



KDB Daewoo Securities

2Q FY2012 Earnings Release

November 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.



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2Q FY12 Operating Summary

Reported pre-tax earnings of KRW 66.5bn for 2Q FY12

Revenue Structure

(Unit : KRW bn)	FY11 3Q	FY11 4Q	FY12 1Q	FY12 2Q
Net Operating Revenue	181	241	167	212
Brokerage	91	93	57	66
Wealth Management	21	28	24	25
Investment Banking	12	14	7	9
Sales & Trading	64	110	77	126
Interest Income	6	15	8	2
Others	△6	△9	△2	△13
△Commission Exp.	△7	△9	△4	△5
SG&A Expenses	154	130	147	152
Operating Income	27	112	20	60
Non-Operating Income	1	△3	9	7
Before Tax Earnings	28	109	29	67
Income Tax Expense	2	28	5	15
After Tax Earnings	26	81	24	52

Main Points

Brokerage

- ❖ Recovery in trading volume (KRW 0.3tn ↑, QoQ) and increase in retail participation (2.5%p ↑, QoQ) attributed to increase in brokerage revenue
- ❖ Revenue : KRW 57.5bn → 66.2bn (USD 58.4mn), 15.1% ↑ QoQ

Wealth Management

- ❖ Stable revenue was generated based on KRW 49tn of WM products sales balance (KRW 1tn ↑, QoQ)
- ❖ Revenue : KRW 23.9bn → 25.2bn (USD 22.2mn), 5.4% ↑ QoQ

Investment Banking

- ❖ Despite continued stagnation in the ECM market, M&A advisory, PF for real estate and energy business led to an increase in IB revenue
- ❖ Revenue : KRW 6.9bn → 9.3bn (USD 8.2mn), 33.9% ↑ QoQ

Sales & Trading

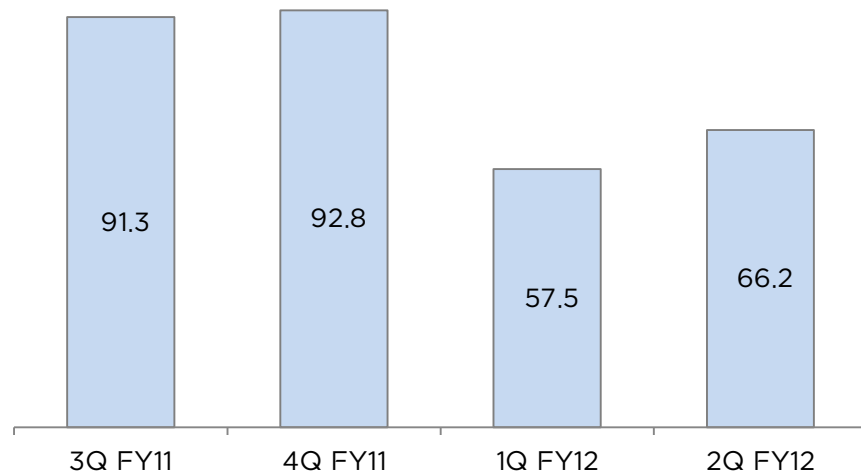
- ❖ Achieved profitability and stability by diversifying portfolios such as flexible bond trading and expansion of foreign currency bond under a favorable business environment
- ❖ Revenue : KRW 76.7bn → 126.5bn (USD 111.7mn), 65.0% ↑ QoQ

Performance by Business : Brokerage

Increase in revenue due to favorable business environment

Brokerage Revenue

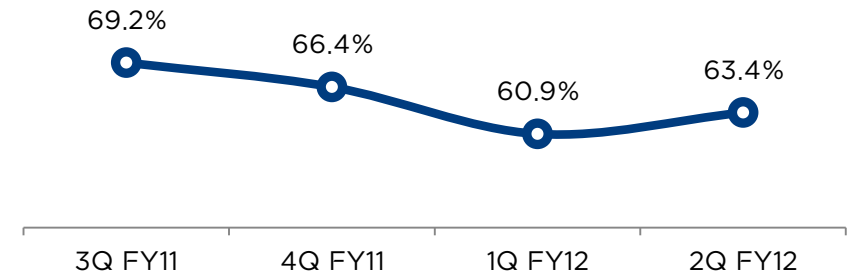
(Unit : KRW bn)



- ❖ A brokerage revenue increased KRW 8.7bn to KRW 66.2bn in 2Q FY12 due mainly to trading volume (4% ↑) and retail participation rate (2.5%p ↑).
- ❖ 3 year average¹⁾ trading volume and retail participation rate were still low, which prevented from recovering profitability

