



**DAEWOO SECURITIES
ANNUAL REPORT FY2010**

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KDB Financial Group
Daewoo Securities



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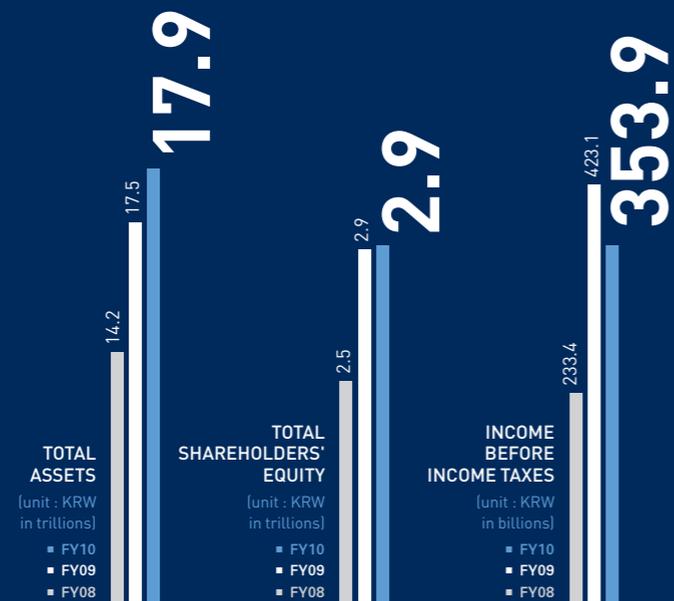
Financial Highlights

FINANCIAL STATUS _ (unit : KRW in billions)

	FY10	FY09	FY08
Operating Revenue	3,524.4	4,591.9	4,445.1
Operating Expenses	3,191.9	4,179.9	4,241.3
Operating Income	332.6	412.0	203.8
Income before Income Taxes	353.9	423.1	233.4
Net Income	256.2	319.1	180.5
Total Assets	17,940.5	17,503.8	14,225.1
Total Liabilities	15,077.3	14,647.8	11,735.4
Paid-in Capital	1,020.9	1,020.9	1,020.9
Total Shareholders' Equity	2,863.3	2,856.0	2,489.7
BPS (KRW)	15,062	15,024	13,097
PBR (X)	1.5	1.4	1.4
EPS (KRW)	1,282	1,567	887
PER (X)	17.5	13.0	20.7
ROE (%)	9.0	11.9	7.3

* PBR and PER are based on each corresponding fiscal year-end share prices

* Share price as of March 31, 2011 was KRW22,400



Share Information

NUMBER OF SHARES ISSUED _ (unit : share)

Shares Issued	Common Shares	190,100,891
	Preferred Shares	14,075,750

CREDIT RATING

Credit Ratings Agency	Credit Rating	Outlook
Korea Ratings	AA	Positive
Moody's	Baa2	Stable

SHARE OWNERSHIP _ (unit : %)



STOCK PERFORMANCE





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IN FY2010,
DAEWOO SECURITIES
ACHIEVED BALANCED GROWTH
IN ALL AREAS OF ITS BUSINESS,
WHICH ENABLED US TO GENERATE
STABLE REVENUE WHILE DIVERSIFYING
THE COMPANY'S BUSINESS REVENUE
STRUCTURE. IN GENERATING
KRW332.6 BILLION IN OPERATING
INCOME AND KRW256.2 BILLION
IN NET INCOME, NOT ONLY DID
WE REINFORCE OUR POSITION
AS THE TOP FINANCIAL INVESTMENT
FIRM IN THE COUNTRY, BUT ALSO
DAEWOO SECURITIES UNLOCKED OUR
POTENTIAL FOR EXPANDING
INTERNATIONALLY.

TOTAL SHAREHOLDERS' EQUITY

KRW 2,863.3 billion

As at March 31, 2011, total shareholder's equity stood at KRW 2,863.3 billion, the highest in the industry. Based on such operational foundation and with our confidence as the leader drawing the development of Korean capital market, we will carry on our growth by creating various revenue models.

Corporate History



2010.12.01 Announced integrated CI of the KDB Financial Group



2009.10.28 KDB Financial Group established/Majority shareholder changed to KDB Holding Company



2007.08.06 MOU on strategic business alliance with Itaú Finance Group in Brazil (being the first Korean investment firm tapping the Latin American market)



2007.05.04 Launched a table tennis team "Tornado"



2004.11.16 Resumed the Daewoo Stock Market Forum

2011.02.22 Opening ceremony of Shanghai Representative Office
01.17 Moody's rated the company Baa2

2010.12.01 Announced integrated CI of the KDB Financial Group
10.15 Published the company's 40 years of history
08.26 Opened the largest trading center in the country
03.02 Listing of Daewoo Securities Green Korea SPAC (First of its kind in Asia)

2009.10.28 KDB Financial Group established/Majority shareholder changed to KDB Holding Company
04.22 MOU on strategic business alliance with Shinhan Card
03.02 MOU on strategic business alliance with Woori Bank

