



# KDB Daewoo Securities

## 1Q FY2013 Earnings Release

August 2013

This presentation material is prepared by KDB 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 KDB 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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# 1Q FY13 Operating Summary

Posted pretax profit of W7.2bn for 1Q FY13

## Revenue Structure

(Unit : Wbn)	FY12 2Q	FY12 3Q	FY12 4Q	FY13 1Q
<b>Net Operating Revenues</b>	<b>212</b>	<b>151</b>	<b>182</b>	<b>130</b>
Brokerage	66	58	60	68
Wealth Management	25	25	28	25
Investment Banking	9	10	10	14
Sales & Trading	126	84	79	3
Interest Income	2	-5	2	-3
Others	-13	-15	8	30
△ Commission Expenses	-5	-6	-4	-7
SG&A Expenses	142	135	132	127
<b>Operating Profit</b>	<b>69</b>	<b>16</b>	<b>50</b>	<b>4</b>
Non-Operating Profit	7	-1	1	3
<b>Profit Before Tax Expenses</b>	<b>76</b>	<b>15</b>	<b>51</b>	<b>7</b>
Tax Expenses	17	5	7	0
<b>Net Profit</b>	<b>59</b>	<b>10</b>	<b>44</b>	<b>7</b>

## Key Points

### Brokerage

- ❖ Brokerage revenue increased due to increasing average daily trading volume and market share
- ❖ Revenue : W59.8bn → W67.6bn (↑ 13.1% QoQ)

### Wealth Management

- ❖ WM revenue decreased due to deteriorated ELS/DLS market even though commissions from mutual fund increased thanks to favorable sales of Senior Loan funds which our company launched for the first time
- ❖ Revenue : W27.7bn → W25.1bn (↓ 9.5% QoQ)

### Investment Banking

- ❖ Despite continuous recession in the IB market, revenue continuously grew which is attributable to robust results in the new business area such as Structured Finance and power plant PF
- ❖ Revenue : W10.5bn → W14.2bn (↑ 35.3% QoQ)

### Sales & Trading

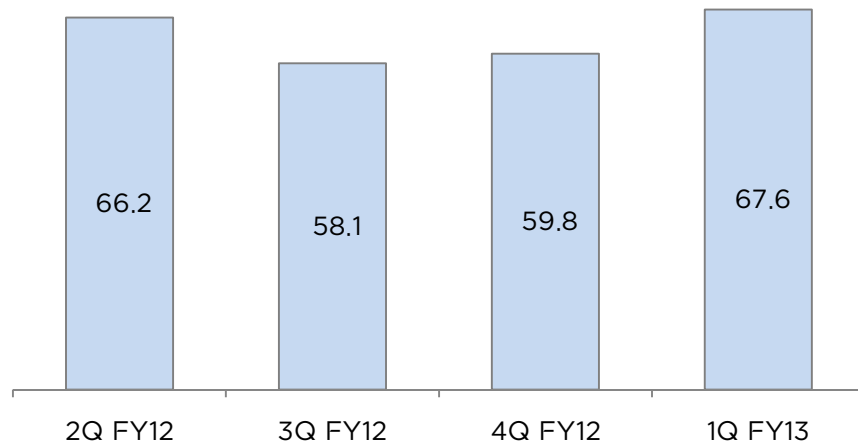
- ❖ Revenue was dragged down by unfavorable market conditions (bearish global stock and bond markets) and reflection of reduction loss
- ❖ Revenue : W78.8bn → W3.4bn (↓ 95.7% QoQ)

# Performance by Business : Brokerage

Revenue increased on the back of improvement in M/S and market condition

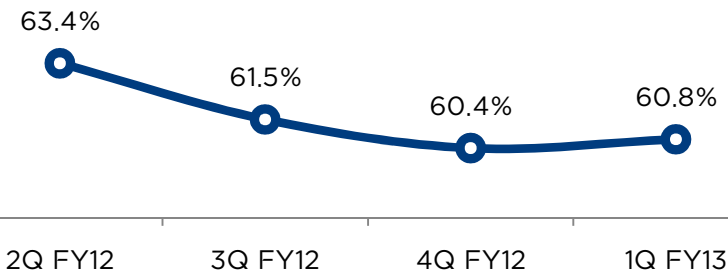
## Brokerage Revenues

(Unit : Wbn)



