



## 1Q FY2012 Operating Results

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August 2012

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.

# Contents

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Operating Summary	02
Performance by Business	03
Appendix	11

# 1Q FY12 Operating Summary

Reported pre-tax earnings of KRW 28.8bn for 1Q FY12

## Revenue Structure (Quarterly)

(Unit : KRW bn)	FY11 2Q	FY11 3Q	FY11 4Q	FY12 1Q
<b>Operating Revenue</b>	155	187	250	169
Brokerage	100	91	93	57
Investment Banking	6	12	14	7
Wealth Management	24	21	28	24
Sales & Trading	25	64	110	77
Interest Income	10	6	15	8
△Commission Expenses	△10	△7	△9	△4
<b>SG&amp;A Expenses</b>	139	154	130	147
<b>Others</b>	13	△6	△9	△2
<b>Operating Income</b>	30	27	112	20
<b>Non-Operating Income</b>	6	1	△3	9
<b>Before Tax Earnings</b>	36	28	109	29
<b>Income Tax Expense</b>	12	2	28	4
<b>After Tax Earnings</b>	24	26	81	24

## Main Points

### Brokerage

- ❖ Sharp drop in trading volume and reduced retail participation attributed to decrease in brokerage revenue
- ❖ Revenue : KRW 92.8bn → 57.5bn (USD 49.9mn), 38.1% ↓ QoQ

### Wealth Management

- ❖ Despite continued high sales records in ELS and DLS products, drop in sales commission for mutual funds attributed largely to a decrease in WM revenue
- ❖ Revenue : KRW 27.7bn → 23.9bn (USD 20.8mn), 13.7% ↓ QoQ

### Investment Banking

- ❖ Drop in IB revenue attributed by unfavorable ECM market conditions and volume reduction in corporate bond issuance stemming from regulatory changes
- ❖ Revenue : KRW 13.6bn → 6.9bn (USD 6.0mn), 49.3% ↓ QoQ

### Sales & Trading

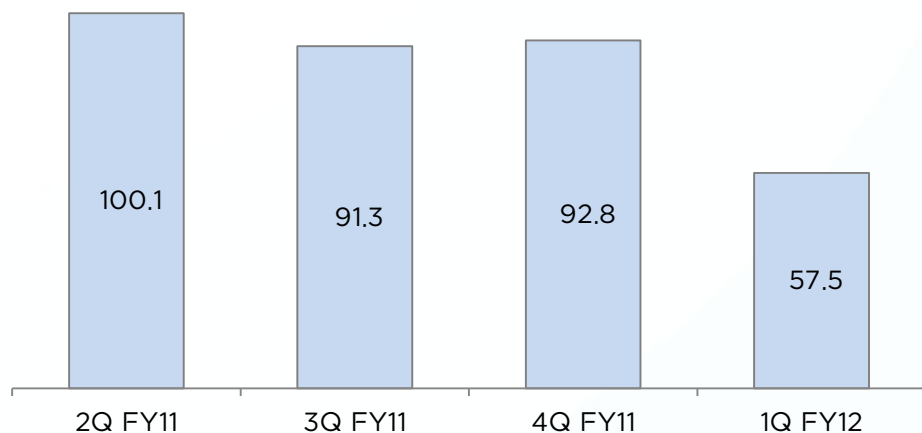
- ❖ Despite sound performance attributed by favorable business environment such as drop in interest rates, a reduction of assets under management led to a decrease in S&T revenue
- ❖ Revenue : KRW 110.4bn → 76.7bn (USD 66.6mn), 30.5% ↓ QoQ

# Performance by Business: Brokerage

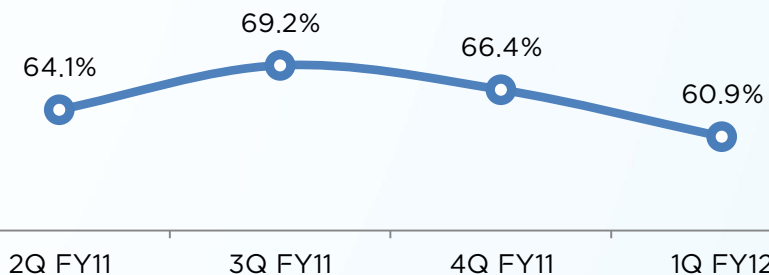
Drop in revenue from unfavorable business environment

## Brokerage Revenue

(Unit: KRW bn)

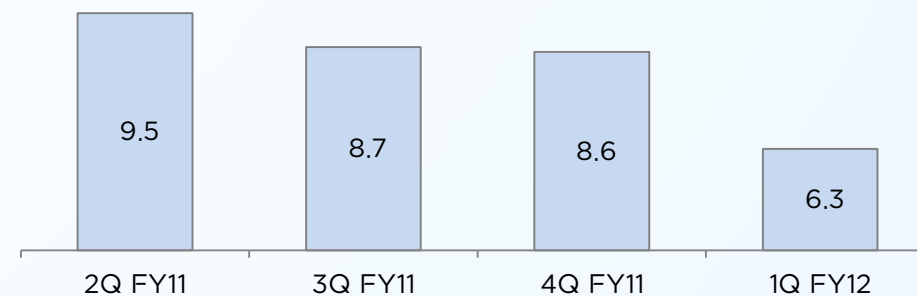


## Retail Participation



## Average Daily Trading Volume

(Unit: KRW tn)



