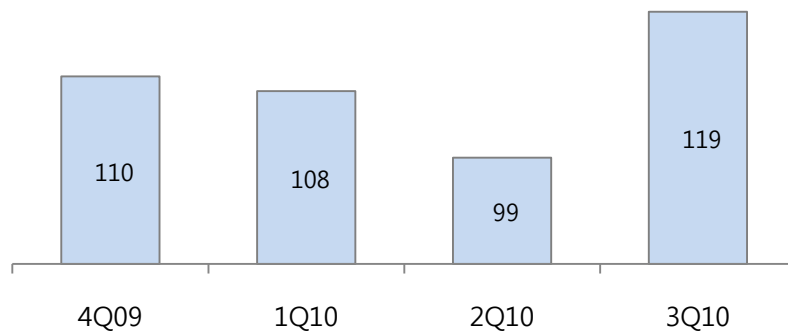
By focusing more on the balanced development, DWS is on track of having well diversified revenue structure and lowering its reliance on brokerage commissions

# Performance by Division : Brokerage

## Higher commission revenue from rise in market trading volume

### Brokerage Revenue

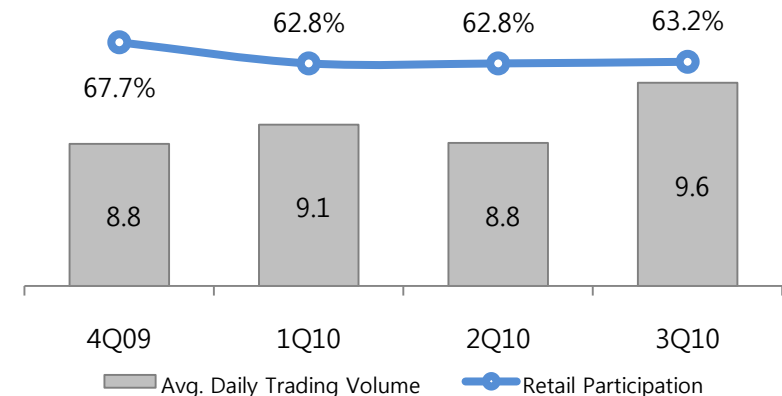
(KRW billion)



- ❖ DWS achieved the highest brokerage revenue among peers during 3QFY10
- ❖ Commission revenue increased by 20% QoQ (↑ KRW 20 billion) to KRW 119 billion from KRW 99 billion in 2QFY10 on the back of increased trading volume
- ❖ 3QFY10 brokerage commissions: USD 105 million (KRW 119 billion)

### Trading Volume & Retail Participation

(KRW trillion)

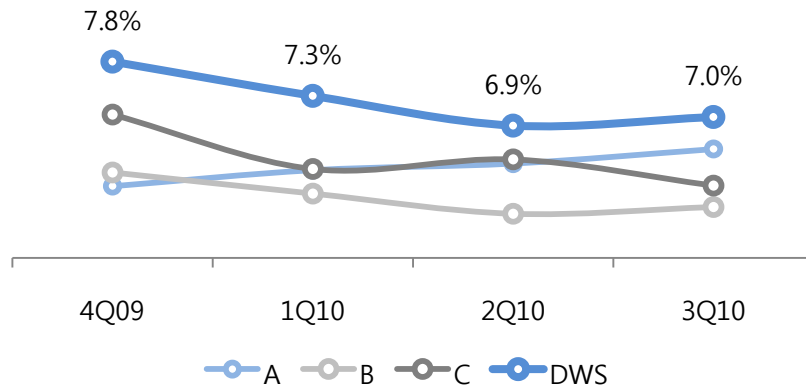


- ❖ Average daily trading volume rose 9% QoQ to KRW 9.6 trillion in 3QFY10 from KRW 8.8 trillion in 2QFY10 with KOSPI reaching 2,051p
- ❖ KOSPI / KOSDAQ as of Dec 30 : 2,051p / 510p

# Performance by Division : Brokerage

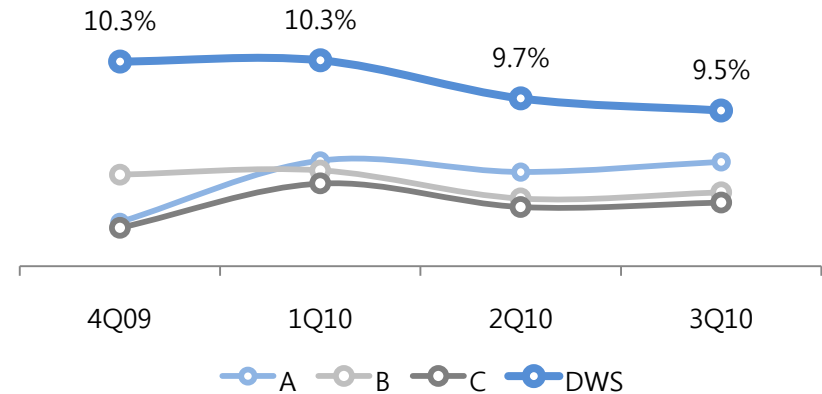
## Maintained No.1 position in brokerage business