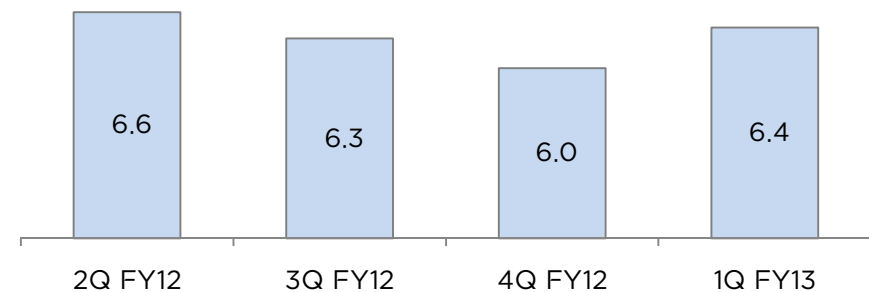
- ❖ Average daily trading volume and retail participation rate turned around in three quarters and increased 8% QoQ and 0.3%p QoQ, respectively
- ❖ Brokerage revenue increased W7.8bn QoQ to W67.6bn on the back of annual highest total brokerage M/S (pg. 5)

## Retail Participation



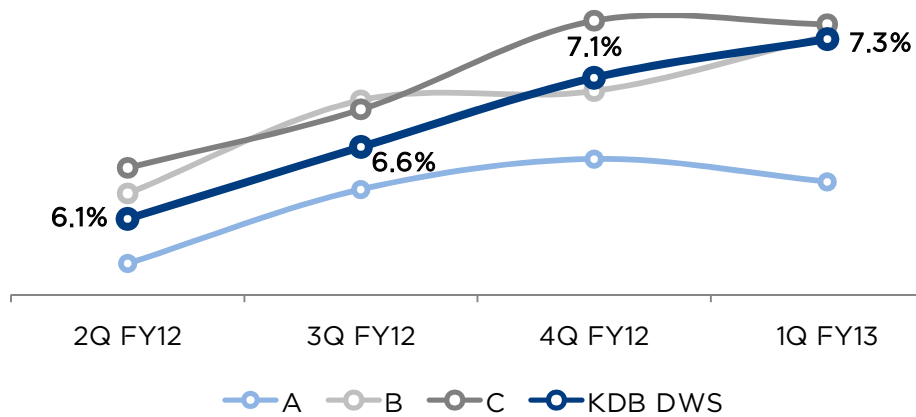
## Average Daily Trading Volume (excl. ELW)

(Unit : Wtr)

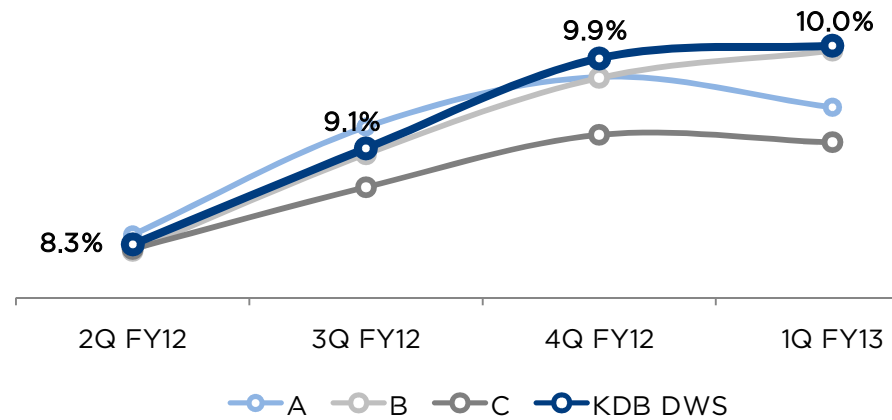


# Performance by Business : Brokerage

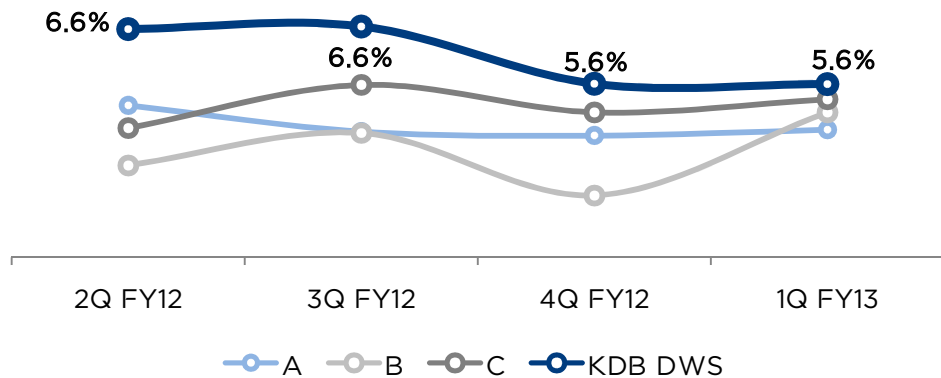
## Total Brokerage M/S (by commission)



