



KDB Financial Group

Daewoo Securities

# 1QFY11 Operating Result

## August 2011

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, and forward-looking statements are based on Daewoo Securities' internal projections. 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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# 1QFY11 Operating Summary

## Reported pre-tax profit of KRW 50bn in 1QFY11

### Revenue structure

(KRW bn)	K-GAAP		K-IFRS	
	3Q	4Q	4Q	1Q
Operating revenue	229	222	267	178
Brokerage commissions	119	104	104	100
IB commissions	20	18	17	11
WM commissions	25	28	28	29
Prop. trading income on securities	68	36	52	32
Net interest income	11	54	75	19
△ Commission expenses	-14	-18	-9	-13
SG&A expenses	167	158	173	136
Others	-1	-2	-2	1
Operating income	61	63	91	43
Non-operating income	-2	17	9	7
Net income (before tax)	59	80	100	50
Corporate tax	18	17	24	14
Net income	41	63	76	36

### Main points

#### Brokerage

- Brokerage commissions decreased due to declines in trading volume and retail participation
- Brokerage commissions: KRW 104bn → KRW 100bn, ↓ 4% QoQ

#### Wealth management

- WM business delivered a solid result thanks to sales growth of equity-type products
- WM commissions: KRW 28bn → KRW 29bn, ↑ 1% QoQ

#### Investment banking

- IB business recorded a sound performance by accomplishing major corporate bond and mezzanine deals
- IB commissions: KRW 17bn → KRW 11bn, ↓ 34% QoQ

#### Sales & trading

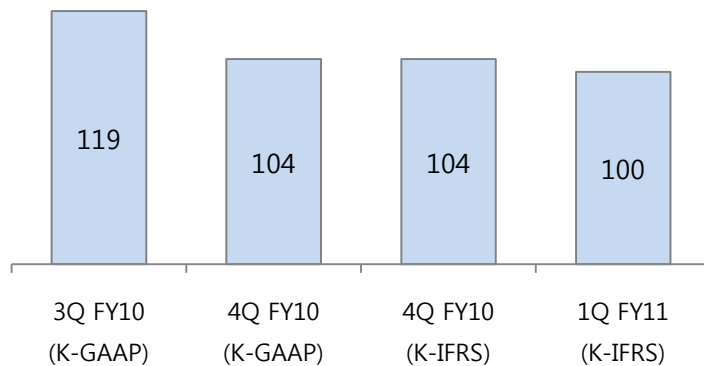
- S&T revenue declined due to the one-off loss related to Kumho Industrial (amount of KRW 26bn)
- S&T revenue : KRW 52bn → KRW 32bn, ↓ 39% QoQ

# Performance by Business: Brokerage

## Brokerage revenue declined by 4% QoQ

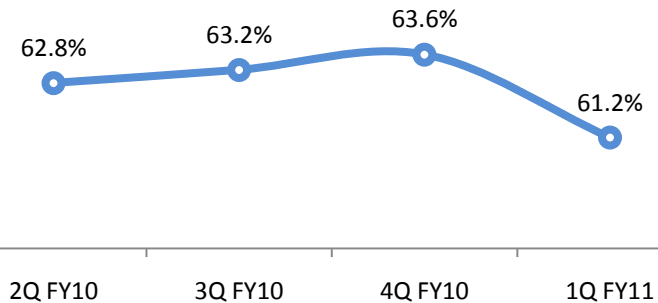
### Brokerage revenue

(KRW bn)



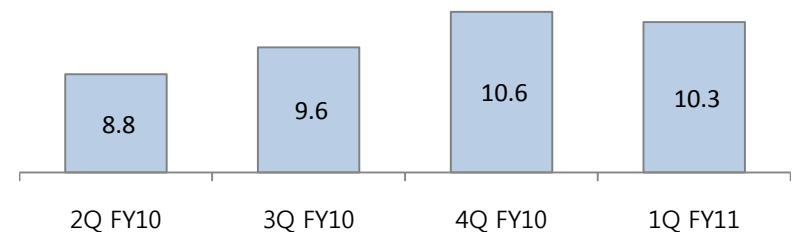
- Brokerage revenue fell by 4% QoQ (↓ KRW 4bn) to KRW 100bn due to weak trading volume and low retail participation
- K-IFRS vs. K-GAAP difference: None

