



KDB Daewoo Securities

2QFY11 Operating Results

November 2011

This presentation material is prepared by Daewoo Securities Co., Ltd. for the purpose of providing information to current and prospective investors of the company. The contents in this document 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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2Q FY11 Operating Summary

Reported pre-tax profit of KRW 36bn in 2QFY11

Revenue Structure

| (Unit : KRW bn) | 4Q FY10 | 1Q FY11 | 2Q FY11 |
|--------------------------------|---------|---------|---------|
| Operating Income | 267 | 178 | 155 |
| Brokerage | 104 | 100 | 100 |
| Investment Banking | 17 | 11 | 6 |
| Wealth Management | 28 | 29 | 24 |
| Sales & Trading | 52 | 32 | 25 |
| Net Interest Income | 75 | 19 | 10 |
| △ Commission Expenses | -9 | -13 | -10 |
| SG&A Expenses | 173 | 136 | 139 |
| Others | -2 | 1 | 14 |
| Operating Income | 91 | 43 | 30 |
| Non-Operating Income | 9 | 7 | 6 |
| Net Income (Before Tax) | 100 | 50 | 36 |
| Corporate Tax | 24 | 14 | 12 |
| Net Income | 76 | 36 | 24 |

Main Points

Brokerage

- **Regardless of unfavorable retail offline business environment in 2Q** (influenced by the volatility in the stock market), **institutional brokerage commissions increased** leading to a similar performance as last quarter
- Brokerage Revenue: KRW 100.0bn → KRW 100.1bn (USD 92bn), 0.1% ↑ QoQ

Wealth Management

- **Overall WM Balance has increased, but sales have declined in equity-type Wrap and ELS, leading to total commissions decline**
- WM Revenue: KRW 28.8bn → KRW 23.6bn (USD 21.7mn), 18.1% ↓ QoQ

Investment Banking

- **IB commissions revenue decreased due to large decline in overall market size of IB sector from previous quarter** : IPO(79.4% ↓), Rights Offerings(49.1% ↓), ABS(37.0% ↓), Corporate Bonds(25.1% ↓)
- IB Commissions Revenue: KRW 11.4bn → KRW 6.5bn (USD 5.9mn), 43.0% ↓ QoQ

Sales & Trading

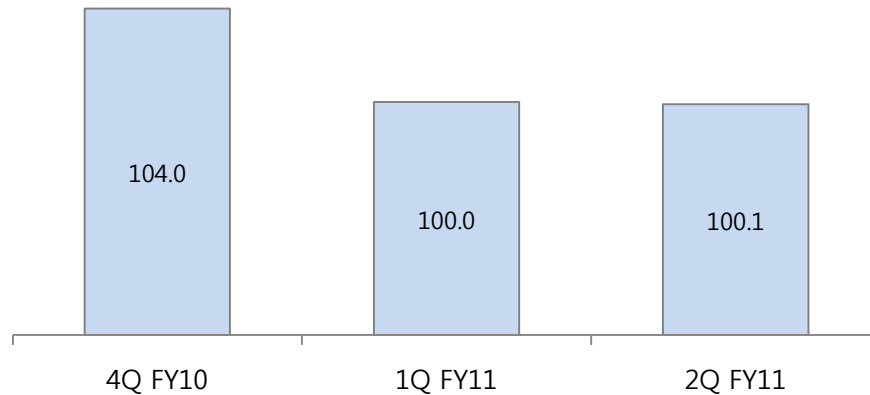
- **Regardless of the one-off losses from Kumho Industrial and China Gaoxian, prop and OTC derivatives recorded a sound performance**
- S&T Revenue: KRW 32bn → KRW 25bn (USD 23mn), 21.9% ↓ QoQ

Performance by Business: Brokerage

Brokerage revenue rose slightly from previous quarter

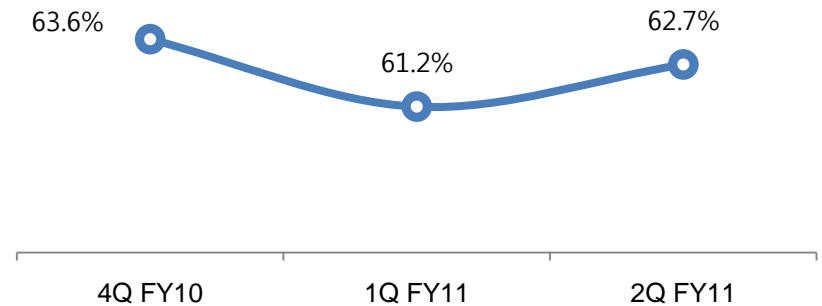
Brokerage Revenue

(Unit : KRW bn)