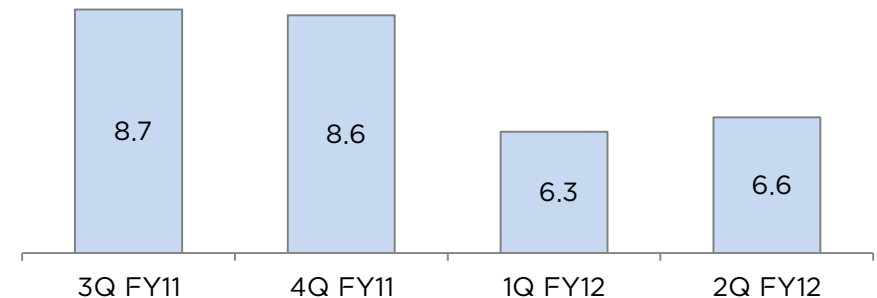
1) From FY09 to FY11 : Ave. trading volume (KRW 8.3tn)
Ave. retail participation rate (65.3%)

Retail Participation



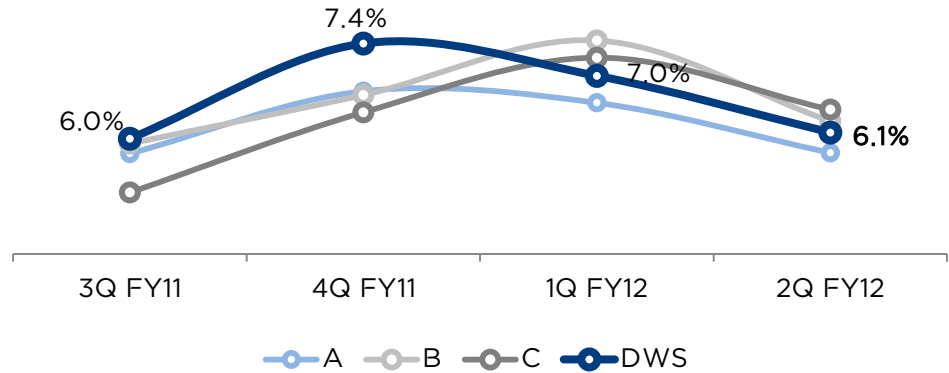
Average Daily Trading Volume (Excluding ELW)

(Unit : KRW tn)

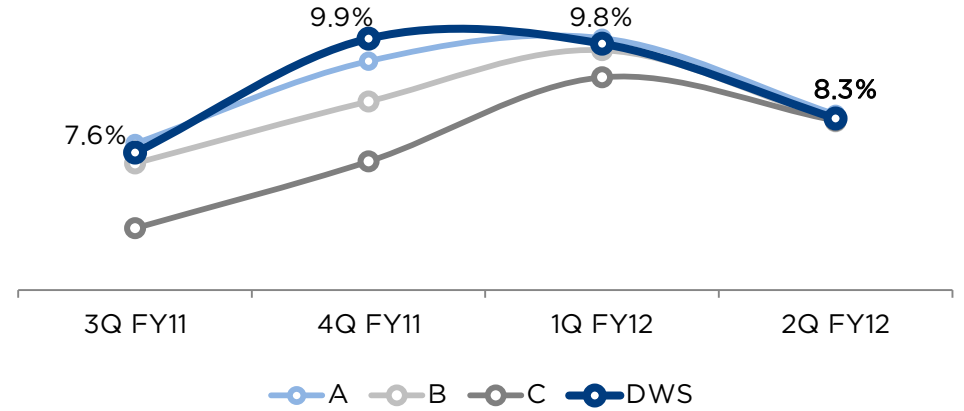


Performance by Business : Brokerage

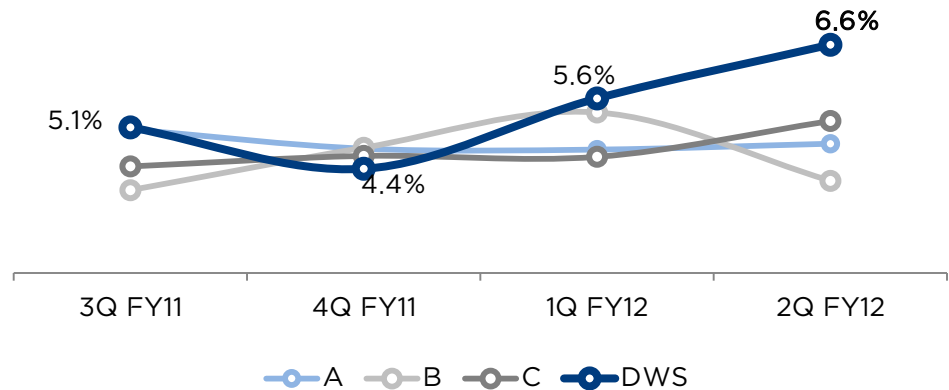
Total Brokerage M/S (by commission)