### Percentage of retail investors



### Trading volume

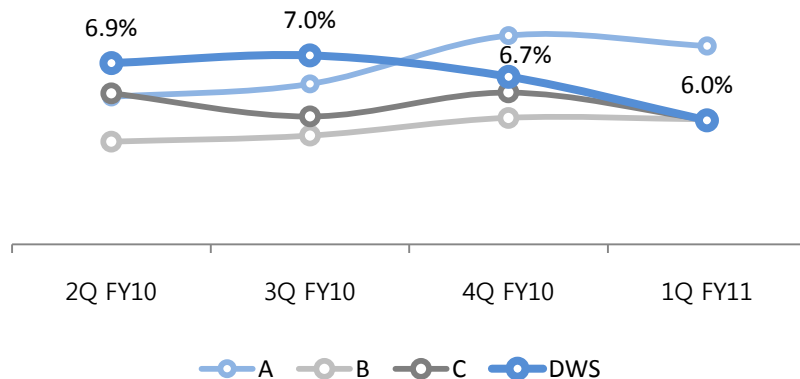
(KRW tr)



# Performance by Business: Brokerage

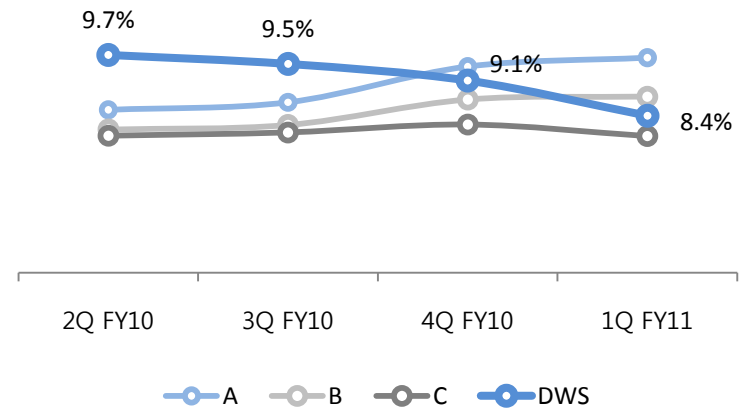
## Slower retail brokerage weakened market share

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



- Total brokerage M/S decreased to 6.0% in 1QFY11 mainly due to the slowdown of the retail brokerage business
- M/S by turnover: 5.5% (↓ 0.5% pt QoQ)

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

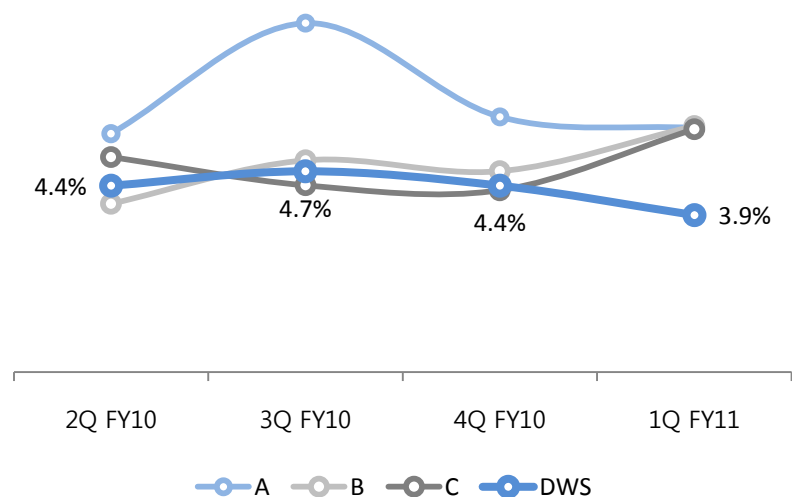


- Along with unfavorable market conditions for the retail brokerage operation, the retail brokerage M/S fell to 8.4% in 1QFY11 due to a decline in off-line turnover