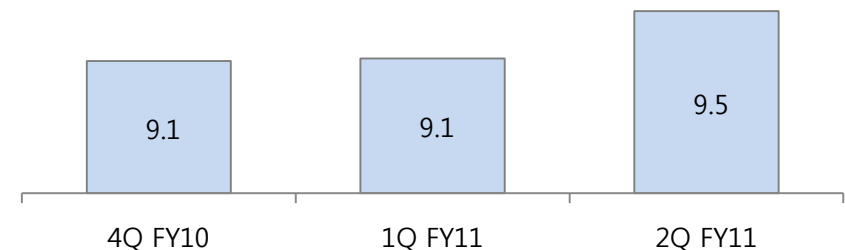
- **Market volatility in 2Q** such as KOSPI's drop (1Q 2,100 → 2Q 1,730) **weakened retail offline business**
- **Turnover in 2Q rose due to increase in retail investors** (1Q 61.2% → 2Q 62.7%) and trading volume (1Q KRW 9.1tn → 2Q KRW 9.5tn (USD 8.8bn))
- **Brokerage revenue** recorded a total of KRW 100.1bn (USD 92mn) in 2Q

Retail Participation



Trading Volume

(Unit : KRW tn)

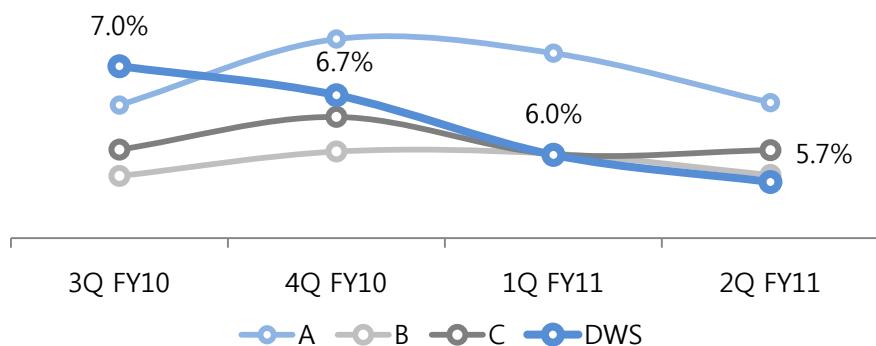


2QFY11 End F/X Rate : KRW 1,179.00/US\$
2QFY11 Average F/X Rate : KRW 1,085.16/US\$

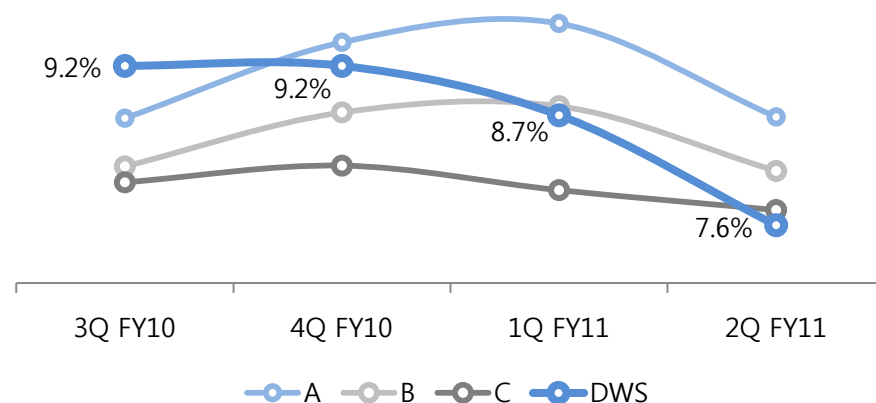
Performance by Business: Brokerage

While total M/S (by turnover) increased, M/S (by commission) saw only a slight increase (vis-à-vis other major competitors)

Total Brokerage M/S (by commission)



Retail Brokerage M/S (by commission)



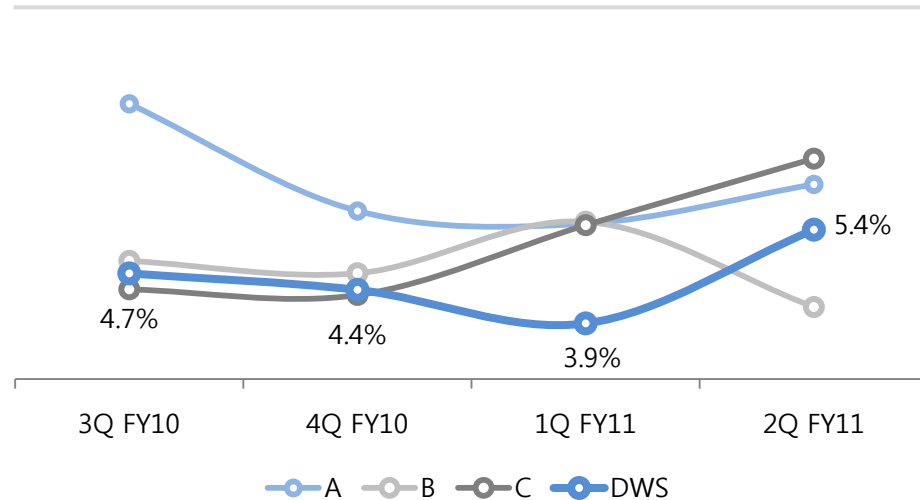
- **M/S (by turnover) for retail and wholesale brokerage increased** from 1Q, giving rise to total brokerage M/S
- **M/S (by commission) for 2Q recorded 5.7%**, a 0.3%pt decline from 1Q, due to weakened retail offline brokerage business
- M/S (by commission) 5.65%(0.31%pt ↓) / (by turnover) 5.84%(0.38%pt ↑)