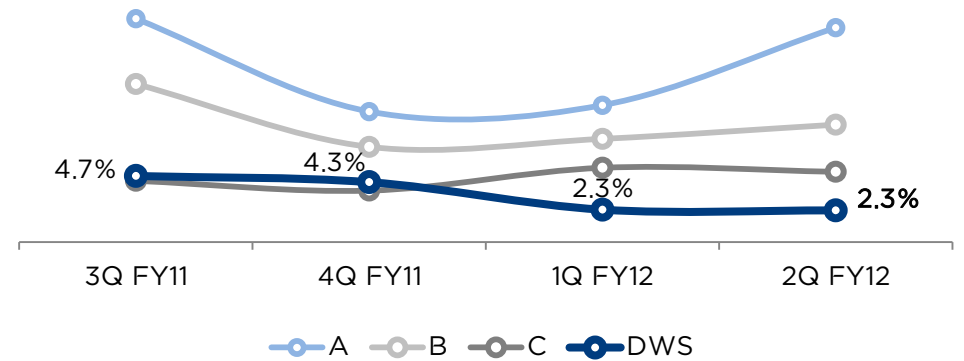
Retail Brokerage M/S (by commission)



Domestic Wholesale Brokerage M/S (by turnover)



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

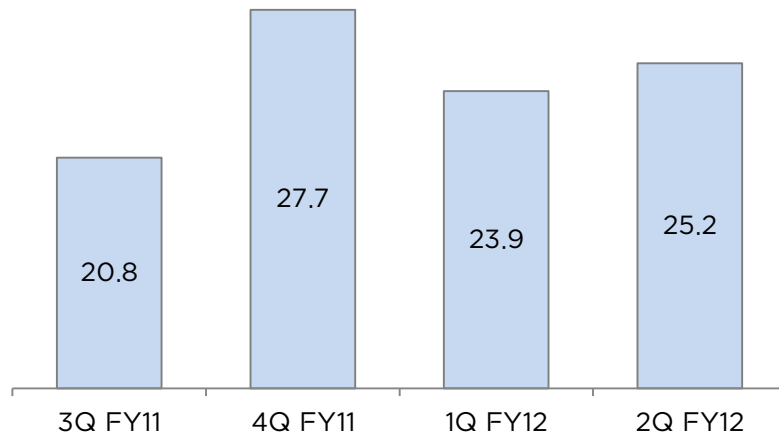


Performance by Business : Wealth Management

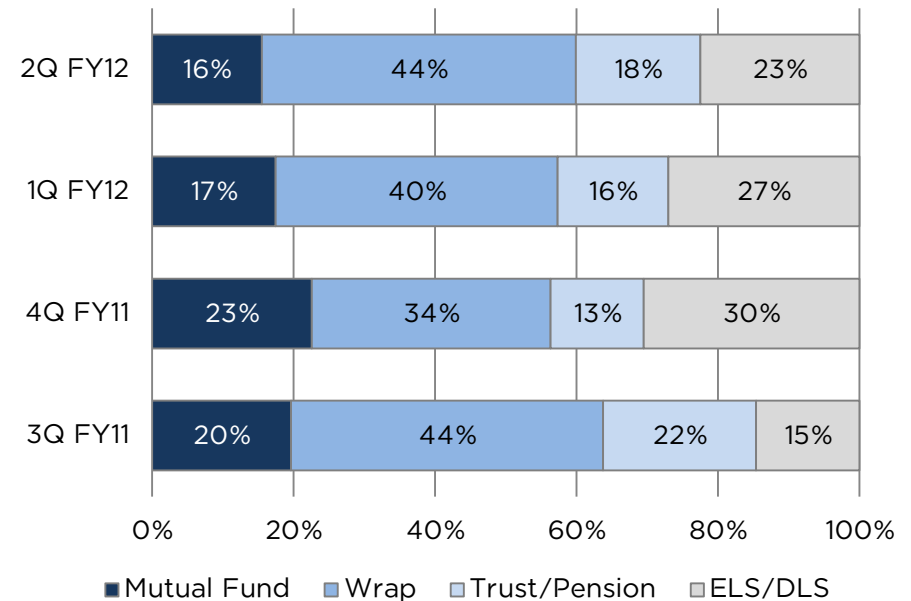
Revenue increased from enhanced sales of strategic products

WM Revenue

(Unit : KRW bn)



WM Revenue Breakdown



- ❖ WM revenue increased on the back of solid sale of Folione, a risk-hedging and timely alternative wrap account, and ELS/DLS¹⁾

1) 2Q FY12 issuance amount : ELS: KRW 1.6tn (MS 16%, 1st)
DLS: KRW 2.1tn (MS 28%, 1st)