### Total brokerage M/S (by commission)



- ❖ DWS has maintained the largest M/S in terms of overall brokerage commissions representing 7.0% slightly above 6.9% in 2QFY10.
- ❖ Gap over 2<sup>nd</sup> runner : 0.45% pt
- ❖ M/S by Turnover : 6.0% (↑ 0.13% pt)

### Retail brokerage M/S (by commission)

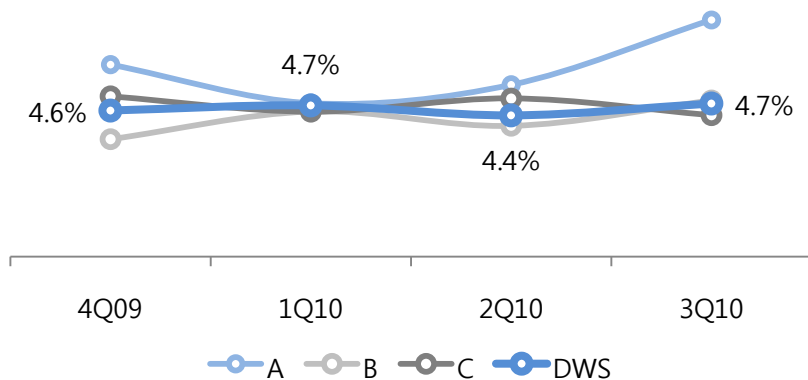


- ❖ While maintaining the leading market position in terms of retail brokerage commissions, DWS's retail brokerage M/S declined slightly to 9.5% in 3QFY10 from 9.7% in 2QFY10
- ❖ Retail brokerage commission M/S : 9.5%
- ❖ Gap over 2<sup>nd</sup> runner : 0.83% pt

# Performance by Division : Brokerage

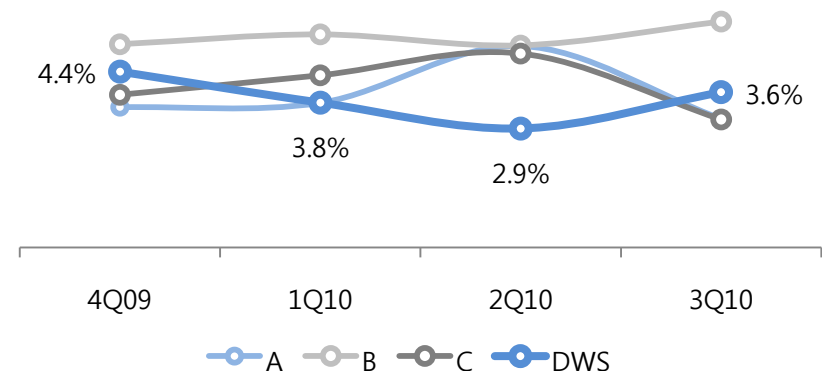
## Solidify our position in wholesale brokerage by regaining M/S from 2Q

### Domestic wholesale brokerage M/S (by turnover)



- Thanks to the block trades for Doosan Infracore and Doosan Heavy Industry & Construction, DWS has slightly regained its M/S to 4.7% in 3QFY10 from 4.4% in 2QFY10
- DWS was awarded "The Best Institutional Sales Team" in 2HFY10 by Korea Economic Daily and Maeil Business News

### Int'l wholesale brokerage M/S (by turnover)



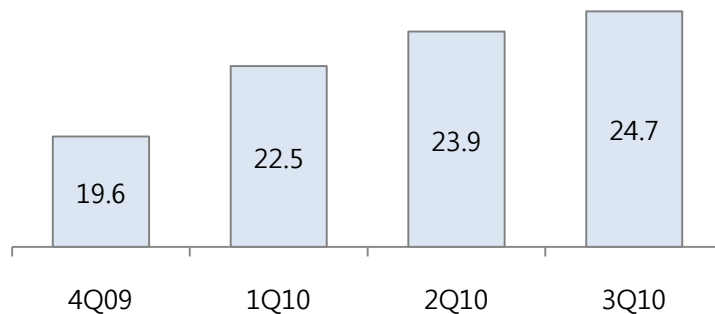
- DWS regained its international brokerage M/S in 3QFY10 on the back of ① increased market trading volume by foreign investors (KRW 16.9 trillion vs. KRW 13.9 trillion in 2QFY10), ② orders coming from 4 new customers in 3QFY10 and ③ improvement in Equity Sales business based in APHQ
- International brokerage M/S : 3.6%