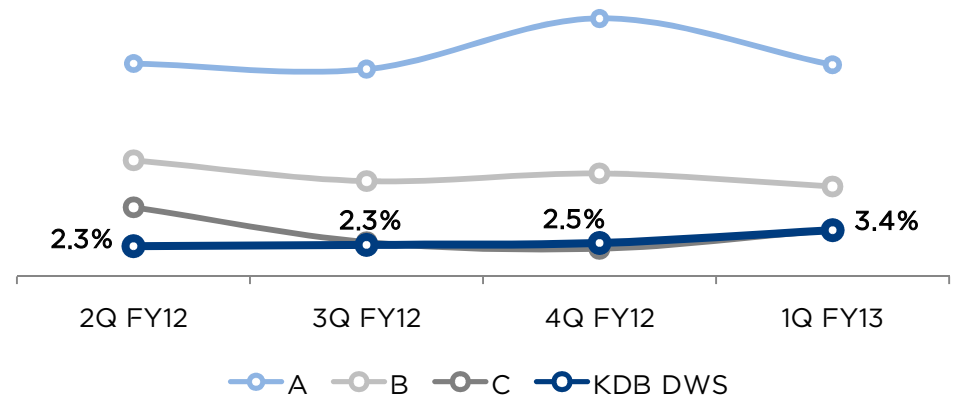
## Retail Brokerage M/S (by commission)



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



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

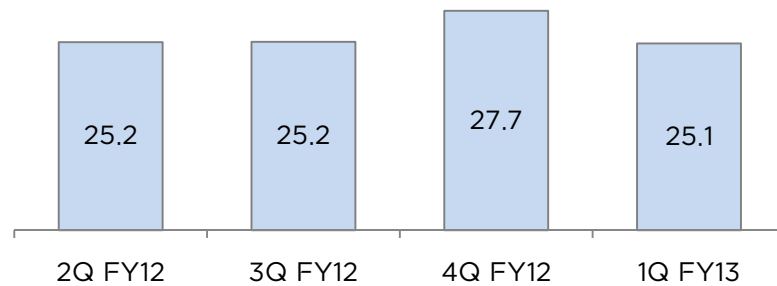


# Performance by Business : Wealth Management

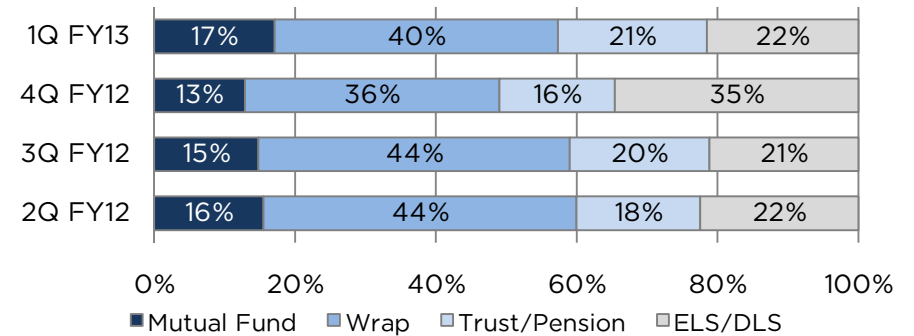
Continuously generated stable profits based on well-diversified WM assets

## WM Revenues

(Unit : Wbn)