❖ Trading volume dropped 26% from 4Q FY11 to KRW 6.3tn and retail participation recorded 60.9%, an all time low since the 2008 financial crisis <sup>1)</sup>

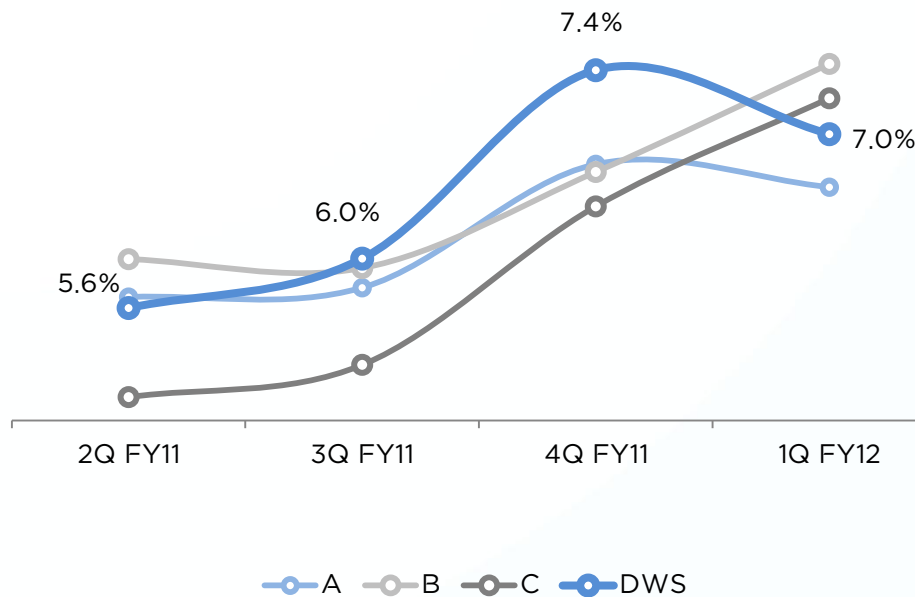
❖ Weakening market conditions attributed to drop in brokerage revenue from previous quarter