- **Establishment of the Multichannel Unit** strengthened DWS' on-line segment and **gave way to the increase of on-line turnover**
- However, stock market volatility in 2Q attributed to the weakening of offline business environment leading to retail brokerage M/S decline
- Retail brokerage M/S fell 0.79%pt from 1Q to mark 7.59%

Performance by Business: Brokerage

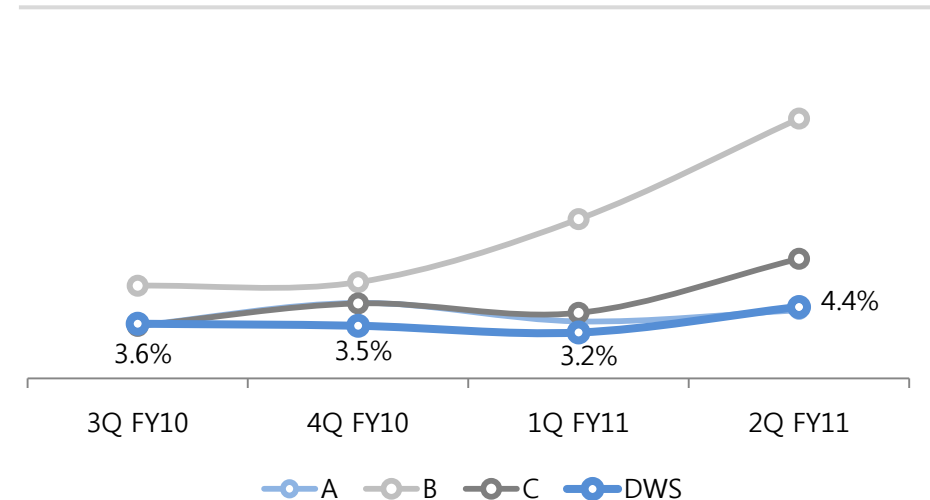
Wholesale brokerage M/S (home & abroad) rose from previous quarter

Domestic Wholesale Brokerage M/S (by turnover)



- While the size of the total market was similar to that of last quarter, **Korea Post's resolution to reinstate DWS as their main brokerage commissioner, attributed to a high jump in wholesale M/S from 1Q**
- M/S rankings rose from 4th (1Q) to 3rd (2Q)

Int'l Wholesale Brokerage M/S (by turnover)



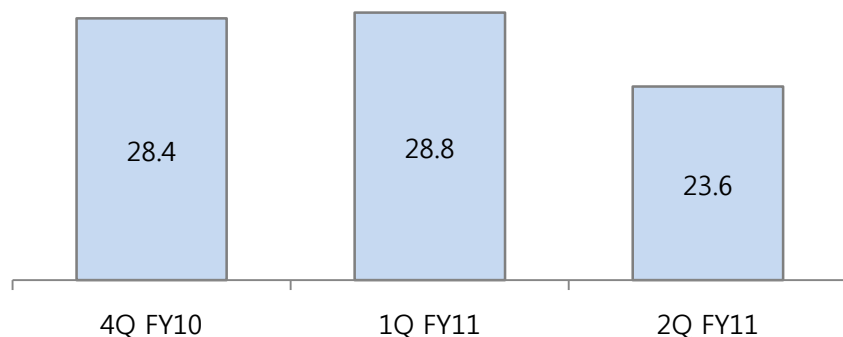
- **Despite reduction of total market size from 1Q, DMA orders from major clients (i.e. Deutsche Bank) have increased, giving way to M/S rise from the previous quarter**
- M/S ranking was elevated to 3rd place (QoQ)

Performance by Business: Wealth Management

Decline in total revenue due to sales drop in equity-type products

WM Revenue

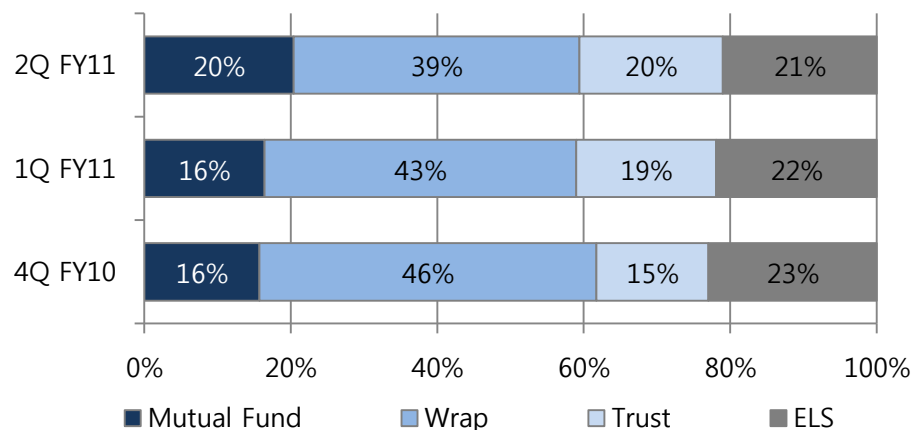
(Unit: KRW bn)