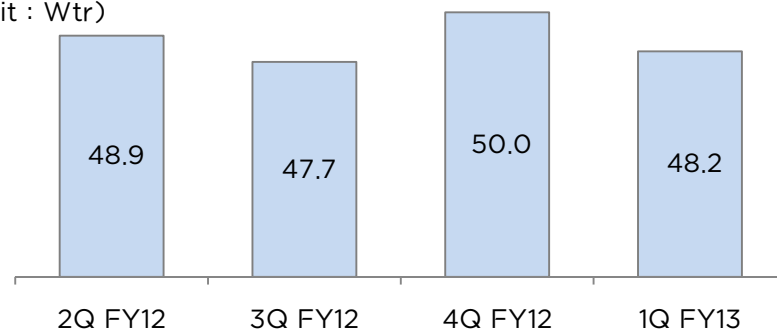


## WM Revenues Breakdown

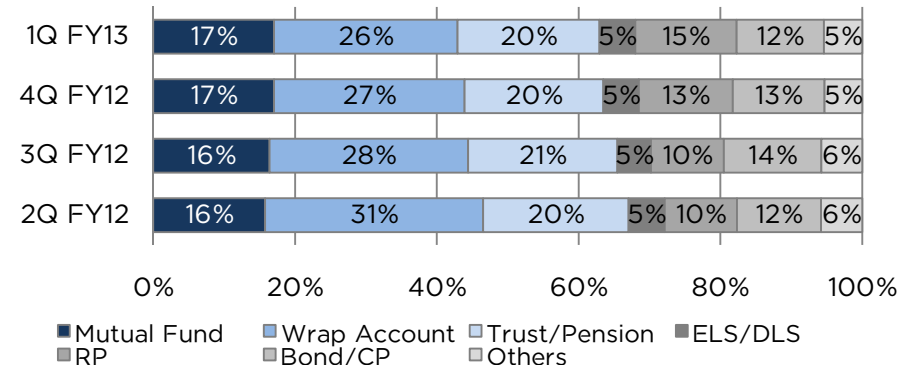


## WM Assets

(Unit : Wtr)



## WM Balance Composition

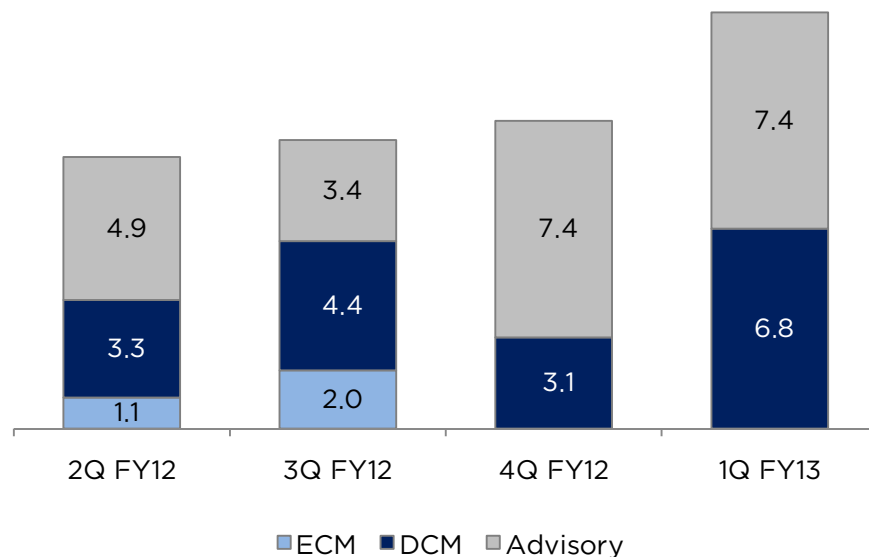


# Performance by Business : Investment Banking

Revenue increased on robust results in the new business sector

## IB Commissions

(Unit : Wbn)



- ❖ IB revenue increased W3.7bn QoQ to W14.2bn aided by robust operating performance of Structured Finance and PF business amid recession of ECM market
- ❖ DCM<sup>1)</sup> achieved #1 in the league table for 1H CY13 (Jan~Jun) on the back of ABS (ranked #1) and corporate bond issuance (ranked #4)