1) 2Q FY08 Trading Volume : KRW 5.9tn / 2Q FY08 Retail Participation : 51.9%

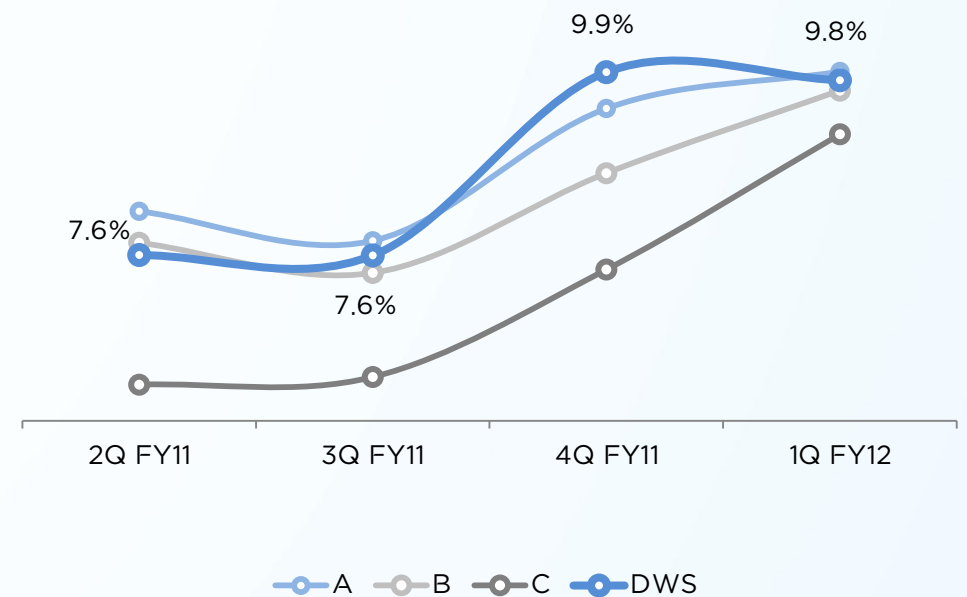
# Performance by Business: Brokerage

Drop in revenue from unfavorable business environment

## Total Brokerage M/S (by commission)



## Retail Brokerage M/S (by commission)



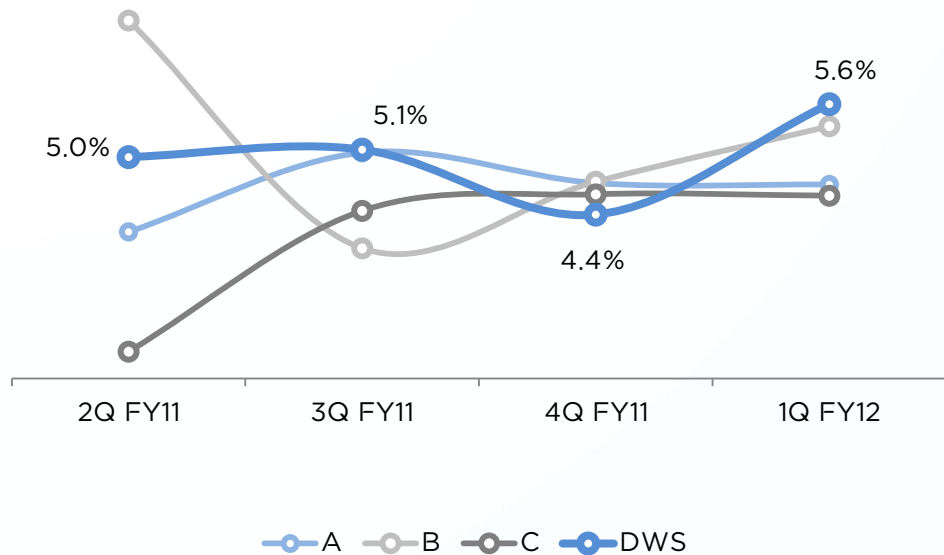
- ❖ Unfavorable market conditions attributed to a relatively larger drop in retail turnover (vis-à-vis wholesale), along with a downward slope in total brokerage market share
- ❖ Total brokerage market share recorded 7.0%, a 0.4%p drop from the previous quarter

- ❖ Retail participation dropped 8%, reflecting the relatively stronger market deterioration to that of wholesale brokerage at home and abroad
- ❖ Retail brokerage M/S (by commissions) dropped 0.1%p, recording 9.8%

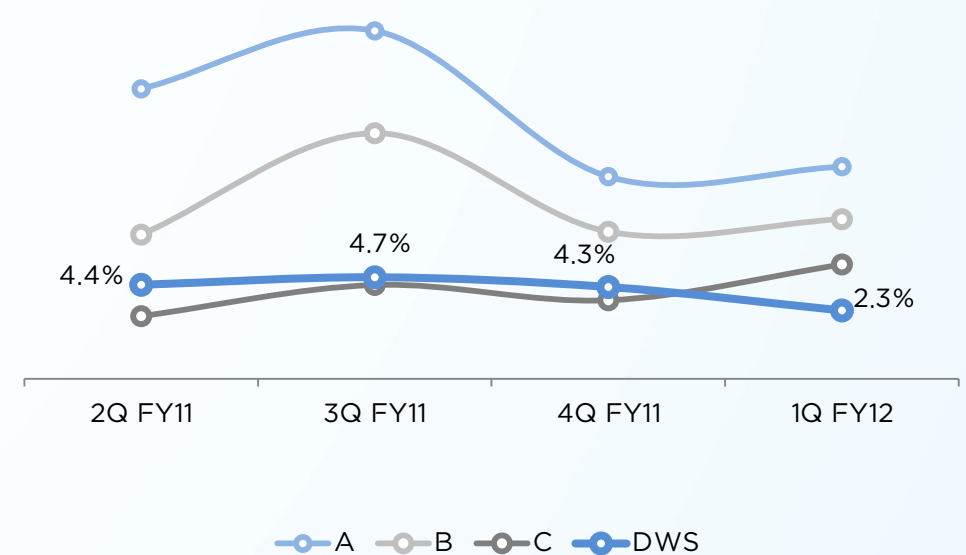
# Performance by Business: Brokerage

M/S increase in wholesale at home despite overall weakening market

## Domestic Wholesale Brokerage M/S (by turnover)



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



- ❖ Amidst a 17% decline in wholesale brokerage market size<sup>1)</sup> from previous quarter,

- ❖ Increase in arbitrage M/S<sup>2)</sup> attributed to a 1.2%p increase in domestic wholesale M/S (by turnover) from previous quarter

1) Total domestic wholesale turnover size : 4Q (KRW 167tn) → 1Q (KRW 138tn)

2) Wholesale arbitrage M/S : 4Q FY11(13.2%) → 1Q FY12(16.7%)

- ❖ While total market turnover declined 14%<sup>1)</sup>, KDB Daewoo Securities' international wholesale turnover size dropped by 53%, which led to a 2%p drop in international wholesale M/S.

- ❖ Such results were attributed by change of personnel and organizational reshuffling. Enhanced performance expected with the opening of the Singapore subsidiary

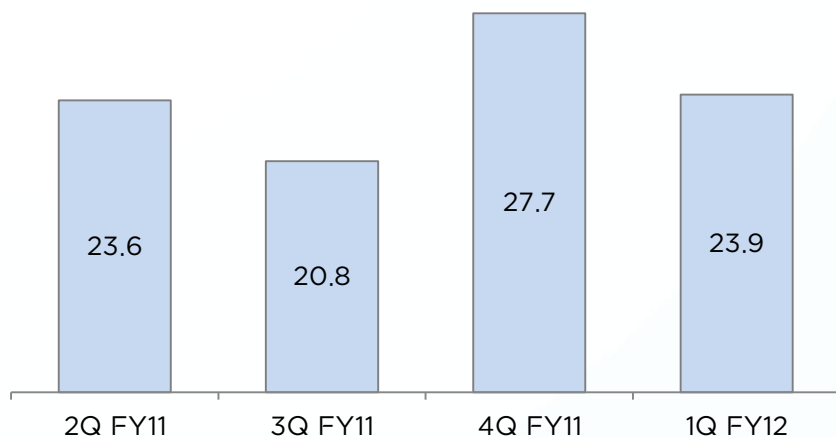
1) Total int'l wholesale turnover size : 4Q (KRW 166tn) → 1Q (KRW 144tn)