# Performance by Division : WM

## Growth in wrap account is contributing in overall profits

### WM Revenue

(KRW billion)

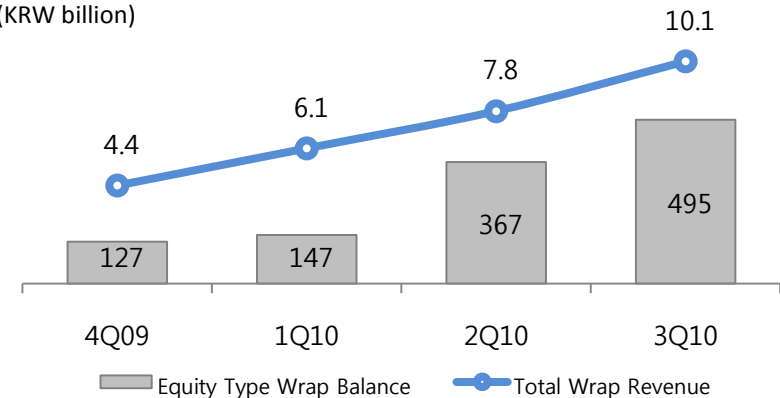


WM Revenue = Fund + Wrap + Trust/Pension + ELS/DLS Sales Margin

- ❖ Even though the WM account balance of KRW 43.8 trillion has not materially changed compared to KRW 43.7 trillion in 2QFY10, the revenue continue to grow on the back of significant growth in equity type products.
- ❖ 3QFY10 WM revenue : USD 21.9 million (KRW 24.7 billion)

### Equity-Type Wrap Balance

(KRW billion)



- ❖ Revenue contribution from wrap accounts to total WM revenue increased (41% in 3QFY10 vs. 33% in 2QFY10) as the balance of the equity-type wrap accounts grew a substantial 35% QoQ to KRW 495 billion
- ❖ 3QFY10 total wrap revenue : USD 8.9 million (KRW 10.1 billion)



# Performance by Division : WM

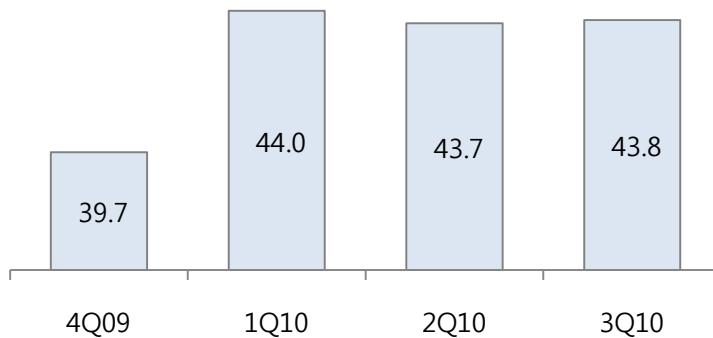
## 3Q10 Operation Result

- Summary
- Brokerage
- Wealth Management**
- Investment Banking
- Global Financial Market

## Well-diversified portfolio of WM products meet customers' needs

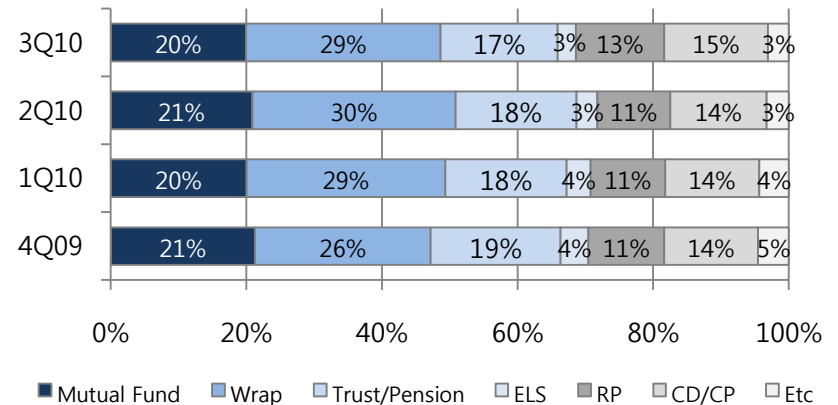
### WM Account Balance

(KRW trillion)



↻ 3QFY10 WM Account Balance : USD 38.7 billion (KRW 43.8 trillion)