# Performance by Business: Brokerage

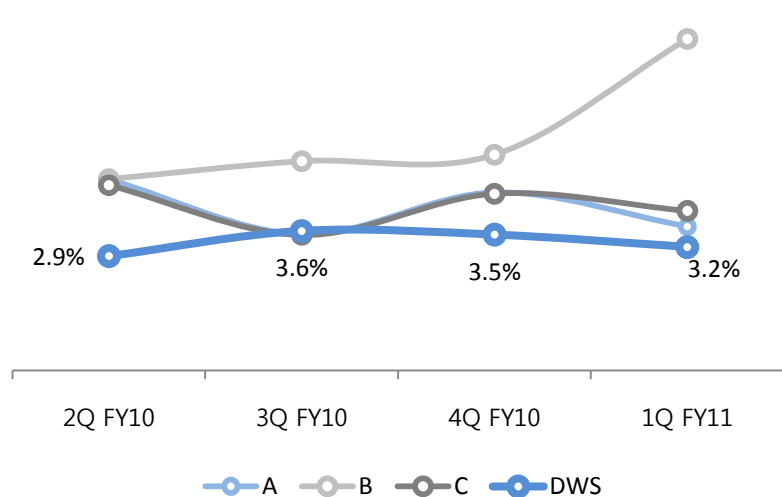
## Wholesale brokerage maintains a similar level to last quarter

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



- Although the domestic wholesale brokerage M/S slightly decreased to 3.9% in 1QFY11 from 4.4% in 4QFY10, the M/S of arbitrage trading (which generates higher commission) increased

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



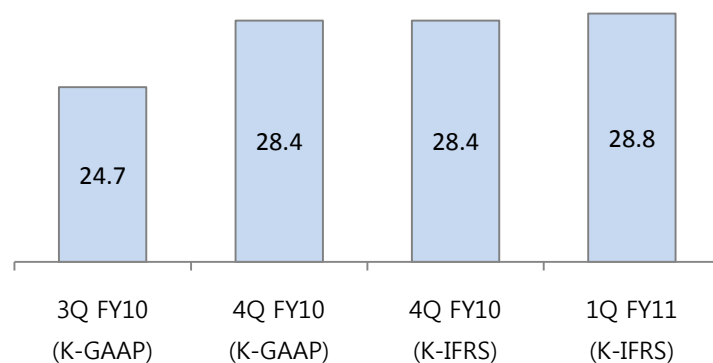
- In line with the expansion of the DMA customer base, international brokerage has continued to generate a promising performance
- International brokerage M/S: 3.2%

# Performance by Business: Wealth Management

Delivered solid performance by offering various products to customers

## WM revenue

(KRW bn)

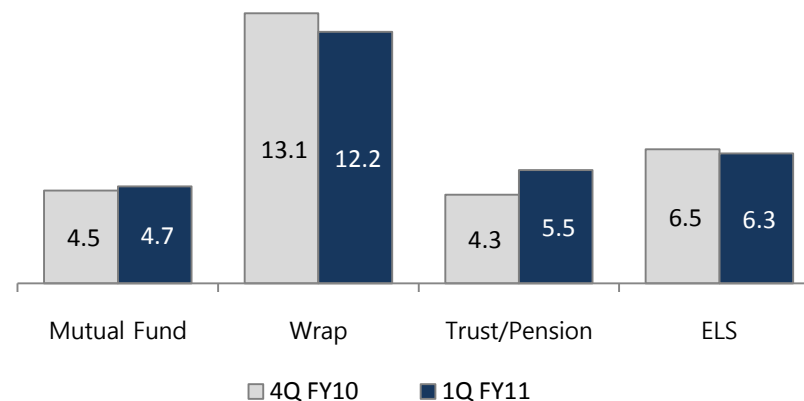


WM Revenue = Fund + Wrap + Trust/Pension + ELS/DLS Sales Margin

- WM revenue increased to KRW 28.8bn in 1QFY11 backed by sales increases of newly developed financial instruments, such as the Golden Age Trust
- K-IFRS vs. K-GAAP differences: None

## WM revenue breakdown

(KRW bn)