(WM Revenue = Fund + Wrap + trust/Pension + ELS/DLS Sales Margin)

- **Drop in Equity-type wrap and ELS sales** attributed to a KRW 5.2bn decrease from the previous quarter's revenue, recording a total of KRW 23.6bn (USD 21.7mn) for the WM revenue in 2Q

WM Revenue Breakdown



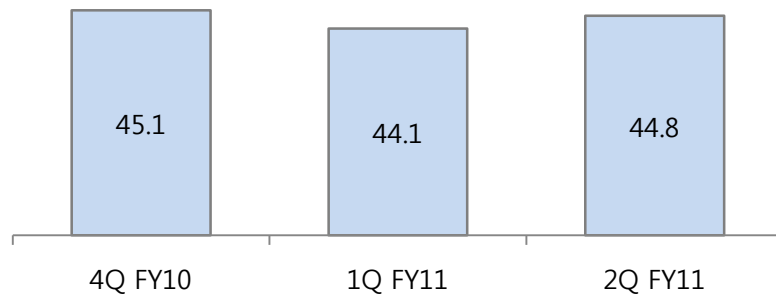
- **Continued market volatility in 2Q** such as KOSPI's 400-point drop and sales reduction in Wrap and ELS products
- Rise in willingness to buy undervalued products attributed to **continued sales increase in mutual funds and trust products**

Performance by Business: Wealth Management

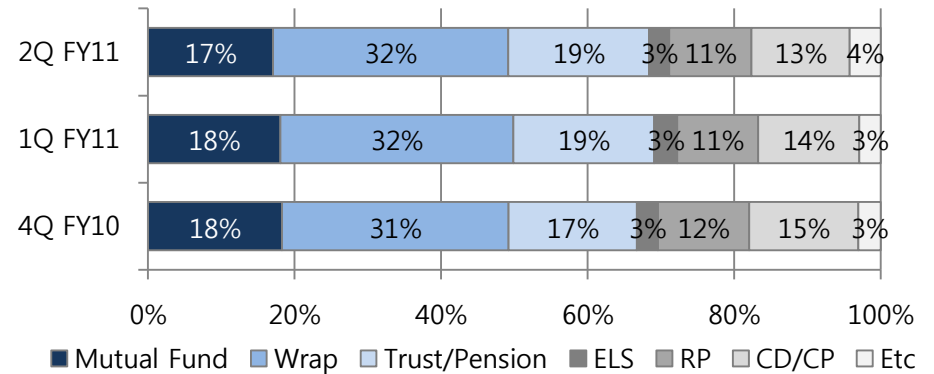
Well-diversified portfolio of WM products

WM Account Balance

(Unit: KRW tn)



WM Balance Composition



- **WM account balance for 2Q increased** KRW 0.7tr from 1Q and recorded KRW 44.8tn (USD 37.9bn)

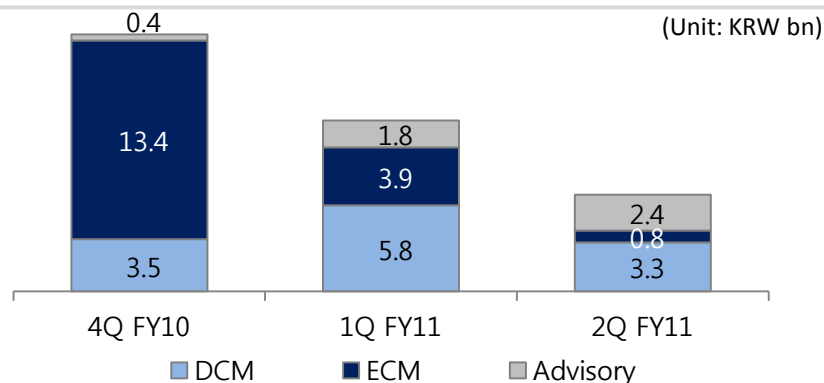
- Equity-type Wrap balance : KRW 516bn (KRW 148bn ↓)
USD 438mn (USD 125mn ↓)

- **A stable and sustainable profit generation through a well-diversified growth** in WM balance (i.e. mutual funds, Wrap, ELS)