# Performance by Business: Wealth Management

## Revenue drop from dissolution of main revenue generators

### WM Revenue

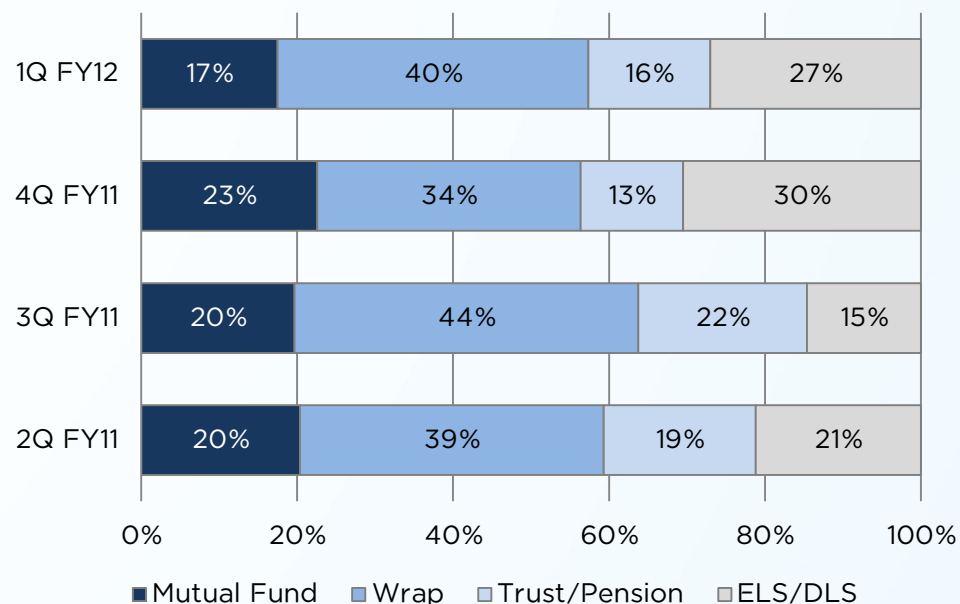
(Unit: KRW bn)



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

- ❖ Despite unfavorable environment, timely alternative products such as Folione, a risk-hedging wrap account which recorded over KRW 100bn in sales, were offered with record ELS issuance of KRW 2tn<sup>1)</sup>
- ❖ However, dissolution of main revenue generators from 4Q FY11 such as the ANKOR fund gave way to a KRW 3.8bn QoQ decline, recording KRW 23.9bn (USD 20.8mn)

### WM Revenue Breakdown



- ❖ Wrap account products have positioned themselves as a main WM revenue source, composing 40% of WM revenue for 1Q FY12, and contributes to generating a stable revenue with a KRW 15tn account balance, the largest in the domestic industry

1) 1Q FY11 issuance amount :

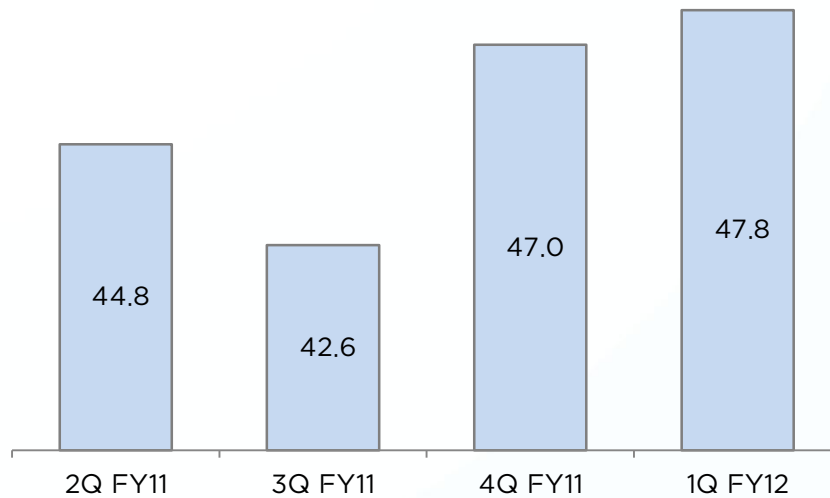
ELS : KRW 2.1tn (M/S 15%) / DLS : KRW 1.5tn (M/S 22%)

# Performance by Business: Wealth Management

## Continued balance increase of main WM products

### WM Account Balance

(Unit: KRW tn)