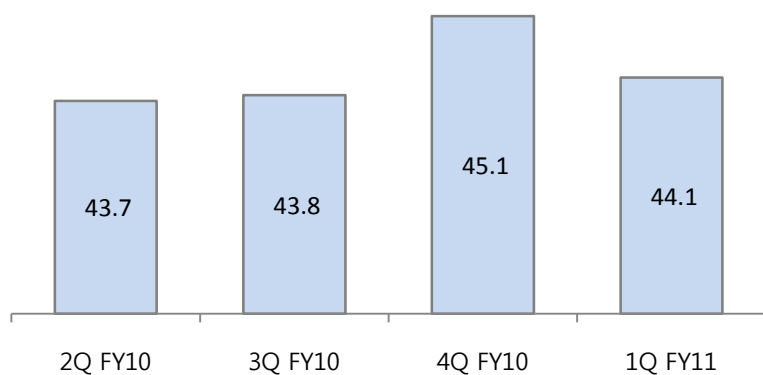
- Wrap accounts are attributable for 43% (KRW 12.2bn) of total WM revenue (KRW 28.8bn) in 1QFY11 (vs. 46% (KRW 13.1bn) in 4QFY10)
- However, the revenue contribution from trust funds increased to 20% (KRW 5.5bn) in 1QFY11 from 15% in 4QFY10

# Performance by Business: Wealth Management

## Well-diversified portfolio of WM products

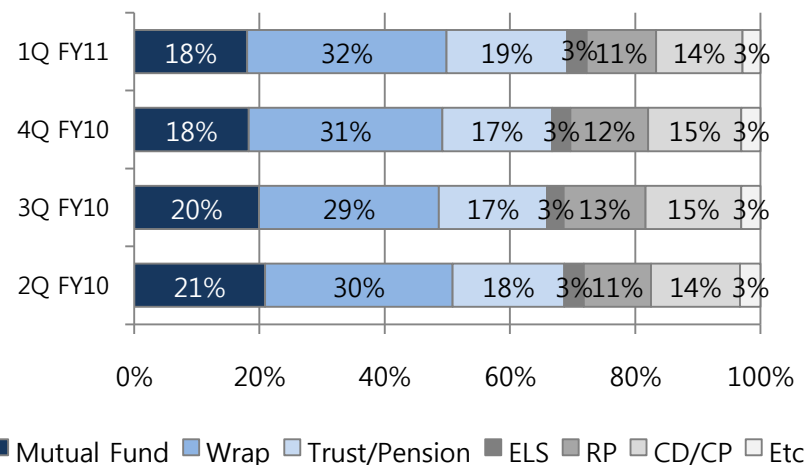
### WM account balance

(KRW tr)



➤ 1QFY11 WM account balance: US\$ 41.3bn (KRW 44.1tr)

### WM balance composition



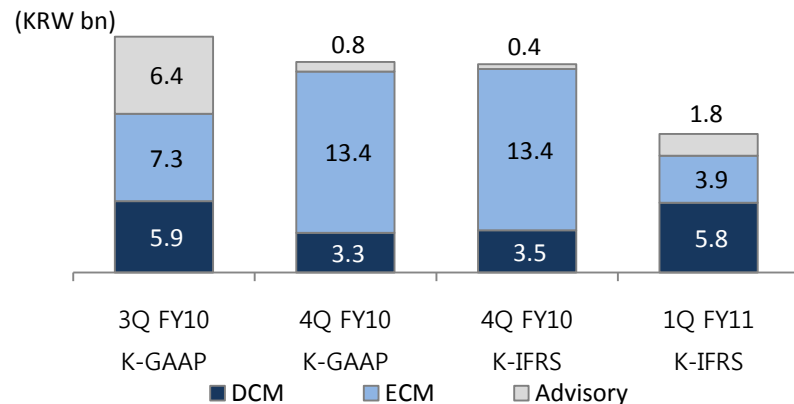
➤ DWS offers a well-diversified portfolio of products (mutual funds, wrap accounts, ELSs, RPs, beneficiary certificates, etc.) to meet the various needs of customers