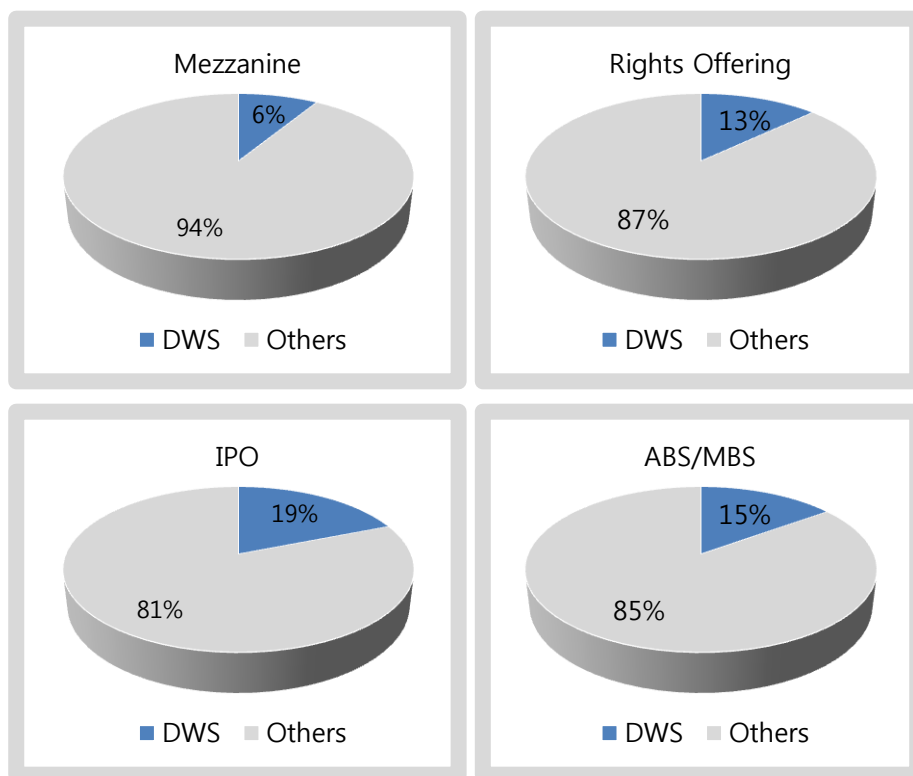
Performance by Business: Investment Banking

Performed major deals in 2Q regardless of unfavorable business environment

IB Commission Revenue



IB Market Share (CY2011 accumulated)



- **Market size reduction in overall IB sector** has also led to a drop in IB commission revenue : IPOs (79.4% ↓), Rights Offering (49.1% ↓), ABS (37.0% ↓), Mezzanine (25.1% ↓)
- IB commissions revenue fell KRW 4.9bn, recording 6.5bn (USD 6mn) for 2Q
- **Major Deals** : IPO (Genic, SamwonSteel) / Rights Offerings (Daewoo E&C, BS Financial Group) / ABS (HanaSKCard) / Mezzanine (Honam Petro-chemical, POSCO)

2QFY11 End F/X Rate : KRW 1,179.00/US\$
2QFY11 Average F/X Rate : KRW 1,085.16/US\$

Performance by Business: Investment Banking

Major deals in FY2011

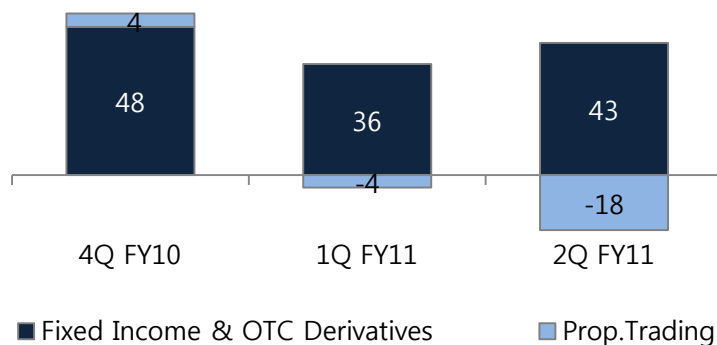
| | | | |
|---|---|--|---|
|  <p>SAMWONSTEEL Co., Ltd.</p> <p>IPO</p> <p>USD 37mn (KRW 40bn)</p> |  <p>DAEWOO E&C</p> <p>Rights Offering</p> <p>USD 111mn (KRW 120bn)</p> |  <p>BS BS Financial Group</p> <p>Rights Offering</p> <p>USD 76mn (KRW 82bn)</p> | <p>DAESUN C1 SOJU Daesun distilling Co., Ltd.</p> <p>M&A</p> <p>USD 147mn (KRW 160bn)</p> |
|  <p>DOOSAN Doosan Engineering & Construction</p> <p>Rights Offering</p> <p>USD 277mn (KRW 300bn)</p> |  <p>kt skylife</p> <p>IPO</p> <p>USD 40mn (KRW 43bn)</p> |  <p>Hi mart</p> <p>IPO</p> <p>USD 387mn (KRW 420bn)</p> |  <p>KOLON PLASTICS, INC.</p> <p>IPO</p> <p>USD 34mn (KRW 37bn)</p> |