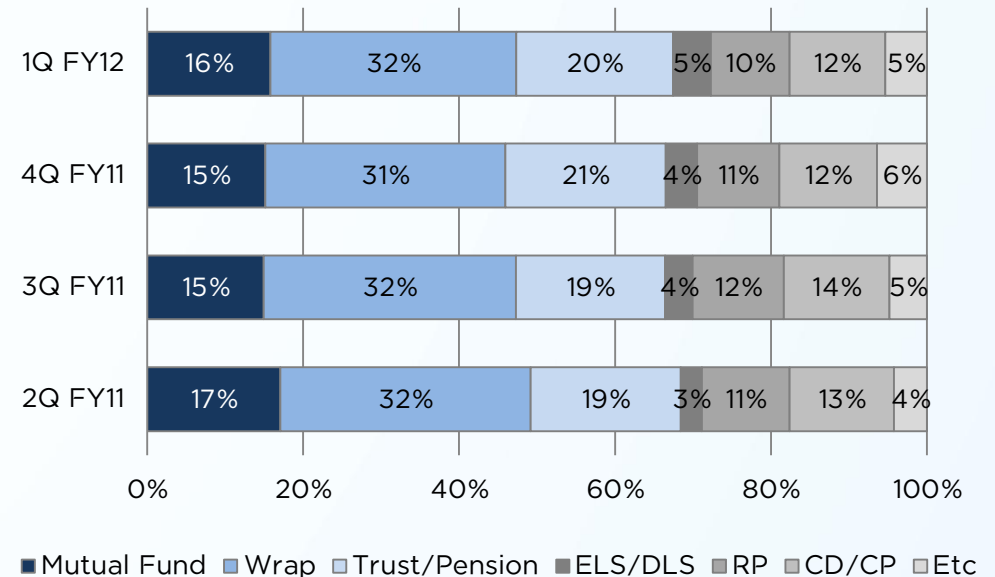


- ❖ Wealth management account balance for KDB Daewoo Securities increased KRW 1tn from the previous quarter and KRW 4tn YoY<sup>1)</sup>, projecting an overall continued increase in balance size

1) WM account balance :

1Q FY11 (KRW 44.1tn) → 1Q FY12 (KRW 47.8tn), 8.4%↑ YoY

### WM Balance Composition



- ❖ KDB Daewoo Securities continues to enhance its competition in wealth management by offering diverse product portfolios that better meet customer needs
- ❖ With industry-leading retail/wholesale sales capacity as well as top level product development and structuring capabilities, KDB Daewoo Securities is expanding the supply of its in-house products and pursuing an organic growth with other business domains

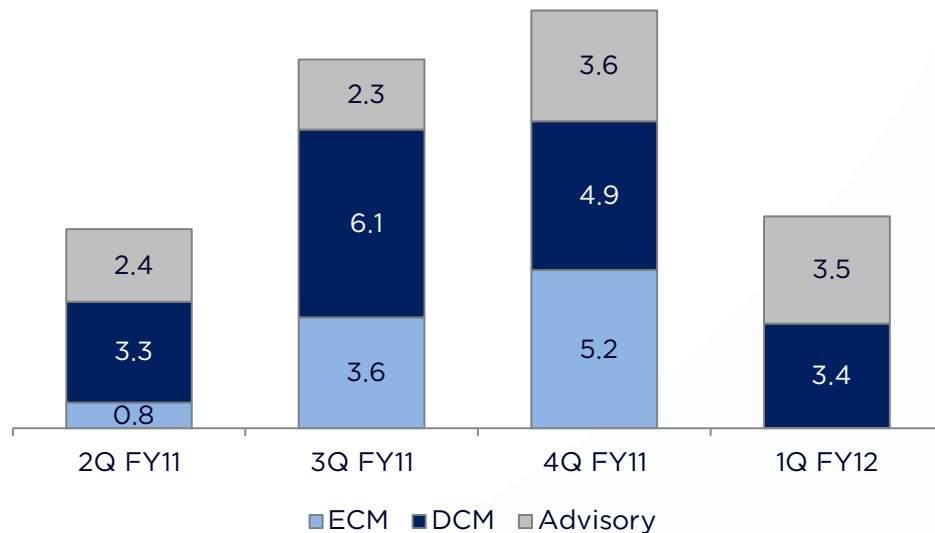


# Performance by Business: Investment Banking

Drop in revenue from unfavorable IB market conditions

## IB Commissions Revenue

(Unit: KRW bn)



- ❖ Deteriorating IB market attributed by unfavorable conditions in high-revenue generating ECM market along with size decline in corporate bond issuance due to regulatory changes
- ❖ Total IB revenue dropped by KRW 6.7bn QoQ, recording KRW 6.9bn (USD 6.0mn)
- ❖ Expected revenue generation through acquisition of deal-backlog such as IPOs and M&A advisory

## IB Market Share (CY2012 Accumulated)

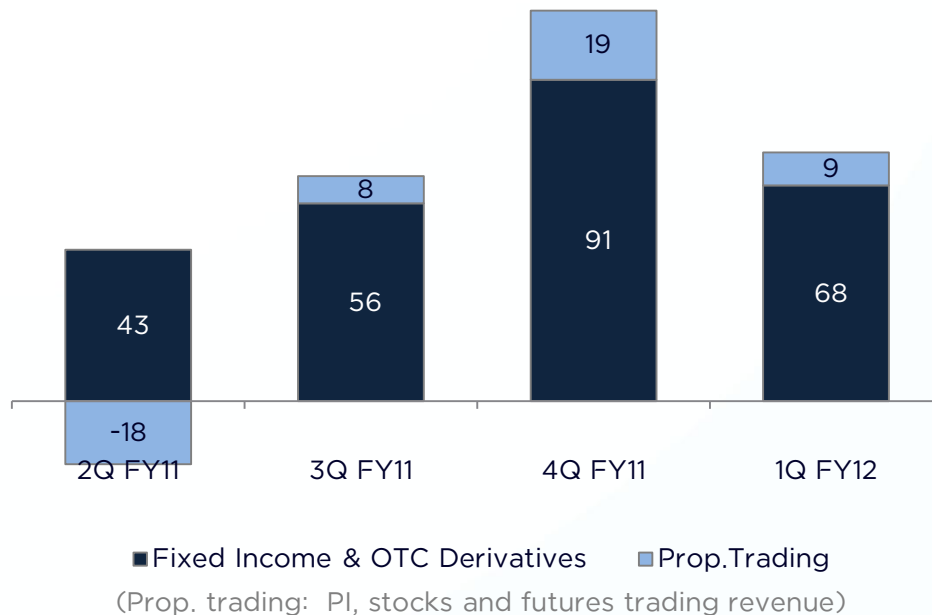


# Performance by Business: Sales & Trading

## Revenue decline attributed by reduced AUM

### S&T Revenue

(Unit: KRW bn)