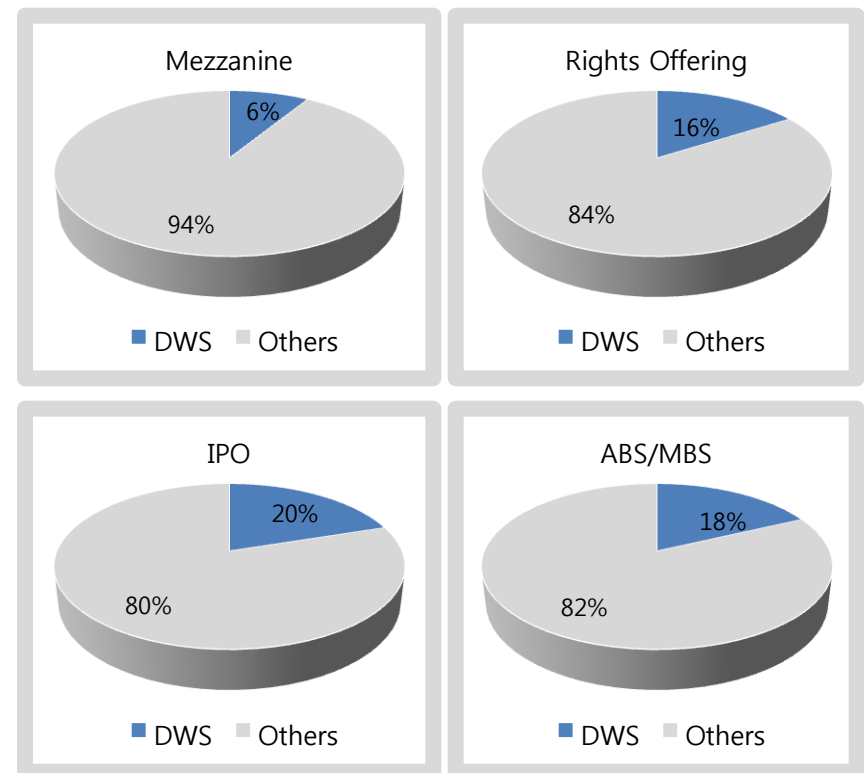
# Performance by Business: Investment Banking

## Stable earnings on the back of strong DCM market

### IB commission revenue



### IB market share (CY2011 accumulated)



- **ECM** : - IPOs (Himart, KT SkyLife, Kolon Plastic, etc.)  
- Right offerings (Doosan Eng & Const, STX, etc.)
- **DCM** : Revenue from DCM substantially increased by 66% QoQ given that debt issuance increased substantially on anticipation of interest rates rising in 2H12
- K-IFRS vs. K-GAAP difference: Revenue recognition from PF loans is partially deferred under K-IFRS

\* Source : FSS (dart.fss.or.kr)

# Performance by Business: Investment Banking

## Major deals in FY2011

**HYUNDAI  
WIA**

IPO

US\$ 127mn  
(KRW 520bn)

**Himart**

IPO

US\$ 1.0bn  
(KRW 420bn)

**DOOSAN** Doosan Engineering  
& Construction

Rights Offering

US\$ 338mn  
(KRW 300bn)

**DAESUN  
C1 SOJU**

Daesun distilling Co., Ltd.

M&A

US\$ 268mn  
(KRW 160bn)

**GS Global**

Rights Offering

US\$ 409.2mn  
(KRW 139bn)

**kt skylife**

IPO

US\$ 469mn  
(KRW 43bn)

**SAMWONSTEEL** Co.,Ltd.

IPO

US\$ 241mn  
(KRW 40bn)

**KOLON PLASTICS, INC.**

IPO

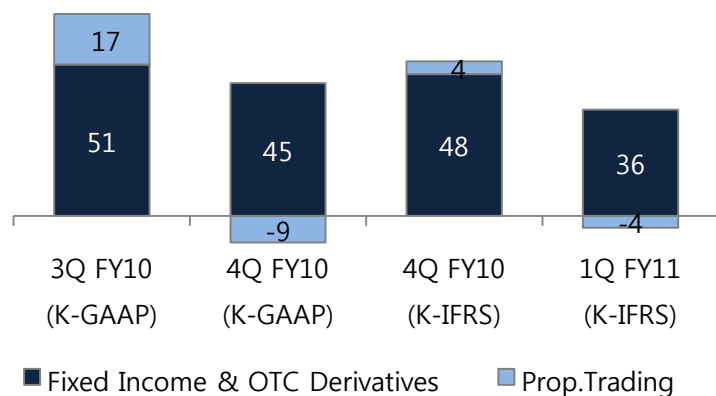
US\$ 106.2mn  
(KRW 37bn)