1) The Bell League Table M/S (1H CY13) : 17.1%

## CY13 IB Deals



Public BW : W300bn



Hybrid Bonds : W400bn



Block Deal : W220bn



Power plant PF : W140bn



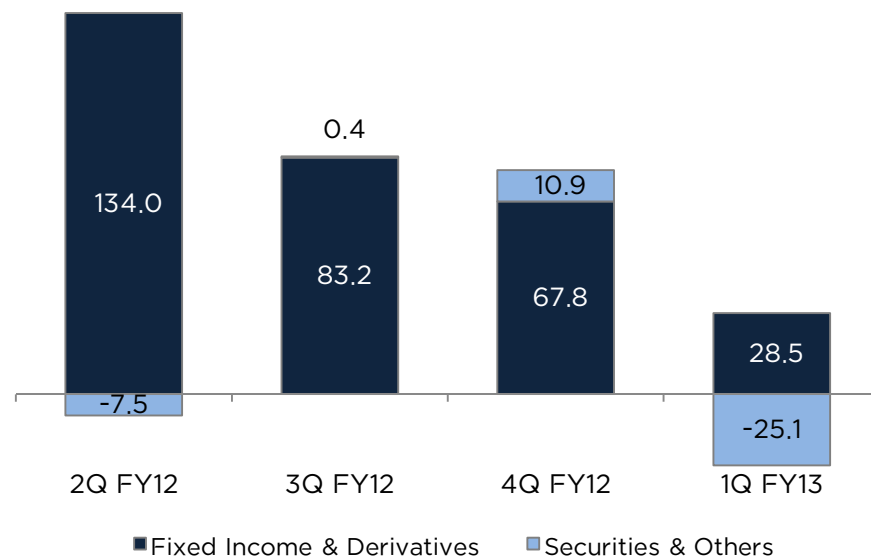
Public ABS : W723bn

# Performance by Business : Sales & Trading

Revenue dragged down by unfavorable market condition and one-off loss

## S&T Revenues

(Unit : Wbn)

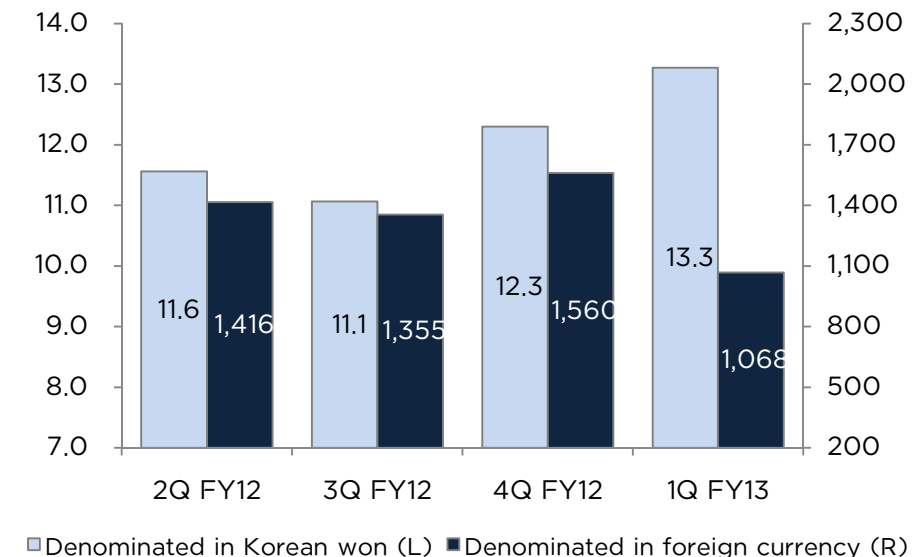


❖ S&T revenue shrank W75.4bn QoQ to W3.4bn dragged down by decreased Fixed Income & Derivatives revenues (W28.5bn including W71.2bn of interest income) and loss from Securities & Others (W25.1bn<sup>1)</sup>)

1) Includes one-off loss related to STX Pan Ocean : W18.7bn

## Fixed Income Balance

(Unit : Wtr)



❖ Trading revenue fell mainly due to 1) deteriorated bond market as KTB yields rose, 2) bearish global stock markets, and 3) one-off loss related to STX Pan Ocean

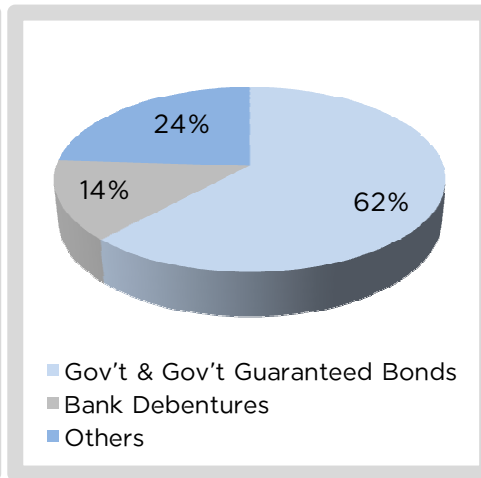
❖ Reduced prop trading book (Korean<sup>1)</sup> + foreign currency) in order to manage risks from increased uncertainties of domestic and global bond markets