### WM Balance Composition

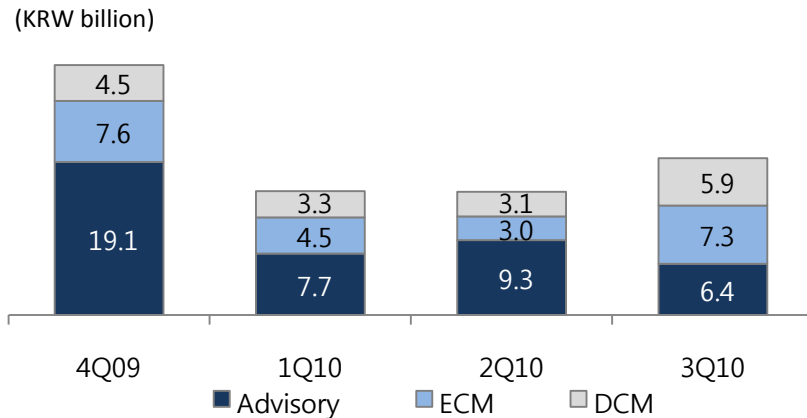


↻ DWS offers a well-diversified portfolio of products (mutual fund, wrap accounts, ELSs, RPs, Beneficiary Certificates, etc) to meet the various needs of customers

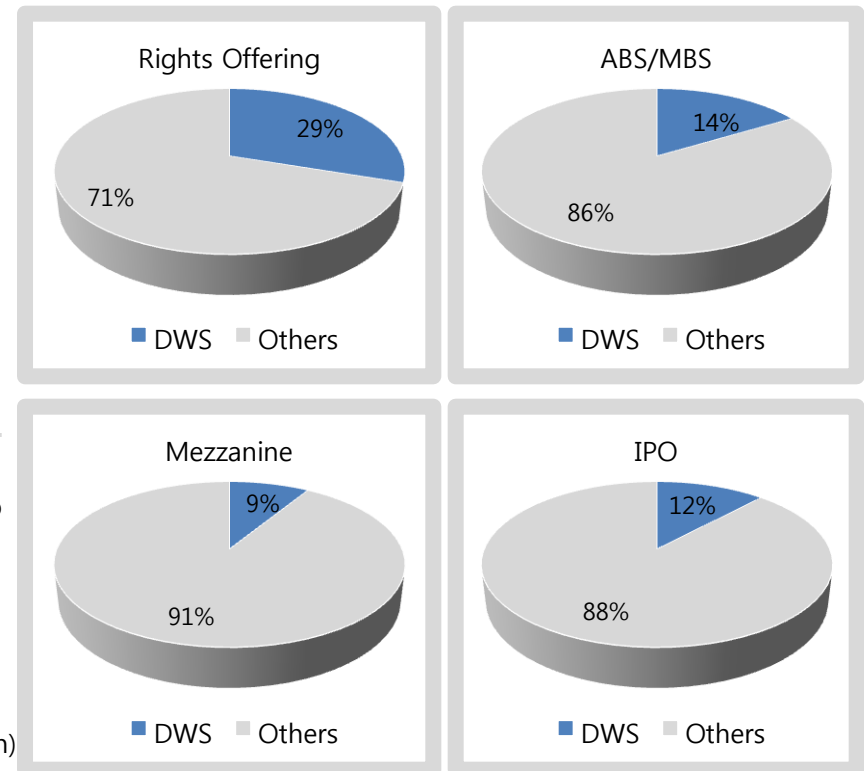
# Performance by Division : IB

Well-balanced revenue sources leads to 27% QoQ revenue growth

## IB Commission Revenue



## IB Market Share (CY2010)



- ❖ Participation in major deals during 3QFY10 include : IPO (Doosan Engine), Cross-border IPO (KOLAO Holdings), rights offering (Posco E&C, Taihan Electric Wire) and block trades (Doosan Infracore, Doosan Heavy Industries & Construction).
- ❖ ABS/MBS issuance : KRW 651 billion, (↑ KRW 336 billion vs. KRW 314 billion in 2QFY10)
- ❖ 3QFY10 IB commission revenue : USD 17.3 million (KRW 19.6 billion)

# Performance by Division : IB

## CY2010 Participation in Major Deals



IPO

USD 1.5 billion  
(KRW 1.8 trillion)



Block Deal

USD 1.0 billion  
(KRW 1.2 trillion)



Rights Offering

USD 338 million  
(KRW 382 billion)



Rights Offering

USD 268 million  
(KRW 326 billion)



IPO

USD 409.2 million  
(KRW 498.0 billion)



Block Deal

USD 469 million  
(KRW 530 billion)



Block Deal

USD 241 million  
(KRW 272 billion)



IPO (2011/1/4)