# Performance by Business: Sales & Trading

## Sales & trading revenue hampered by one-off item

### S&T revenue

(KRW bn)

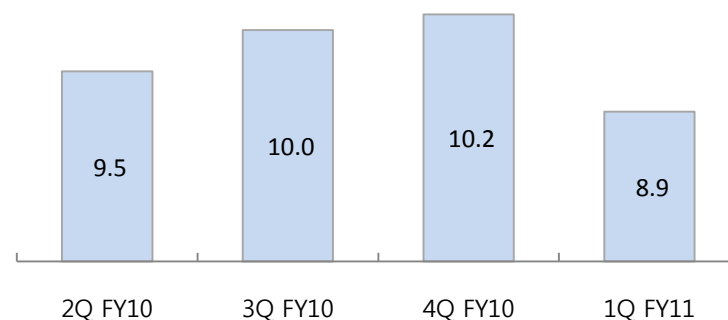


Prop. trading: PI, stocks and futures trading revenue

- S&T revenue fell due to an impairment loss of KRW 26bn on the equity holdings of Kumho Industrial
- *K-IFRS vs. K-GAAP difference: ① Revenue from ELS, which had been issued in FY2010, was partially deferred under K-IFRS ② Higher realized gain on the disposal of securities that were reclassified from "trading" to "available-for-sale"*

### Fixed income holdings

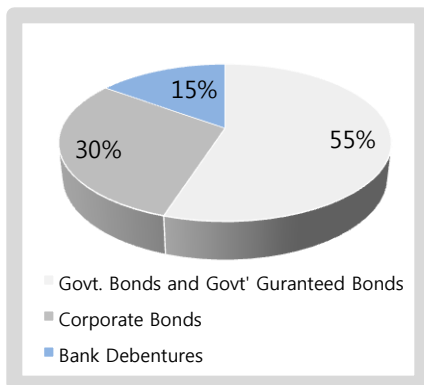
(KRW tr)



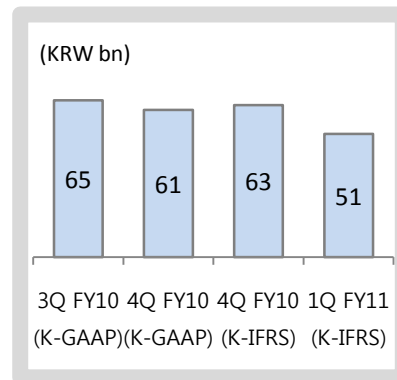
- 1QFY11 Fixed income holdings: US\$ 8.3bn (KRW 8.9tr)