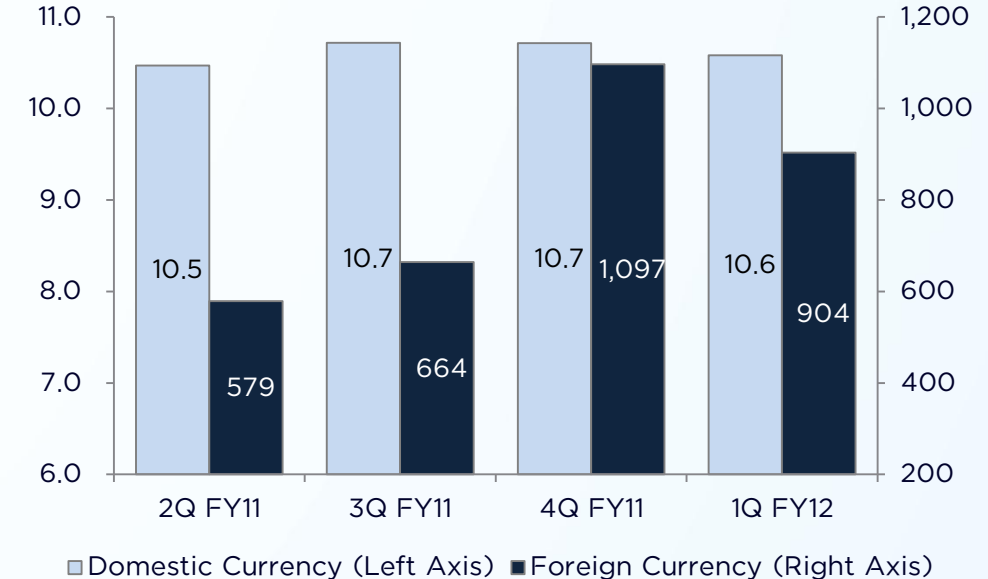


❖ Fixed income and OTC derivatives recorded a revenue of KRW 67.7bn (including KRW 72.3bn in net income interest) and prop. trading generated KRW 8.9bn

❖ S&T revenue for 1Q : KRW 76.7bn (USD 66.6 mn)

### Fixed Income Balance

(KRW tn)

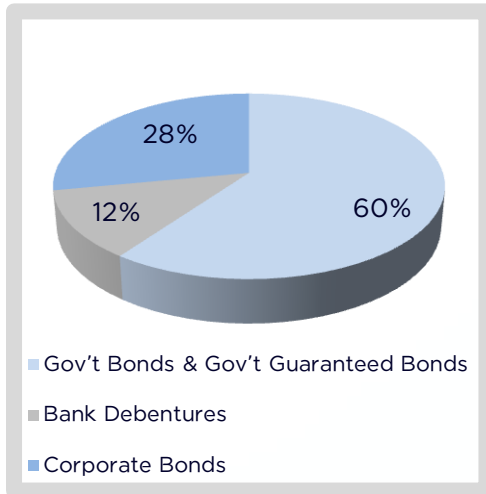


❖ Drop in interest rates provided a favorable environment for sales & trading business, in which diversification of revenue source through flexible management of foreign currency fixed income was realized

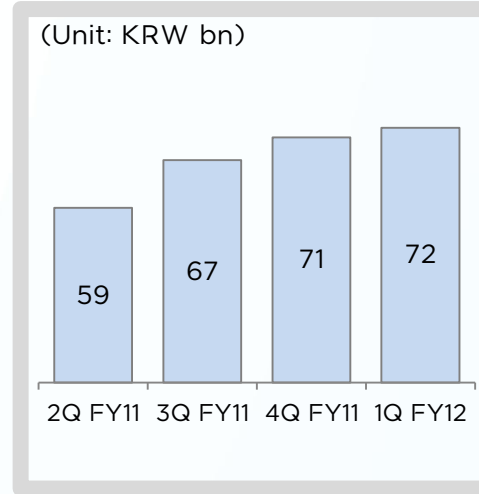
❖ A decrease in assets under management arising from the sale of foreign currency-denominated bonds led to a drop in sales & trading revenue