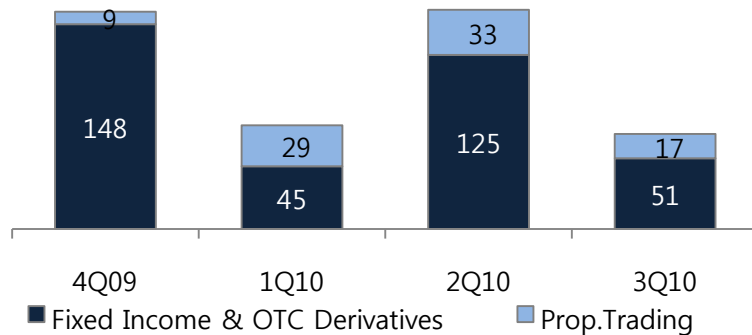
USD 106.2 million  
(KRW 120 billion)

# Performance by Division : GFM

## Decent revenue from Sales & Trading despite unfavorable market condition

### Sales & Trading Revenue

(KRW billion)

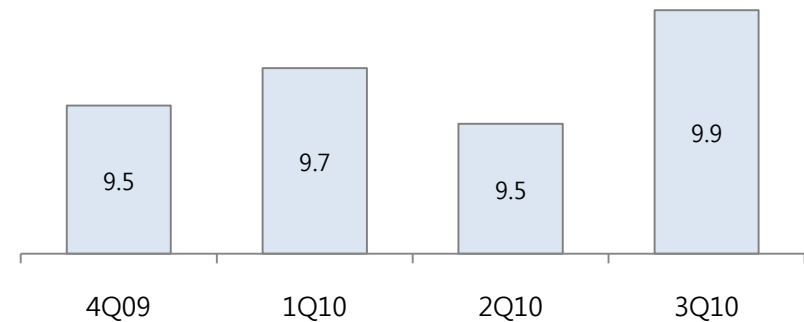


- ❖ Sales & Trading delivered decent revenues under unfavorable interest rate environment (3years Gov't bond : ↑ 5bp QoQ).
- ❖ 3QFY10 Sales & Trading revenue : USD 60.6 million (KRW 68 billion)

\* Prop. Trading : PI, Stocks and Futures trading revenue

### Fixed Income Holdings

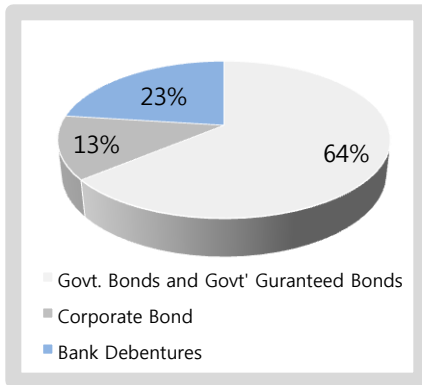
(KRW trillion)



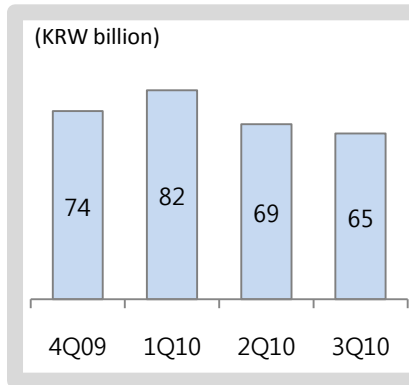
- ❖ 3QFY10 Fixed Income Holdings : USD 8.8 billion (KRW 9.9 trillion)