Performance by Business: Sales & Trading

Sales & Trading revenue hampered by one-off items

S&T Revenue

(Unit: KRW bn)

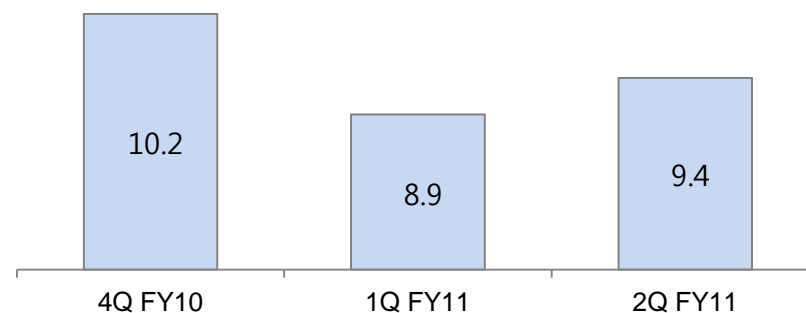


(Prop. trading: PI, stocks and futures trading revenue)

- **S&T revenue fell due to impairment losses** of KRW 8bn (USD 7.4mn) and KRW 5.9bn (USD 5.4mn) on the equity holdings of Kumho Industrial and China Gaoxian respectively
- S&T Revenue for 2Q : KRW 25bn (USD 23mn)

Fixed Income Balance

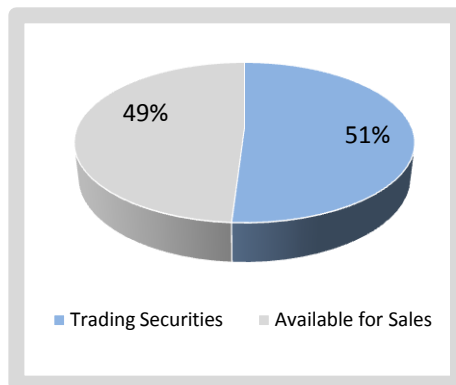
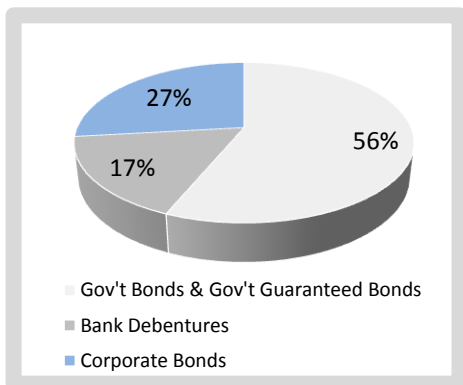
(KRW tn)



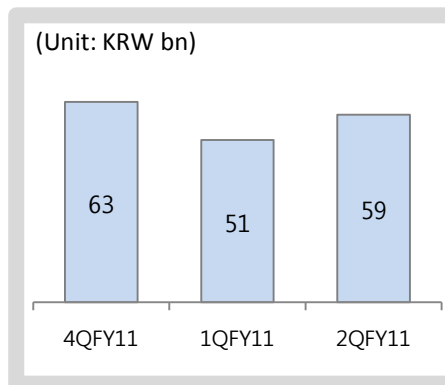
- **DWS holds the industry's largest fixed income balance**
- Fixed Income Balance for 2Q : KRW 9.4tn (USD 8.0bn)
(1Q: KRW 8.9tn (USD 7.5bn))