1) Increase in RP enlarged client asset trading book. As a result, the range of fluctuation in the total Korean fixed income balance was insignificant

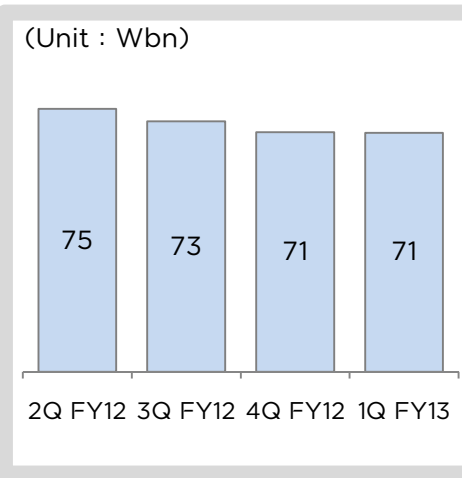


# Performance by Business : Sales & Trading

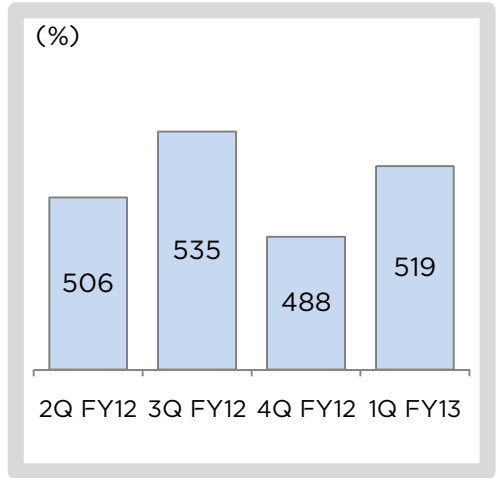
## Fixed Income Portfolio



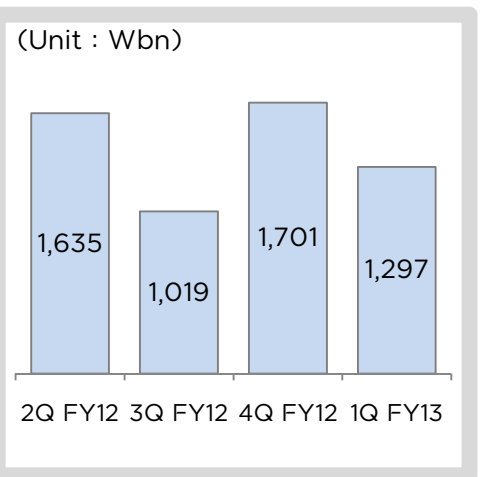
## Interest Income



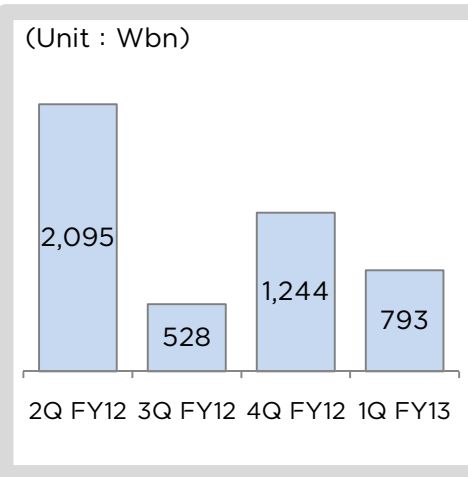
## Net Capital Ratio



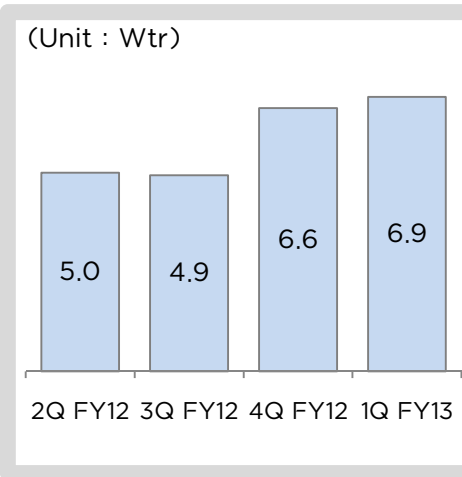
## ELS Issuance



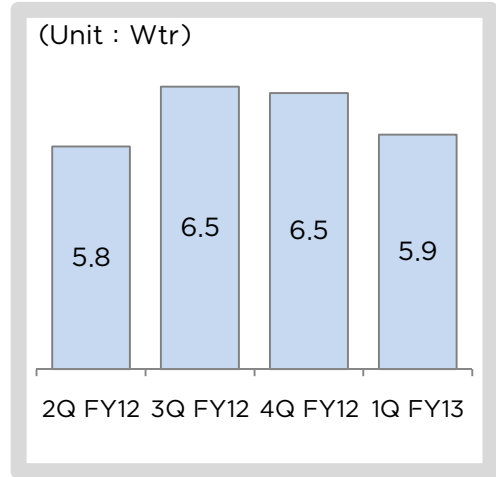
## DLS Issuance



## RP Account Balance



## FI Account Balance



# Appendix

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Company Information

Global Network

Key Financials

# Company Information

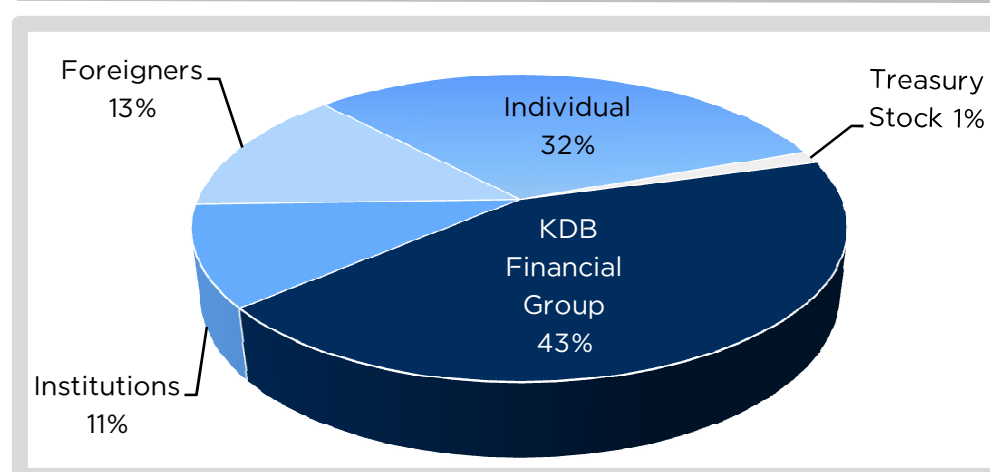
## General

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		W1.7tr
No. of Employees		3,083
Domestic Network		105 Branches
Global Network	Overseas Subsidiaries	Hong Kong (1994), London (1991), New York (1992), Singapore (2012), Mongolia (2013)
	Investment Advisory	Beijing (2011)
	Branch Office	Tokyo (2011)
	Rep. Offices	Beijing (2008), Shanghai (2010), Ho Chi Minh (2007)
	Others	Indonesia eTrading (2013)
Credit Rating		AA+ Stable (3 Domestic Rating Agencies) Baa2 (Moody's)