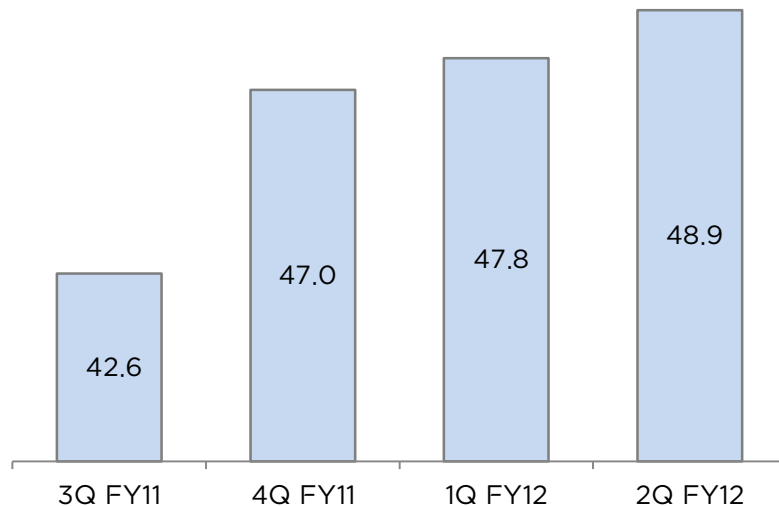
- ❖ Wrap balance: KRW 15.0tn (the largest in the domestic industry)
- ❖ Wrap account revenue accounted for 44% of WM revenue, which contributed to the stable revenue generation
- ※ Equity type wrap balance : KRW 555.0bn (increase KRW 67.8bn from 1Q)

Performance by Business : Wealth Management

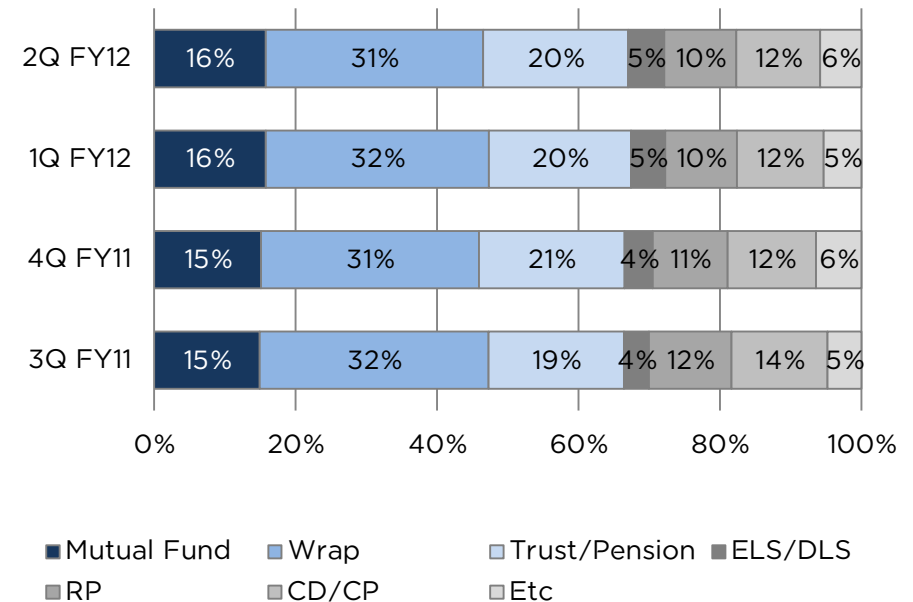
Continued balance increase of main WM products

WM Account Balance

(Unit : KRW tn)



WM Balance Composition



- ❖ Wealth management account balance increased KRW 1.1tn QoQ and 4.1tn YoY¹⁾, recording a total of KRW 48.9tn (USD 44.0bn) for 2Q FY12

1) WM balance: 2QFY11 (KRW 44.8tn) → 2QFY12 (KRW 48.9tn), 9.2% ↑, YoY

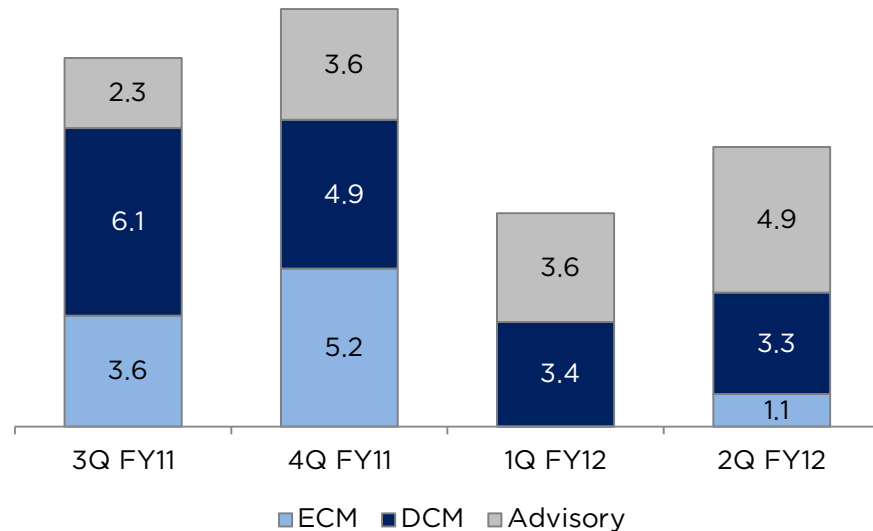
- ❖ KDB Daewoo Securities continuously enhanced its competition in wealth management by offering diverse product portfolios that better met customer needs
- ❖ Increased supply of in-house products based on KDB Daewoo Securities' product development competencies attributed to an organic growth with other business domains