Performance by Business: Sales & Trading

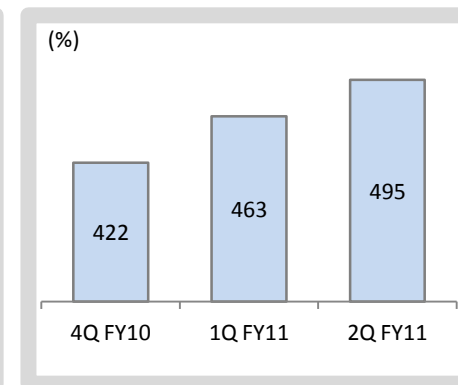
Fixed Income Portfolio



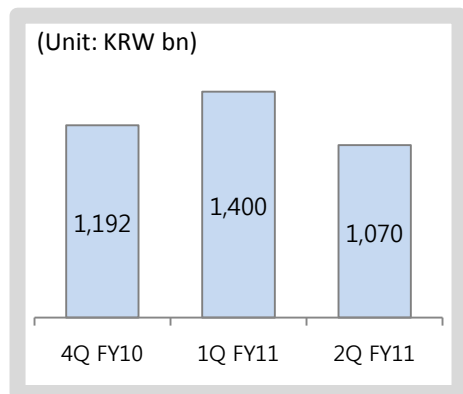
Net Interest Income



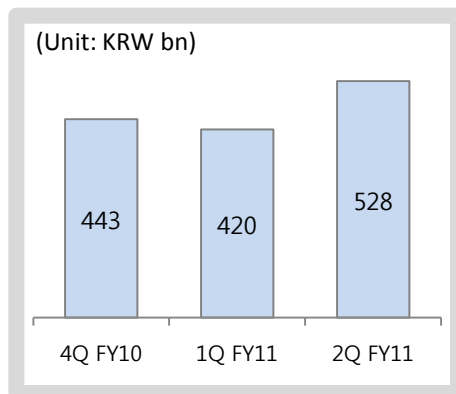
Net Capital Ratio



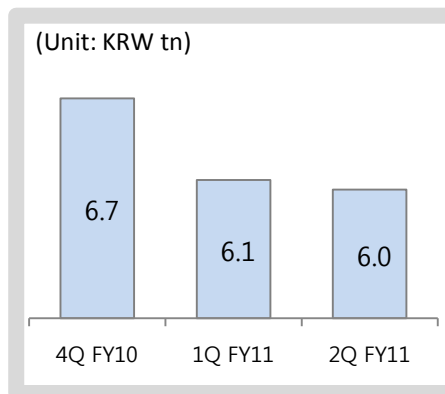
ELS Issuance



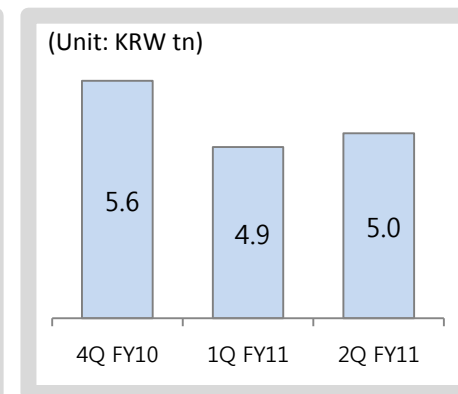
DLS Issuance



CD/CP Balance



RP Balance



2QFY11 End F/X Rate : KRW 1,179.00/US\$
2QFY11 Average F/X Rate : KRW 1,085.16/US\$

Appendix

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

Company Information

General

| | | |
|---------------------------|-----------------------|--|
| President & CEO | | Kee-Young Im |
| Date Established | | 23 September 1970 |
| Date of Listing | | 30 September 1975 |
| No. of Shares Outstanding | Common | 190,100,891 Shares |
| | Preferred | 14,075,750 Shares |
| Paid-in-capital | | KRW 1.02tn (USD 930bn) |
| No. of Employees | | 3,057 (as of 30 September 2011) |
| Domestic Network | | 108 (as of 30 September 2011) |
| Global Network | Overseas Subsidiaries | Hong Kong, New York, London, Singapore* |
| | Regional Offices | Ho Chi Minh, Beijing, Shanghai |
| | Branch Office | Tokyo (Elevated to branch status in 2011) |
| | Investment Advisory | Beijing |
| Credit Rating | | AA+ Stable (3 Domestic Rating Agencies**) Baa2 Stable (Moody's) |
| Headquarters Address | | 34-3 Yeouido-Dong, Yeongdeungpo-Gu, Seoul, Republic of Korea |

* Expected to open in early 2012

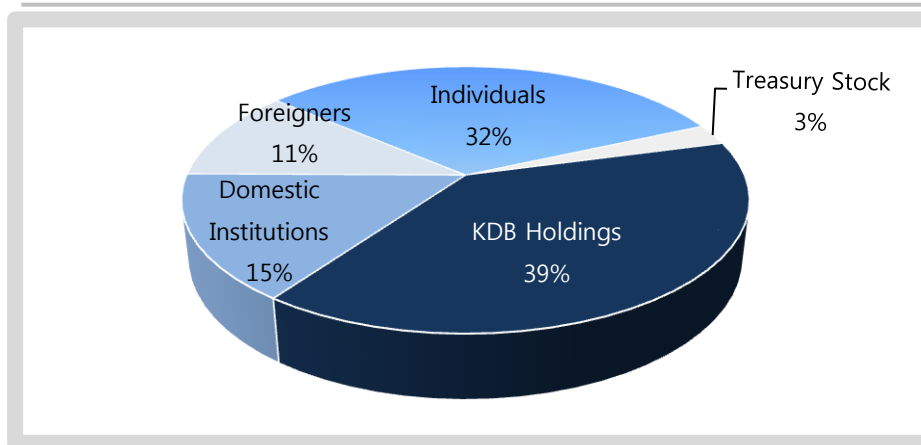
** Korea Ratings; Korea Investors Service; Nat'l Information & Credit Evaluation