## History

September 1970	Established as Dong Yang Securities
September 1975	IPO
October 1999	Split from Daewoo Group
October 2009	Established KDB Financial Group; KDB Financial Group became major shareholder
November 2011	Capital Increase (W1.12tr)

## Shareholder Structure (as of 31 March 2013)



# Global Network

## KDB Daewoo Securities (Hong Kong)

Date Established	29 September 1994
Managing Director	Ki Young Kim
No. of Employees	45
Paid-in-capital	USD 300 mn
Main Business	Brokerage, Prop. Trading, Underwriting, Advisory

## KDB Daewoo Securities (America)

Date Established	7 July 1992
Managing Director	Hee Kwon Kim
No. of Employees	11
Paid-in-capital	USD 12 mn
Main Business	Brokerage, Prop. Trading, Advisory

## KDB Daewoo Securities (Europe)

Date Established	3 May 1991
Managing Director	Tae Joong Lim
No. of Employees	12
Paid-in-capital	USD 18 mn
Main Business	Brokerage, Prop. Trading, Underwriting, Advisory

## KDB Daewoo Securities (Singapore)

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

## KDB Daewoo Securities (Mongolia)

Date Established	24 June 2013
Managing Director	Nae Hwan Kim
No. of Employees	4
Paid-in-capital	MNT 1.4bn
Main Business	Underwriting, Advisory