2008.12.02 Re-registered license on previous businesses under the Capital Market Act
11.25 Re-acquired license on previous businesses under the Capital Market Act
11.17 Established Beijing Representative Office
08.18 Repurchased the head office building in Yeouido, Seoul
06.13 Launched bank-associated brokerage service, "Direct we"
06.02 MOU on academic-industry collaboration with KAIST Graduate School of Finance
03.10 MOU on strategic business alliance with Halyk Finance in Kazakhstan
02.19 MOU on strategic business alliance with Commerce International Merchant Bankers (CIMB) in Malaysia
02.03 Opened next generation ICT system, "BESTez0n"

2007.12.17 MOU on strategic business alliance with NHN
12.10 MOU on strategic business alliance in IB with Busan Bank
10.23 MOU with Galaxy Securities in China
10.15 Opened Wealth Management Consulting Institute
10.09 Established Ho Chi Minh Representative Office
08.29 MOU on strategic business alliance in IB with Daegu Bank
08.06 MOU on strategic business alliance with Itaú Finance Group in Brazil (being the first Korean investment firm tapping the Latin American market)
08.01 Opened the 1st WMCLASS center (Dogok)
07.13 Invested in e Trading Securities in Indonesia
06.25 MOU with Baoviet Securities in Vietnam
05.04 Launched a table tennis team "Tornado"
03.22 Launched Daewoo Securities CMA service
01.16 MOU on business collaboration with Mitsubishi UFJ Securities in Japan

2006.07.30 Direct investment in overseas resources development project in Indonesia for the first time as a Korean financial investment firm
07.03 Opened Tokyo Representative Office
06.12 Opened the On-Mate service

2005.09.23 Announced new CI



- 2004.11.16 Resumed the Daewoo Stock Market Forum in five years
- 2003.11.01 Launched discretionary wrap account product "Master Wrap"
- 2002.10.11 Obtained an authorization for OTC derivatives sales business for the first time in the industry
- 07.11 Opened KTF VM stock-trading service for the first in the world
- 2001.10.15 Launched the next generation online trading system, "BESTez Qway"
- 02.01 Established e-knowledge management (e-KM) and customer relationship management (CRM) systems
- 2000.07.22 Established IT Control Room
- 05.16 Majority shareholder changed from Korea First Bank consortium to the Korea Development Bank from bank consortium
- 01.20 Introduced ERP system
- 1999.10.01 Separated from Daewoo Group
- 08.30 Majority shareholder changed from Daewoo Group to Korea First Bank consortium
- 1994.10.03 Established Magyar Daewoo Leasing Co., Ltd.
- 07.27 Hosted the first ever stock market forum in the industry
- 1993.10.23 Completed construction of Gwacheon Information Center and Human Resources Development Center

- 1992.08.05 Obtained a business permit from the Shanghai Stock Exchange for the first time as a Korean brokerage firm
- 1991.05.03 Established Daewoo Securities (Europe) Ltd
- 1990.01.04 Created the first trading room in the industry
- 1985.01.04 Built and moved to a new head office
- 1984.05.19 Established Daewoo Economic Research Institute (the first privately funded research center in the industry)
- 05.14 Launched the first-ever Korea Fund
- 1983.12.19 Acquired Sambo Securities CO., Ltd.
- 10.24 Renamed as Daewoo Securities Co., Ltd.
- 1975.09.26 Initial Public Offering : paid-in capital increased to KRW2 billion
- 1973.09.01 Acquired by Daewoo Corporation
- 1970.09.23 Established Dong Yang Securities Co., Ltd

WE BELIEVE THAT DAEWOO SECURITIES' PROMINENCE CAME NOT ONLY FROM ITS UNPARALLELED BUSINESS EXPERTISE BUT ALSO FROM OUR PEOPLE'S UNDEVIATING COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT, WHICH AIMS TO MAKE CONTRIBUTIONS TO THE SOUND DEVELOPMENT OF THE FINANCIAL INDUSTRY SOCIETY AND THE NATION COMMENSURATE WITH OUR PREMIER STATUS IN THE INDUSTRY.



CEO's Message

Dear shareholders and customers,

I would like to begin this message by extending my deepest appreciation for your unwavering trust and support, which helped propel Daewoo Securities forward and sustain the company's growth over the past year.

Fiscal 2010 marked a significant step forward in our efforts to become one of Asia's leading financial investment companies. Our resolute commitment to companywide innovation solidified our leadership in the Korean financial investment industry, with balanced growth in all our business areas.

Our global financial market (GFM) business unit realized the industry's top performance results as a result of efficient reorganization and systematic asset-liability management, allowing it to emerge as Korea's undisputed sales&trading house.

The investment banking (IB) business unit organized all available resources so it could concentrate more of its energy on carrying out major deals rather than just small-scale ones. As a result, we successfully carried out several major deals, including a rights offering for LG Innotek Ltd., an IPO for Doosan Engine Co., Ltd., and a number of other block sales.