Performance by Business : Investment Banking

Improved IB revenue through diversification of revenue source

IB Commissions Revenue

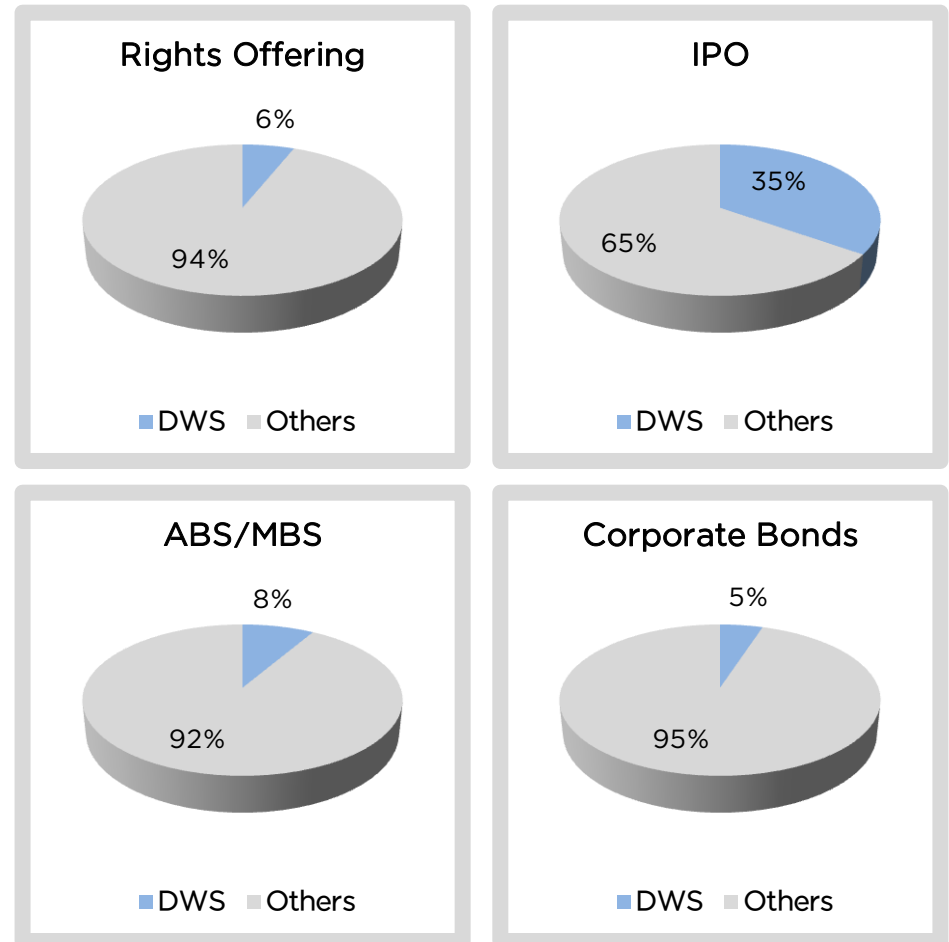
(Unit : KRW bn)



- ❖ Despite continued unfavorable conditions in the ECM market, M&A advisory and project financing for real estate and energy business contributed to an IB commissions revenue increase by KRW 2.3bn to KRW 9.3bn in 2Q FY12
- ❖ Found profitable results from new revenue sources such as PF for power plant biz and various securitization products¹⁾

1) Securitizing and underwriting KRW 110bn of subordinated bond related to Yangju power plant business

IB Market Share (CY12 Accumulated)