# Performance by Business: Sales & Trading

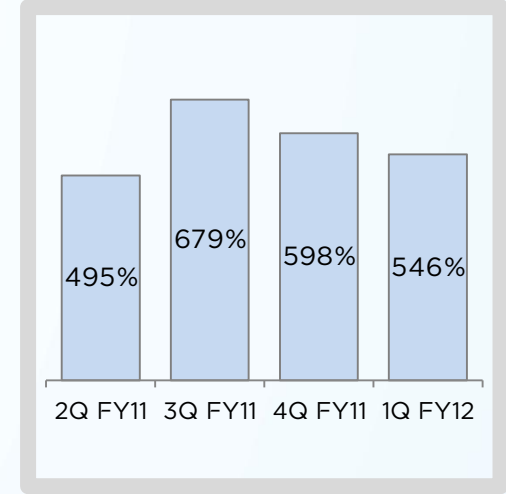
## Fixed Income Portfolio



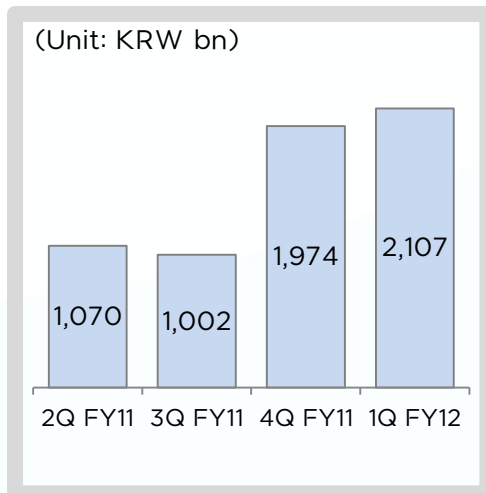
## Net Income Interest



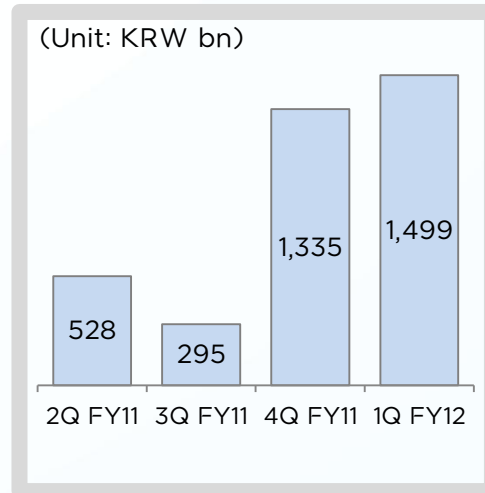
## Net Capital Ratio



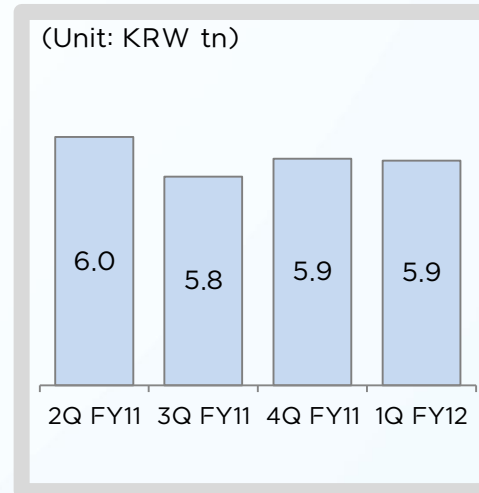
## ELS Issuance



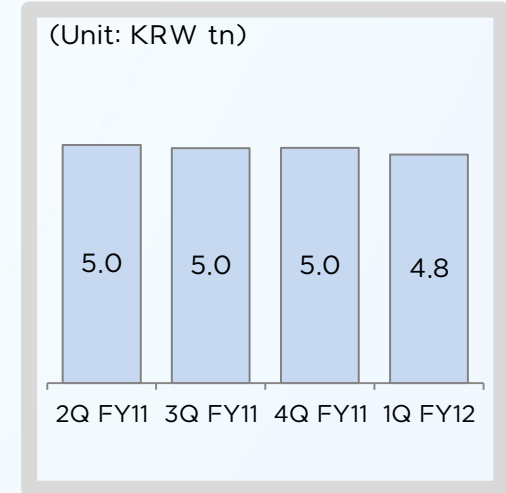
## DLS Issuance



## CD/CP Balance



## RP Balance



# Appendix

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Company Information

Global Network

Key Financials

# Company Information

## General

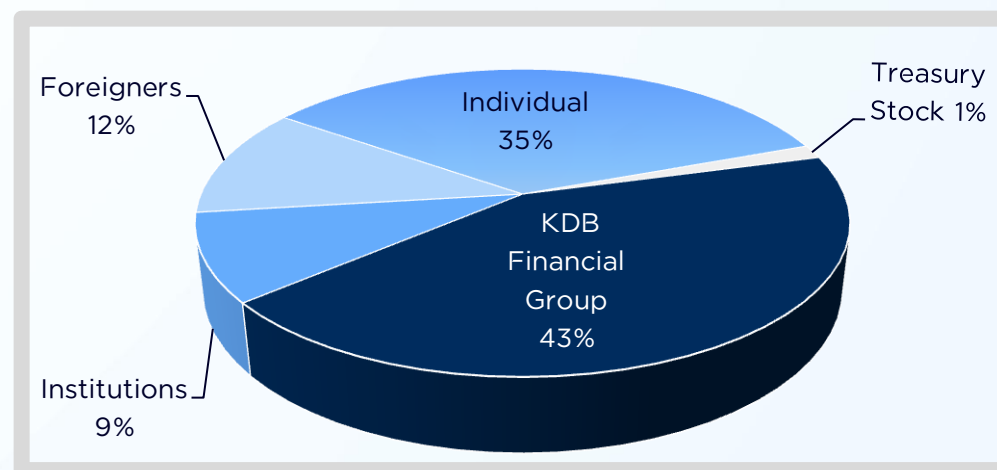
President & CEO		Kibum Kim
Date Established		23 September 1970
Date of Listing		30 September 1975
No. of Shares	Common	326,700,891 Shares
	Preferred	14,075,750 Shares
Paid-in-Capital		KRW 1.70tn (USD 1.50bn)
No. of Employees		3,119
Domestic Network		107 Branches
Global Network	Overseas Subsidiaries	Hong Kong, New York, London, Singapore
	Rep. Offices	Ho Chi Minh, Beijing, Shanghai
	Branch Office	Tokyo
	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