# Performance by Division : GFM

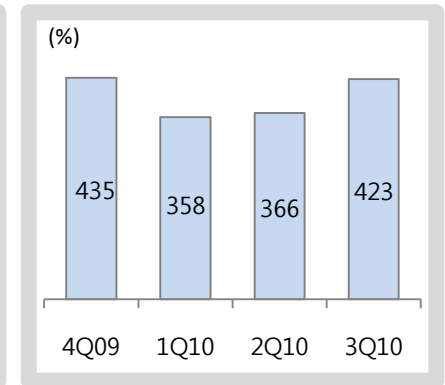
## Fixed Income Portfolio



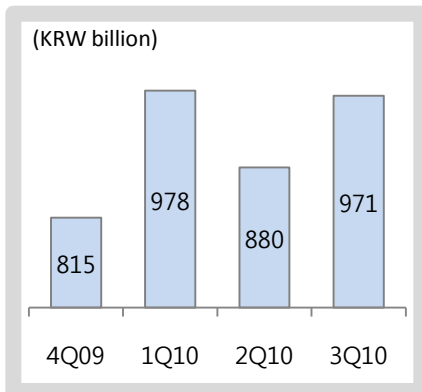
## Net Interest Income



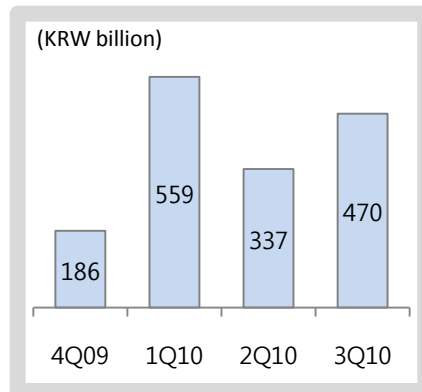
## Net Capital Ratio



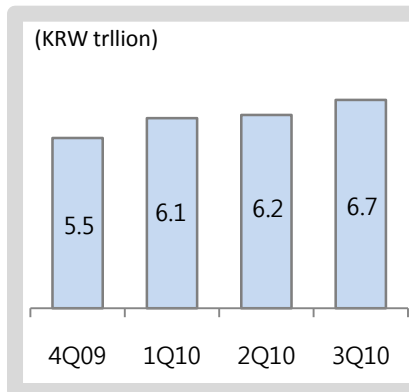
## ELS Issuance



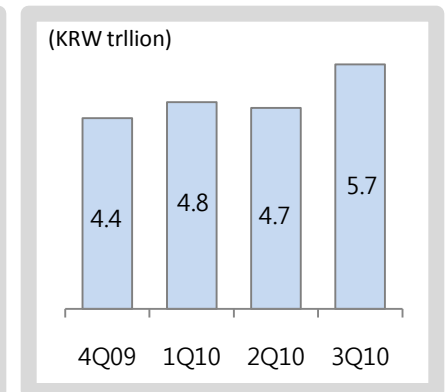
## DLS Issuance



## CD/CP Balance



## RP Balance



# Appendix

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- ❖ **Company Information**
- ❖ **Global Network**
- ❖ **Financial Statement**
- ❖ **Key Financials**

# Company Information

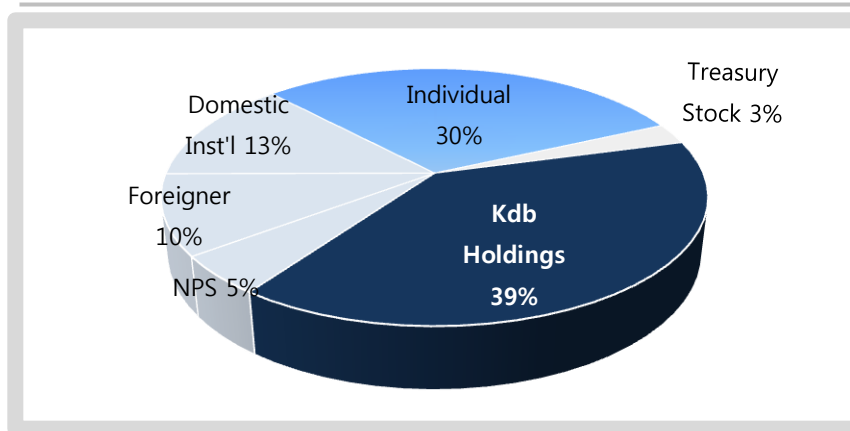
## General

President & CEO		Kee-Young Im
Date established		September 23, 1970
Date of Listing		September 26, 1975
No. of Shares	Common	190,100,891 Shares
	Preferred	14,075,750 Shares
Paid-in-Capital		KRW 1,021 bil (USD 905 bil)
No. of Employees		3,176 (As of December 31, 2010)
Domestic Network		118 Branches (2 PB Class, 15 WM Class, 94 Branches, 7 Representative Office)
Global Network	Overseas Subsidiary	Hong Kong, New York, London * Singapore (Expected in 2011)
	Regional Office	Beijing, Ho Chi Minh, Tokyo * Shanghai (2010)
Credit Rating		AA Positive(Local), Baa2 Stable(Moodys)
Address		34-3 Yeouido-dong, Yeongdeungpo-Gu, Seoul, Korea

## History

1970. Sep	Established as Dong Yang Securities
1975. Sep	Initial Public Offering
1999. Oct	Split from Daewoo Group
2009. Oct	Launch of Kdb Financial Group Kdb Holding became major shareholder
2010. Mar	Listing of Daewoo Securities Green Korea SPAC (First of its kind in Asia)

## Shareholder structure



# Global Network

## Hong Kong

Date established	29 September 1994
Managing Director	Jong Sun Kim
No. of Employees	20
Paid-in capital	USD 100 million
Main Business	Brokerage, Underwriting and Prop Trading
Address	Suites 2005-2012, Two IFC, 8 Finance Street, Central, Hong Kong .

## New York

Date established	July 7 1992
Managing Director	Jason Park
No. of Employees	10
Paid-in capital	USD 12 million
Main Business	Brokerage
Address	600 Lexington Ave. Suite 301(3rd FL.), New York, NY 10022 USA

## London

Date established	Aug 1 1991
Managing Director	Warren Kim
No. of Employees	9
Paid-in capital	USD 18.4 million
Main Business	Brokerage, Underwriting and Prop Trading
Address	41st Fl., Tower 42 25 Old Broad St. London EC2N 1HQ, U.K.