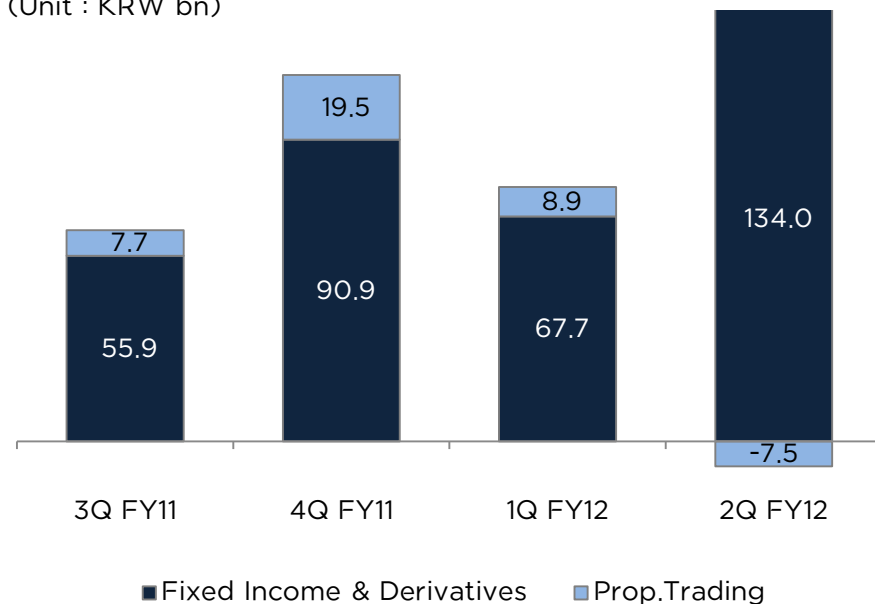


Performance by Business : Sales & Trading

Maximized S&T revenue driven by aggressive trading

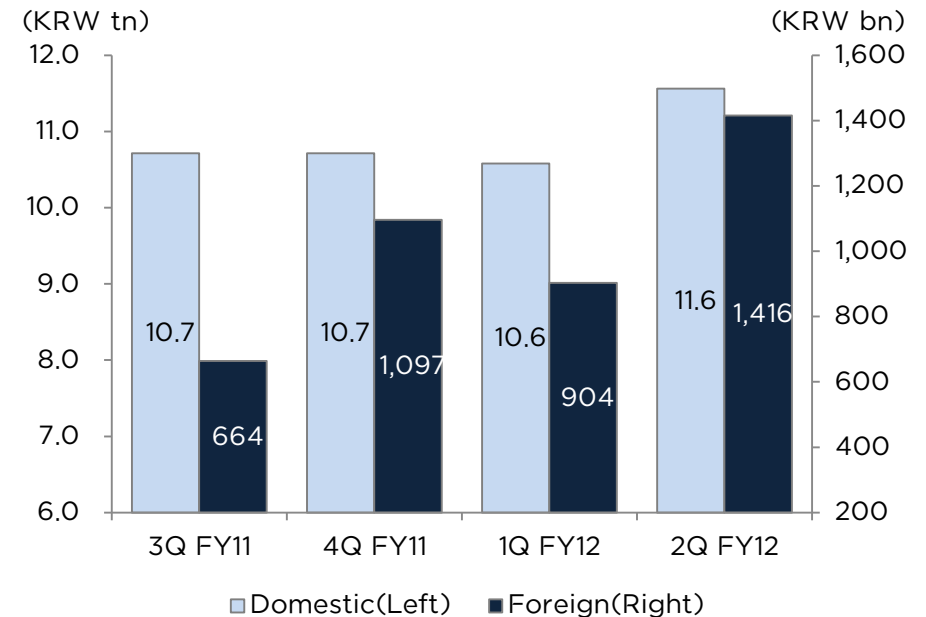
S&T Revenue

(Unit : KRW bn)



Fixed Income Balance

(KRW tn)



❖ While Prop. Trading recorded a loss¹⁾ of KRW 7.5bn, Fixed Income & Derivatives trading generated a revenue of KRW 134.0bn (including KRW 75.3bn in net income interest)

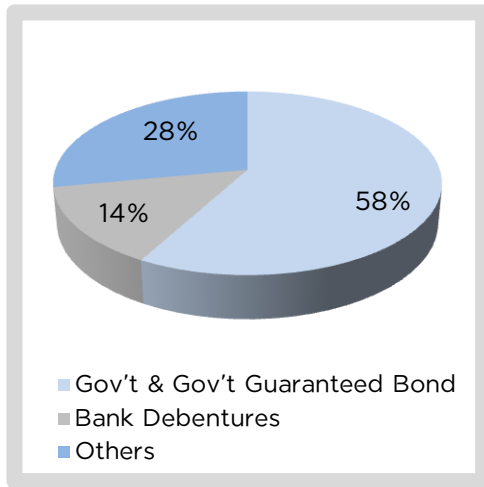
1) Included reduction loss related to Kumho Industry: KRW 20bn

❖ S&T revenue : KRW 126.5bn (Increase by KRW 49.9bn from 1Q)

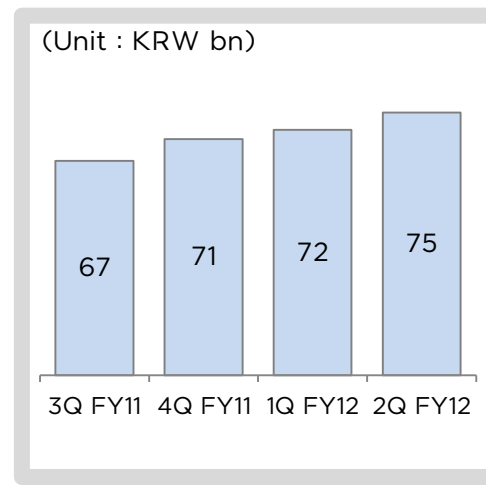
❖ Under the favorable environment due mainly to drop in interest rates, the company took trading strategy aggressively by adopting flexible duration, balance management and increasing foreign currency fixed income position, which brought in more profits