## KDB Daewoo Investment Advisory (Beijing)

Date Established	19 August 2011
Managing Director	Kang Won Choi
No. of Employees	3
Paid-in-capital	USD 5 mn
Main Business	Advisory for investment

## Tokyo Branch

Date Established	13 September 2011
Managing Director	In Jik Cho
No. of Employees	5
Paid-in-capital	JPY 300mn
Main Business	Brokerage, Advisory

## Other Networks

China	Beijing / Shanghai Representative
Vietnam	Ho Chi Minh Representative Office
Indonesia (Jakarta)	PT. ETRADING SECURITIES •80% stake held by HK subsidiary (As of August 2013)

# Key Financials

(Unit : Wbn)	FY2011				FY2012				FY2013	FY09 (K-GAAP)	FY10 (K-IFRS)	FY11 (K-IFRS)	FY12 (K-IFRS)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q				
Net Operating Revenues	183.1	168.8	180.9	241.5	166.8	211.5	150.7	181.9	130.4	1,005.9	963.4	774.3	711.0
Brokerage	100.3	100.1	91.3	92.8	57.5	66.2	58.1	59.8	67.6	530.1	432.4	384.5	241.5
Wealth Management	28.8	23.6	20.8	27.7	23.9	25.2	25.2	27.7	25.1	69.1	99.5	100.8	101.9
Investment Banking	11.4	6.5	12.0	13.6	6.9	9.3	9.8	10.5	14.2	83.5	54.6	43.6	36.5
Sales & Trading	32.6	25.0	63.6	110.4	76.7	126.5	83.6	78.8	3.4	350.8	293.0	231.6	365.5
Interest Income	19.7	10.4	5.6	14.5	8.5	2.3	△5.4	1.6	△2.6	80.0	122.4	50.3	7.0
Others	0.9	13.4	△5.7	△8.7	△2.3	△13.0	△14.7	7.8	30.0	△42.9	△1.8	△0.2	△22.1
Commission Expenses	△10.6	△10.2	△6.6	△8.8	△4.3	△4.9	△5.9	△4.1	△7.3	△64.7	△36.7	△36.2	△19.3
SG&A Expenses	137.5	136.4	151.0	134.7	138.2	142.2	135.0	132.3	126.6	593.8	650.3	559.6	547.7
Operating Income	45.6	32.5	30.0	106.7	28.6	69.4	15.8	49.6	3.8	412.0	313.1	214.7	163.4
Non-Operating Income	6.9	5.7	0.8	△2.6	8.8	6.6	△0.7	1.5	3.4	11.1	16.5	10.9	16.1
Income Before Tax Expenses	52.5	38.2	30.8	104.2	37.4	76.0	15.0	51.1	7.2	423.1	329.6	225.7	179.5
Tax Expenses	14.5	12.4	2.7	26.7	6.4	17.3	5.0	7.2	△0.1	104.0	93.2	56.2	35.8
Net Income	38.0	25.8	28.1	77.5	31.0	58.7	10.1	43.9	7.2	319.1	236.3	169.4	143.7

Balance Sheet (Wtr)													
Total Assets	19.7	20.8	20.4	22.5	23.2	25.8	23.7	25.4	26.4	17.5	19.4	22.5	25.4
Total Liabilities	17.0	18.1	16.5	18.5	19.2	21.7	19.7	21.4	22.4	14.7	16.7	18.5	21.4
Shareholders' Equity	2.7	2.7	3.9	4.0	3.9	4.0	4.0	4.1	4.0	2.9	2.7	4.0	4.1

Net Capital Ratio (NCR)	463%	495%	679%	598%	546%	506%	535%	488%	519%	435%	425%	598%	488%
Net Working Capital	2,134	2,158	3,202	3,240	2,950	3,050	3,070	3,186	3,067	2,267	2,154	3,240	3,186
Risk-Weighted Assets	461	436	472	542	540	603	574	652	591	522	507	542	652

# Think you very much



"Thank you very much"  
In order to hear those words from you,  
KDB Daewoo Securities will think of you even more.



"2013 Thinker"  
by Alexa Meade



# KDB Daewoo Securities

The Investor Relations Team

Junsoo Kim, Junghyun Park, Youngbae Shin, Dajung Lee, Jieun Lee

e-mail : [irteam@dwsec.com](mailto:irteam@dwsec.com)

[www.kdbdw.com](http://www.kdbdw.com)