## 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 Financial Group becomes major shareholder
November 2011	Capital Increase (KRW 1.12 trillion)

## Shareholder Structure

(as of 31 March 2012)



# Global Network

## Hong Kong

Date Established	29 September 1994
Managing Director	Ki Young Kim
No. of Employees	44 Persons (Local Hire : 24 Persons)
Paid-in-Capital	USD 300mn
Main Business	Brokerage, Underwriting, Prop. Trading
Address	Suites 2005-2012, Two IFC, 8 Finance Street, Central, Hong Kong

## New York

Date Established	7 July 1992
Managing Director	Hee Kwon Kim
No. of Employees	12 Persons (Local Hire : 7 Persons)
Paid-in-Capital	USD 120.00
Main Business	Brokerage
Address	600 Lexington Ave. Suite 301(3 <sup>rd</sup> Fl.), New York, NY 10022 USA

## London

Date Established	3 May 1991
Managing Director	Seung Wook Kim*
No. of Employees	6 Persons (Local Hire : 4 Persons)
Paid-in-Capital	USD 18.4mn
Main Business	Brokerage, Underwriting, Prop. Trading
Address	41 <sup>st</sup> Fl., Tower 42 25 Old Broad St. London EC2N 1HQ, U.K.

## Other Network

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 38.35% stake held by Hong Kong subsidiary

\* Acting Managing Director

# Key Financials

(Unit : KRW bn)	FY2010				FY2011				FY2012	FY08	FY09	FY10	FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	(K-GAAP)	(K-GAAP)	(K-IFRS)	(K-IFRS)
Operating Revenue	168.7	294.3	235.0	267.2	182.2	155.4	186.7	250.2	169.1	702.8	1,048.8	965.2	774.6
Brokerage	108.7	99.9	119.8	104.0	100.3	100.1	91.3	92.8	57.5	393.8	530.1	432.4	384.5
Investment Banking	10.4	6.8	20.0	17.4	11.4	6.5	12.0	13.6	6.9	42.8	83.5	54.6	43.6
Wealth Management	22.5	23.9	24.7	28.4	28.8	23.6	20.8	27.7	23.9	58.8	69.1	99.5	100.8
Sales & Trading	19.0	150.1	71.5	52.4	32.6	25.0	63.6	110.4	76.7	176.6	350.8	293.0	231.6
Interest Income	16.2	22.7	9.0	74.5	19.7	10.4	5.6	14.5	8.5	85.7	80.0	122.4	50.3
Commission Expense	- 8.1	- 9.2	- 9.9	- 9.5	- 10.6	- 10.2	- 6.6	- 8.8	- 4.3	- 54.9	- 64.7	- 36.7	- 36.2
SG&A Expense	139.5	192.2	158.6	173.7	140.1	138.7	154.2	129.9	146.9	478.3	593.8	664.0	562.9
Others	9.9	- 2.2	- 7.2	- 2.2	0.9	13.4	- 5.7	- 8.7	- 2.3	- 20.7	- 42.9	- 1.8	- 0.2
Operating Income	39.1	99.9	69.1	91.3	43.0	30.1	26.7	111.6	20.0	203.8	412.0	299.4	211.4
Non-Operating Income	15.2	4.9	- 12.7	9.1	6.9	5.7	0.8	- 2.6	8.8	29.5	11.1	16.5	10.9
Before Tax Earnings	54.3	104.8	56.4	100.4	49.9	35.8	27.6	109.0	28.8	233.4	423.1	315.9	222.4
Tax Expenses	25.0	24.6	16.6	23.8	13.9	11.8	1.9	27.8	4.3	52.9	104.0	89.9	55.4
After Tax Earnings	29.3	80.2	39.9	76.6	36.0	24.0	25.7	81.2	24.4	180.5	319.1	225.9	166.9

Balance Sheet (KRW tn)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	FY08	FY09	FY10	FY11
Total Assets	17.7	18.5	18.2	19.4	19.7	20.8	20.4	22.5	23.2	14.2	17.5	19.4	22.5
Total Liabilities	15.1	15.8	15.5	16.7	17.0	18.1	16.5	18.5	19.2	11.7	14.7	16.7	18.5
Shareholders' Equity	2.6	2.7	2.7	2.7	2.7	2.7	3.9	4.0	3.9	2.5	2.9	2.7	4.0

Net Capital Ratio (KRW bn)	358%	366%	423%	425%	463%	495%	679%	598%	546%	531%	435%	425%	598%
Net Working Capital	2,031	2,092	2,154	2,154	2,134	2,158	3,202	3,240	2,950	1,917	2,267	2,154	3,240
Risk-Weighted Assets	567	572	509	507	461	436	472	542	540	361	522	507	542



## Investor Relations Team

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