Performance by Business : Sales & Trading

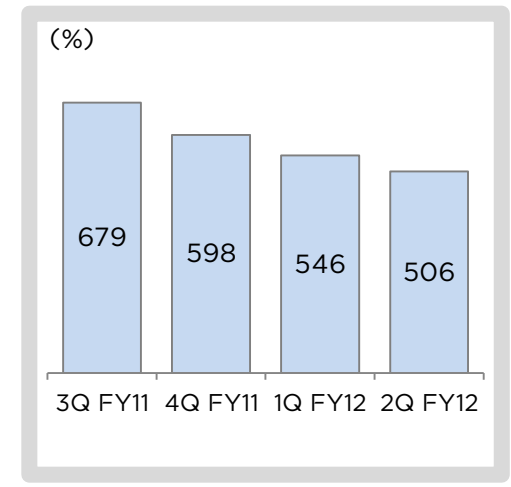
Fixed Income Portfolio



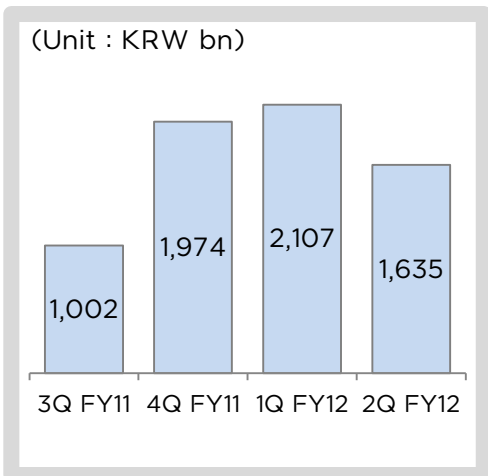
Net Income Interest



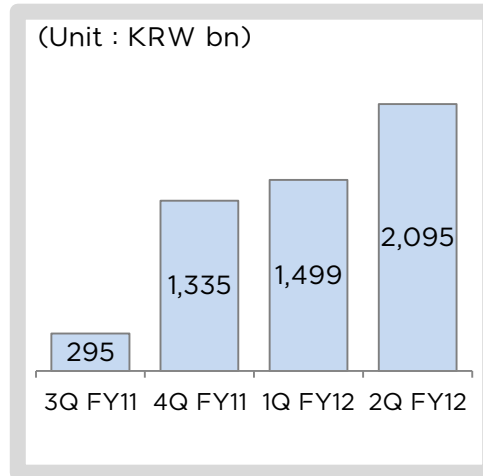
Net Capital Ratio



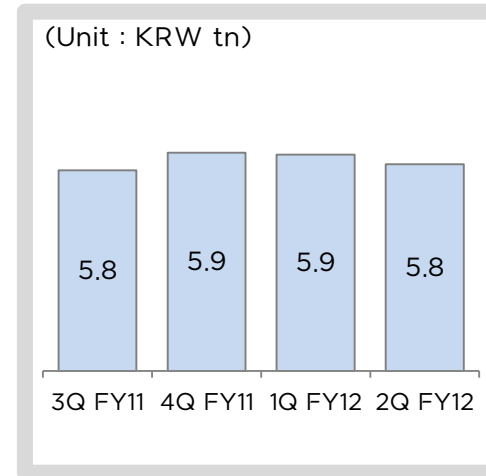
ELS Issuance



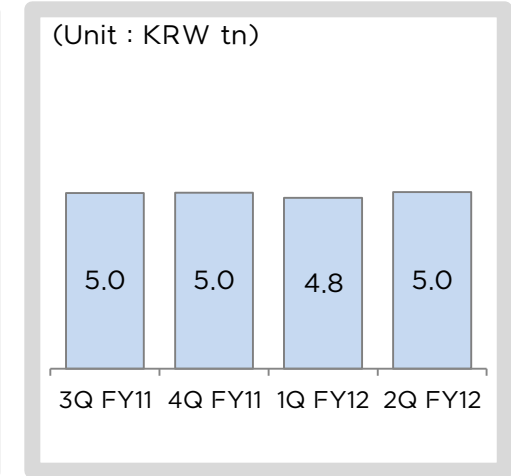
DLS Issuance



CD / CP Balance



RP Balance



Appendix

Company Information

Global Network

Key Financials

Company Information

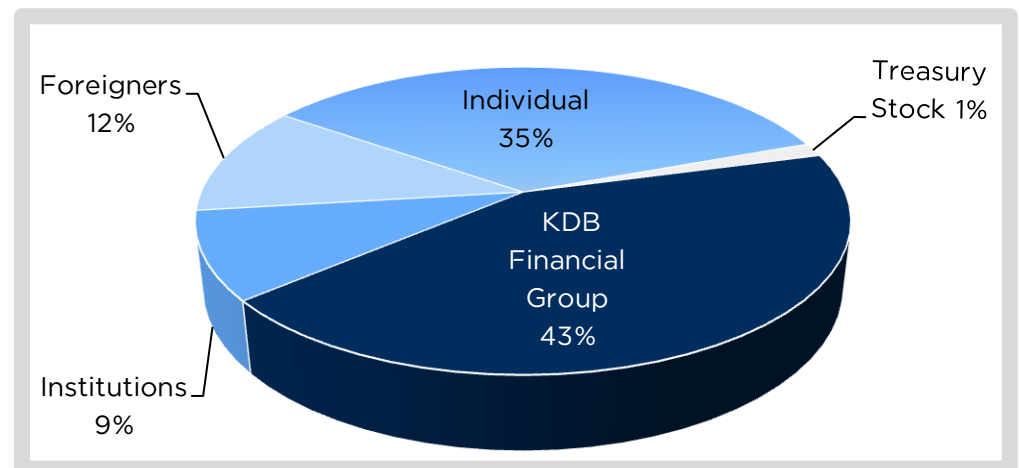
General

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 1.7tn
No. of Employees		3,110
Domestic Network		107 Branches
Global Network	Overseas Subsidiaries	Hong Kong (1994), London (1991), New York (1992), Singapore (2012)
	Investment Advisory	Beijing (2011)
	Branch Office	Tokyo (2011)
	Rep. Offices	Beijing (2008), Shanghai (2010), Ho Chi Minh (2007)
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

Daewoo Securities (Hong Kong) Ltd.

Date Established	29, September 1994
Managing Director	Ki Young Kim
No. of Employees	41 Persons
Paid-in-Capital	USD 300 million
Main Business	Brokerage, Prop. Trading, Underwriting, Advisory

Daewoo Securities (America) Inc.

Date Established	7 July 1992
Managing Director	Hee Kwon Kim
No. of Employees	12 Persons
Paid-in-Capital	USD 12 million
Main Business	Brokerage, Prop. Trading, Advisory

Daewoo Securities (Europe) Ltd.

Date Established	3 May 1991
Managing Director	Seung Wook Kim
No. of Employees	7 Persons
Paid-in-Capital	USD 18.4 million
Main Business	Brokerage, Prop. Trading, Underwriting, Advisory

Daewoo Securities (Singapore) Pte. Ltd.

Date Established	12 July 2012
Managing Director	Bo Sung Choi
No. of Employees	5 Persons
Paid-in-Capital	SGD 10 million
Main Business	Brokerage

Daewoo Investment Advisory(Beijing) Co., Ltd.

Date Established	19 August 2011
Managing Director	Kang Won Choi
No. of Employee	4 Persons
Paid-in-Capital	USD 5 million
Main Business	Advisory for Chinese Companies' IPO in Korea, Advisory for Investment