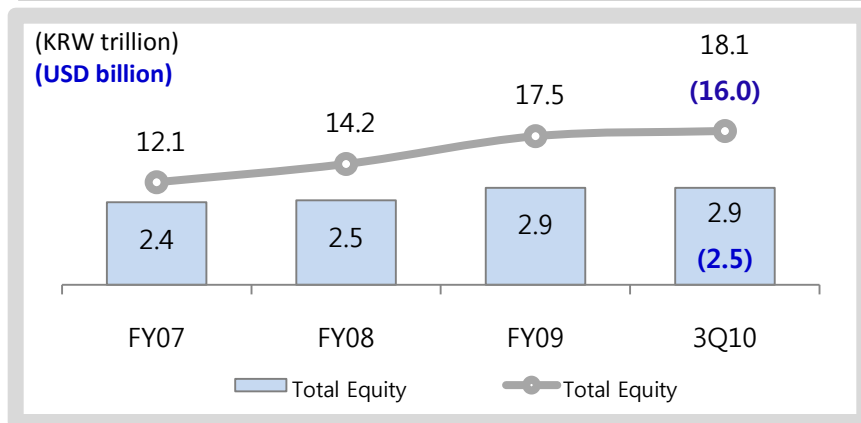
## Strategic Business Alliance

China	ICBC, Galaxy Securities
Indonesia	eTrading Securities
Vietnam	BaoViet Securities
Japan	Mitsubishi UFJ Securities, Mizuho Securities
Brazil	Itau Financial Firm
Malaysia	CIMB
Kazakhstan	Halyk Finance