History

| | |
|----------------|---|
| September 1970 | Established as Dong Yang Securities |
| September 1975 | Initial Public Offering |
| October 1999 | Split from Daewoo Group |
| October 2009 | Launch of KDB Financial Group; KDB Holdings became the major shareholder |
| November 2011 | Capital Increase (KRW 1.124 trillion) |

Shareholder structure

(as of 30 September 2011)



Global Network

Hong Kong (Asia-Pacific Headquarters)

| | |
|-------------------|---|
| Date established | 29 September 1994 |
| Managing director | Jong Sun Kim |
| No. of employees | 21 Persons (Local Hire : 11 Persons) |
| Paid-in capital | USD 100mn |
| Main business | Brokerage, underwriting and prop trading |
| Address | Suites 2005-2012, Two IFC, 8 Finance Street, Central, Hong Kong |

New York

| | |
|-------------------|--|
| Date established | 7 July 1992 |
| Managing director | Jae Hong Ryu |
| No. of employees | 13 Persons (Local Hire : 7 Persons) |
| Paid-in capital | USD 12mn |
| Main business | Brokerage |
| Address | 600 Lexington Ave., Suite 301 (3rd Floor), New York, NY 10022, USA |

London

| | |
|-------------------|---|
| Date established | 1 August 1991 |
| Managing director | Warren Kim |
| No. of employees | 9 Persons (Local Hire : 6 Persons) |
| Paid-in capital | USD 18.4mn |
| Main business | Brokerage, underwriting and prop trading |
| Address | 41st Floor, Tower 42, 25 Old Broad St., London EC2N 1HQ, U.K. |

Other Networks

| | |
|-----------|--|
| China | Beijing / Shanghai Representative Offices Daewoo Investment Advisory (Beijing), Co., Ltd. |
| Japan | Tokyo Branch Office |
| Vietnam | Ho Chi Minh Representative Office |
| Indonesia | e-Trading securities 38% stake held by Asia-Pacific Headquarters |

Key Financials

| (KRW bn) | 2009 | | 2010 | | | | | 2011 | | FY08 | FY09 | FY10 |
|-------------------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|--------|---------|--------|
| | 3Q09 | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10(K) | 4Q10(I) | 1Q11(I) | 2Q11(I) | | | |
| Operating Revenue | 200.7 | 327.2 | 226.3 | 300.6 | 228.9 | 222.0 | 267.2 | 177.7 | 155.4 | 702.8 | 1,048.8 | 977.8 |
| Brokerage | 97.0 | 110.5 | 108.5 | 99.4 | 119.2 | 104.0 | 104.0 | 100.0 | 100.1 | 393.8 | 530.1 | 431.1 |
| Investment Banking | 15.8 | 31.2 | 15.5 | 15.4 | 19.6 | 17.6 | 17.3 | 11.4 | 6.5 | 42.8 | 83.5 | 68.0 |
| Wealth Management | 17.5 | 19.6 | 22.5 | 23.9 | 24.7 | 28.4 | 28.4 | 28.8 | 23.6 | 58.8 | 69.1 | 99.4 |
| Sales & Trading | 68.6 | 156.6 | 74.6 | 157.9 | 68.4 | 35.9 | 52.4 | 32.0 | 25.0 | 176.6 | 350.8 | 336.9 |
| Interest Income | 15.7 | 23.9 | 16.4 | 16.1 | 10.6 | 53.8 | 74.5 | 18.5 | 10.4 | 85.7 | 80.0 | 96.9 |
| Commission Expense | - 13.9 | - 14.5 | - 11.1 | - 12.1 | - 13.7 | - 17.6 | - 9.4 | - 13.0 | - 10.2 | - 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 | 138.7 | 478.3 | 593.8 | 638.7 |
| Others | - 46.7 | - 2.0 | - 0.3 | - 3.4 | - 1.2 | - 1.6 | - 2.2 | 0.8 | 13.4 | - 20.7 | - 42.9 | - 6.6 |
| Operating Income | 18.5 | 155.0 | 92.2 | 116.7 | 60.6 | 63.0 | 91.3 | 42.5 | 30.1 | 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 | 5.7 | 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 | 35.8 | 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 | 11.8 | 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 | 24.0 | 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 | 20.8 | 14.2 | 17.5 | 17.9 |
| Total Liabilities | 12.6 | 14.7 | 14.8 | 15.6 | 15.3 | 15.0 | 16.7 | 17.0 | 18.1 | 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 | 2.7 | 2.5 | 2.9 | 2.9 |
| Net Capital Ratio (NCR) | | | | | | | | | | | | |
| Net Working Capital (KRW bn) | 2,177 | 2,267 | 2,031 | 2,092 | 2,390 | 2,391 | 2,154 | 2,134 | 2,158 | 1,917 | 2,267 | 2,391 |
| Risk-Weighted Assets (KRW bn) | 470 | 522 | 567 | 572 | 565 | 509 | 510 | 461 | 436 | 361 | 522 | 509 |



KDB Daewoo Securities

Investor Relations Team

| | | | |
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