Other Network

China	Beijing / Shanghai Representative Offices
Vietnam	Ho Chi Minh Representative Office
Japan	Tokyo Branch Office
Indonesia	PT. ETRADING SECURITIES * 38.35% stake held by HK subsidiary

Key Financials

(Unit: KRW bn)	FY2010				FY2011				FY2012		FY08 (K-GAAP)	FY09 (K-GAAP)	FY10 (K-IFRS)	FY11 (K-IFRS)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q				
Net Operating Revenue	178.5	292.1	227.8	265.0	183.1	168.8	180.9	241.5	166.8	211.5	682.1	1,005.9	963.4	774.3
Brokerage	108.7	99.9	119.8	104.0	100.3	100.1	91.3	92.8	57.5	66.2	393.8	530.1	432.4	384.5
Wealth Management	22.5	23.9	24.7	28.4	28.8	23.6	20.8	27.7	23.9	25.2	58.8	69.1	99.5	100.8
Investment Banking	10.4	6.8	20.0	17.4	11.4	6.5	12.0	13.6	6.9	9.3	42.8	83.5	54.6	43.6
Sales & Trading	19.0	150.1	71.5	52.4	32.6	25.0	63.6	110.4	76.7	126.5	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	2.3	85.7	80.0	122.4	50.3
Others	9.9	△2.2	△7.2	△2.2	0.9	13.4	△5.7	△8.7	△2.3	△13.0	△20.7	△42.9	△1.8	△0.2
Commission Exp.	△8.1	△9.2	△9.9	△9.5	△10.6	△10.2	△6.6	△8.8	△4.3	△4.9	△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	151.7	478.3	593.8	664.0	562.9
Operating Income	39.1	99.9	69.1	91.3	43.0	30.1	26.7	111.6	20.0	59.9	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	6.6	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	66.5	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	14.9	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	51.5	180.5	319.1	225.9	166.9

Balance Sheet(KRW tn)														
Total Assets	17.7	18.5	18.2	19.4	19.7	20.8	20.4	22.5	23.2	25.8	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	21.7	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	4.0	2.5	2.9	2.7	4.0

Net Capital Ratio(KRW bn)	358%	366%	423%	425%	463%	495%	679%	598%	546%	506%	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	3,050	1,917	2,267	2,154	3,240
Risk-Weighted Assets	567	572	509	507	461	436	472	542	540	603	361	522	507	542



KDB Daewoo Securities

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