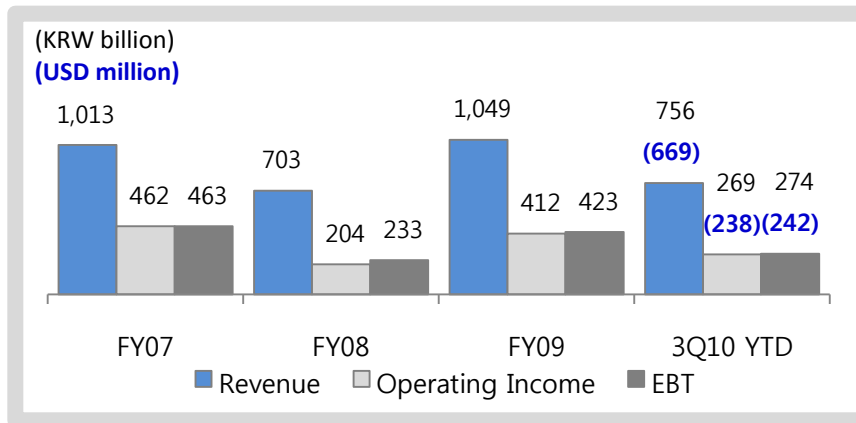


# Key Financials

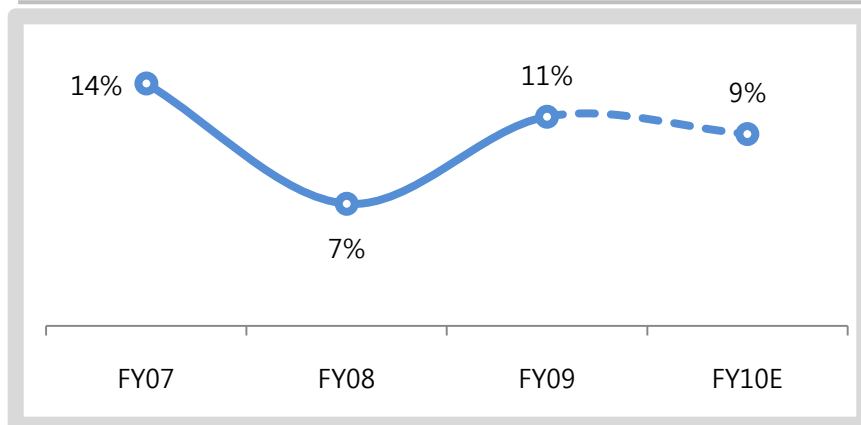
## Total Asset & Total Equity



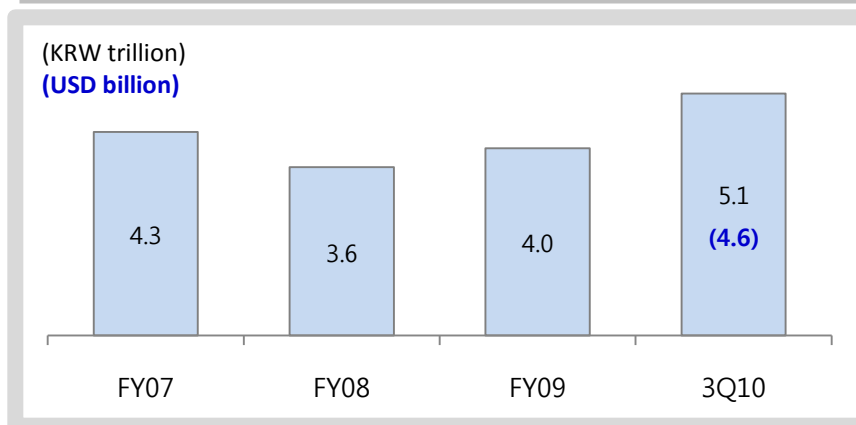
## Operation Result



## Return on Equity (after tax)



## Market Capitalization



# Financial Statement

## Appendix

- Company Information
- Global Network
- Key Financials

### Financial Statement

(KRW billion)	2009				2010			FY06	FY07	FY08	FY09	FY10 YTD
	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10					
<b>Operating Revenue</b>	<b>290.7</b>	<b>231.0</b>	<b>200.7</b>	<b>327.2</b>	<b>226.3</b>	<b>300.6</b>	<b>228.5</b>	<b>820.2</b>	<b>1,012.5</b>	<b>702.8</b>	<b>1,048.8</b>	<b>755.4</b>
Brokerage	173.3	149.3	97.0	110.5	108.5	99.4	119.2	372.2	608.1	393.8	530.1	327.1
Investment Banking	22.9	13.6	15.8	31.2	15.5	15.4	19.6	40.3	67.2	42.8	83.5	50.4
Wealth Management	14.7	17.4	17.5	19.6	22.5	23.9	24.7	22.2	83.1	58.8	69.1	71.0
Sales & Trading	75.0	50.6	68.6	156.6	74.6	157.9	68.4	220.0	189.4	176.6	350.8	300.9
Interest Income	23.7	17.5	15.7	23.9	16.4	16.1	10.6	209.4	136.6	85.7	80.0	43.1
Commission Expense	- 18.9	- 17.4	- 13.9	- 14.5	- 11.1	- 12.1	- 13.7	- 43.9	- 71.8	- 54.9	- 64.7	- 36.9
SG&A Expense	133.8	154.3	135.5	170.2	133.7	180.5	167.0	370.0	537.1	478.3	593.8	481.2
Others	-1.5	7.3	- 46.7	- 2.0	- 0.3	- 3.4	- 1.0	5.1	- 13.3	- 20.7	- 42.9	- 5.0
<b>Operating Income</b>	<b>155.4</b>	<b>84.0</b>	<b>18.5</b>	<b>155.0</b>	<b>92.2</b>	<b>116.7</b>	<b>60.6</b>	<b>455.5</b>	<b>462.1</b>	<b>203.8</b>	<b>412.0</b>	<b>269.5</b>
Non-Operating Income	4.7	5.7	2.0	- 1.2	2.9	3.3	- 1.4	15.6	1.2	29.5	11.1	4.9
<b>Before Tax Earnings</b>	<b>160.0</b>	<b>89.6</b>	<b>20.5</b>	<b>153.8</b>	<b>95.1</b>	<b>120.0</b>	<b>59.2</b>	<b>470.8</b>	<b>463.2</b>	<b>233.4</b>	<b>423.1</b>	<b>274.4</b>
Income Tax Expense	39.3	23.4	6.3	35.0	34.6	28.3	18.0	24.7	126.5	52.9	104.0	80.9
<b>After Tax Earnings</b>	<b>120.7</b>	<b>66.2</b>	<b>14.2</b>	<b>118.7</b>	<b>60.6</b>	<b>91.7</b>	<b>41.2</b>	<b>446.1</b>	<b>336.8</b>	<b>180.5</b>	<b>319.1</b>	<b>193.5</b>
<b>Balance Sheet (KRW trillion)</b>												
Total Asset	15.8	17.2	15.3	17.5	17.6	18.4	18.1	9.0	12.1	14.2	17.5	18.1
Total Liabilities	13.2	14.5	12.6	14.7	14.8	15.6	15.2	6.9	9.7	11.7	14.7	15.2
Total Shareholder's Equity	2.6	2.7	2.7	2.9	2.8	2.8	2.9	2.1	2.4	2.5	2.9	2.9
<b>Net Capital Ratio (NCR)</b>												
Net Working Capital (KRW billion)	208.3	211.8	217.7	226.7	203.1	209.2	239.0	133.2	156.5	191.7	226.7	239.0
Risk-Weighted Assets (KRW billion)	41.4	43.7	47.0	52.2	56.7	57.2	56.5	21.4	32.0	36.1	52.2	56.5



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