# Performance by Business: Sales & Trading

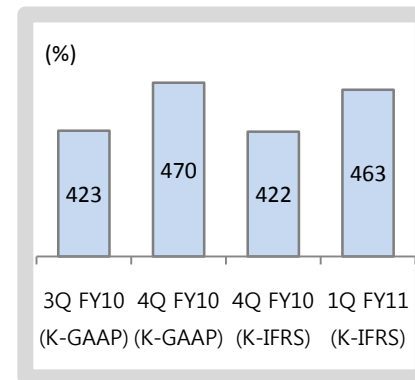
## Fixed Income Portfolio



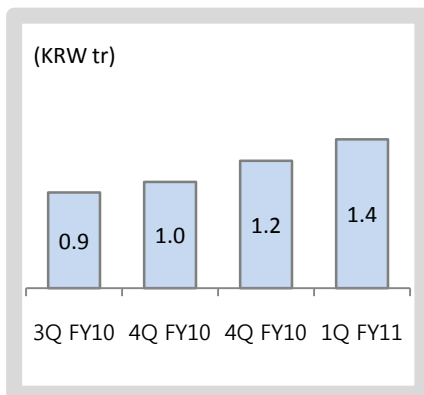
## Net Interest Income



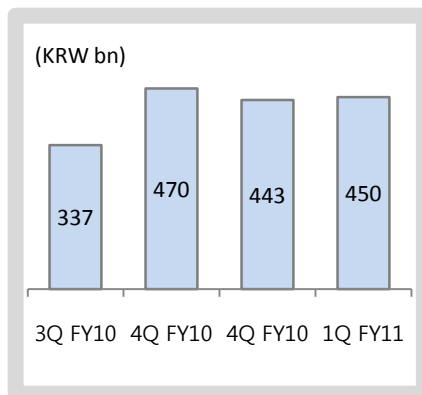
## Net Capital Ratio



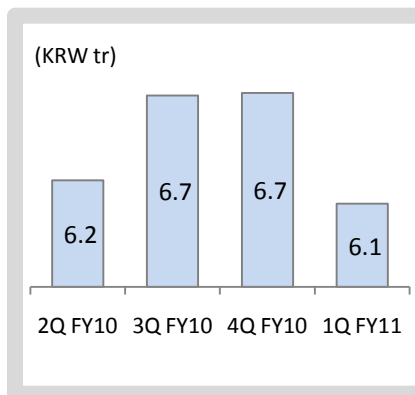
## ELS Issuance



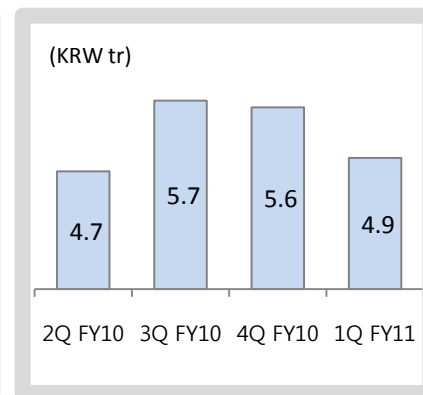
## DLS Issuance



## CD/CP Balance



## RP Balance



# Appendix

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

# Company Information

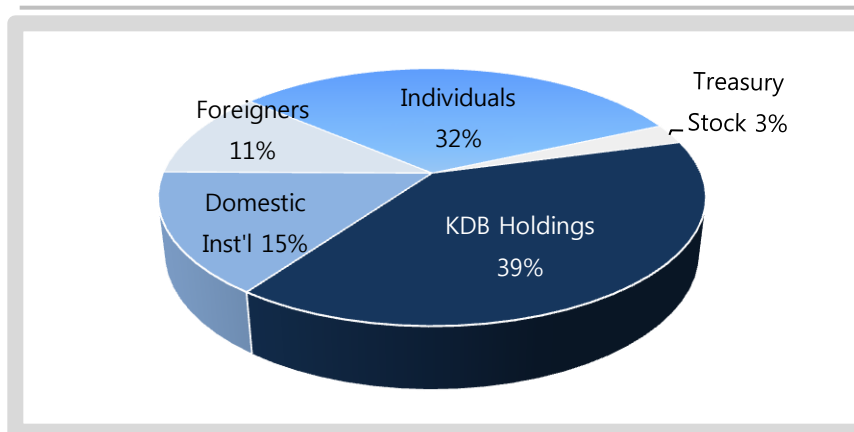
## General

President & CEO		Kee-Young Im
Date established		September 23, 1970
Date of listing		September 30, 1975
No. of shares outstanding	Common	190,100,891 shares
	Preferred	14,075,750 shares
Paid-in-capital		KRW 1.02tr (US\$ 930bn)
No. of employees		3,073 (as of June 30, 2011)
Domestic network		107 (as of June 30, 2011)
Global network	Overseas subsidiaries	Hong Kong, New York, London, *Singapore
	Regional offices	Beijing, Ho Chi Minh, Tokyo, Shanghai
Credit rating		AA Positive (Korean rating agency), Baa2 stable (Moody's)
Address		34-3 Yeouido-dong, Yeongdeungpo-Gu, Seoul, Korea

## History

Sept. 1970	Established as Dong Yang Securities
Sept. 1975	Initial Public Offering
Oct. 1999	Split from Daewoo Group
Oct. 2009	Launch of KDB Financial Group; KDB Holdings became the major shareholder

## Shareholder structure



\* Expected in 2011

Exchange rate: KRW 1,068/US\$

# Global Network

## Hong Kong (Asia-Pacific HQ)

Date established	September 29, 1994
Managing director	Jong Sun Kim
No. of employees	20
Paid-in capital	US\$ 100mn
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	Jae Hong Ryu
No. of employees	10
Paid-in capital	US\$ 12mn
Main business	Brokerage
Address	600 Lexington Ave., Suite 301 (3rd Floor), New York, NY 10022, USA

## London

Date established	August 1, 1991
Managing director	Warren Kim
No. of employees	9
Paid-in capital	US\$ 18.4mn
Main business	Brokerage, underwriting and prop trading
Address	41st Floor, Tower 42, 25 Old Broad St., London EC2N 1HQ, U.K.

## Other

China	Beijing / Shanghai representative offices
Japan	Tokyo branch
Vietnam	Ho Chi Minh representative office
Indonesia	eTrading securities <i>38% stake held by Asia-Pacific HQ</i>

# Financial Statement

(KRW bn)	2009		2010					2011	FY07	FY08	FY09	FY10
	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10(K)	4Q10(I)	1Q11(I)				
Operating Revenue	200.7	327.2	226.3	300.6	228.9	222.0	267.2	177.7	1,012.5	702.8	1,048.8	977.8
Brokerage	97.0	110.5	108.5	99.4	119.2	104.0	104.0	100.0	608.1	393.8	530.1	431.1
Investment Banking	15.8	31.2	15.5	15.4	19.6	17.6	17.3	11.4	67.2	42.8	83.5	68.0
Wealth Management	17.5	19.6	22.5	23.9	24.7	28.4	28.4	28.8	83.1	58.8	69.1	99.4
Sales & Trading	68.6	156.6	74.6	157.9	68.4	35.9	52.4	32.0	189.4	176.6	350.8	336.9
Interest Income	15.7	23.9	16.4	16.1	10.6	53.8	74.5	18.5	136.6	85.7	80.0	96.9
Commission Expense	- 13.9	- 14.5	- 11.1	- 12.1	- 13.7	- 17.6	- 9.4	- 13.0	- 71.8	- 54.9	- 64.7	- 54.5
SG&A Expense	135.5	170.2	133.7	180.5	167.0	157.5	173.7	136.0	537.1	478.3	593.8	638.7
Others	- 46.7	- 2.0	- 0.3	- 3.4	- 1.2	- 1.6	- 2.2	0.8	- 13.3	- 20.7	- 42.9	- 6.6
Operating Income	18.5	155.0	92.2	116.7	60.6	63.0	91.3	42.5	462.1	203.8	412.0	332.6
Non-Operating Income	2.0	- 1.2	2.9	3.3	- 1.4	16.5	9.1	7.4	1.2	29.5	11.1	21.4
Before Tax Earnings	20.5	153.8	95.1	120.0	59.2	79.5	100.4	49.9	463.2	233.4	423.1	353.9
Income Tax Expense	6.3	35.0	34.6	28.3	18.0	16.9	23.8	13.9	126.5	52.9	104.0	97.8
After Tax Earnings	14.2	118.7	60.6	91.7	41.2	62.6	76.6	36.0	336.8	180.5	319.1	256.2
Balance Sheet (KRW tr)												
Total Asset	15.3	17.5	17.6	18.4	18.1	17.9	19.4	19.7	12.1	14.2	17.5	17.9
Total Liabilities	12.6	14.7	14.8	15.6	15.3	15.0	16.7	17.0	9.7	11.7	14.7	15.0
Total Shareholder's Equity	2.7	2.9	2.8	2.8	2.9	2.9	2.7	2.7	2.4	2.5	2.9	2.9
Net Capital Ratio (NCR)												
Net Capital Ratio (NCR)	463%	435%	358%	366%	423%	470%	422%	463%	489%	531%	435%	470%
Net Working Capital (KRW bn)	2,177	2,267	2,031	2,092	2,390	2,391	2,154	2,134	1,565	1,917	2,267	2,391
Risk-Weighted Assets (KRW bn)	470	522	567	572	565	509	510	461	320	361	522	509





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