With our overseas business, Daewoo Securities (Hong Kong) Ltd. was named Daewoo Securities' Asia-Pacific Headquarters in 2010. It was consequently allocated an additional US 90 million in capital capacity, to prepare for the expansion of business into IB, sales and trading.

With Daewoo Securities' retail business unit, the underlying competitive edge of the company, it went through a series of comprehensive restructuring measures in December 2010 so that it could focus more of its attention on increasing wealth management account balance, product development and customer services. This has already helped improve our responsiveness to changes in market conditions, while realizing sustainable long-term growth.

These efforts were instrumental in Daewoo Securities earning the highest stock brokerage market share for fiscal 2010 for the seventh consecutive year. In addition, our wealth management business saw its wealth management account balance surpass an unprecedented KRW 45 trillion. This has allowed Daewoo Securities to grow into a reliable wealth manager, with outstanding competencies in the financial investment field, even in a time of challenging and rapidly changing market conditions.

CEO's Message

In addition, we were awarded the Golden Prize in the securities business category at the Dasan Financial Awards. One of the most prestigious financial awards in Korea, the event was co-hosted by the Korean Financial Service Commission and the Korea Economic Daily. Also, Daewoo Securities had the honor of representing Korea's financial investment industry at the Seoul G20 Business Summit in November 2010 and accompanied President Lee Myung-bak on an official state visit to Malaysia one month later.

I believe these notable achievements were backed up not only by the industry-leading competitiveness in all our business areas but also by our steadfast adherence to business ethics, which have been guided by a principles of contributing to the sound development of the financial industry, society and the nation as a whole.

One example of our social responsibility activities includes the Daewoo Securities social volunteer group. Established in 2009, the group dedicates its resources to helping people in need, including multicultural families, in an effort to fulfill the company's social responsibilities. In recognition of its philanthropic work, the group won the Prime Minister's Award on Korea's 11th Social Welfare Day in September 2010.

On behalf of everyone at Daewoo Securities, I cannot stress enough how all of these achievements were only made possible through the support and trust of our shareholders and customers. On a more personal note, I owe a debt of gratitude to every one of my fellow employees for the passion and dedication they have displayed towards our shared vision.

Today's rapidly changing financial markets and intensifying global competition make it impossible for any one particular company to dominate forever. It takes relentless innovation and the ability to deal with the associated hardship from this innovation to sustain one's present success well into the future.

Thus, Daewoo Securities will never be content to rest on its current successes even if it is the top financial investment company in Korea. As we reaffirm our commitment to become one of Asia's leading financial investment companies, we are more willing than ever to overcome every challenge, while embracing change and innovation.

To begin with, we are channeling all available resources into the innovation of our retail business, with the aim of attracting the highest customer asset level in the industry. Retail innovation is the key to solidifying our leadership in the domestic retail

market. This is imperative not only to the survival of our retail business but also to the future of the entire company.

At the same time, we have set our sights on markets beyond Korea's financial industry, as we seek a stable revenue stream from global markets as well. With the goal of becoming one of Asia's leading financial investment companies by 2015, we are in the process of diversifying our revenue sources and realizing balanced growth in our domestic and overseas operations to ensure profitable and substantial growth.

To that end, we will achieve even greater management efficiency through the prudent distribution and administration of resources rather than resorting to cost-cutting measures or restructuring. This will enhance efficiency indicators such as individual productivity and sales margins to the highest international levels.

Innovation is not merely improving conventional norms but transforming them. As a result, it is often associated with some degree of hardship. We have a number of innovation tasks planned for 2011. As we implement these tasks, we may not be able to sustain the sound growth that we have posted over the past few years.

Nonetheless, innovation is not a matter of choice but a matter of survival if we are to reach higher ground and not fall into a cycle of complacency. In the cutthroat competition of today's financial markets, those who stop growing are destined to fade away into obscurity. Every employee at Daewoo Securities is keenly aware of this, which is why they are prepared to make the most concerted effort towards overcoming immediate challenges in order to secure sustainable long-term market dominance.

I would like to convey my deepest respect and sincerest gratitude to our customers and shareholders for your steadfast trust and support in Daewoo Securities. I would also kindly ask for your continued encouragement and support for Daewoo Securities in its innovation drives and achievements as we move forward to becoming one of Asia's leading financial services provider.

Thank you.



PRESIDENT AND CEO Kee-Young Im

Review of Operations



Brokerage

The No. 1 brokerage house in the industry

In FY2010, Daewoo Securities' brokerage business generated revenue of KRW431.1 billion to lead the industry, and for the seventh consecutive year since 2004, we were ranked first in market share in retail brokerage, proof that Daewoo Securities is the undisputed top brokerage house in the country. These outstanding results were by virtue of the combination of our differentiated in-house training program, we call "a cadet school," which has served to boost the abilities of our sales personnel; timely investments as directed by our experts in research, who have been recognized as the finest analysts team in Korea for six consecutive times; and the high quality information ascertained from expert analysis and research. In addition, our people have once again received an award, given semi-annually, for "The best wholesale brokerage team" for the 12th straight time. We also do our best to serve our overseas customers by publishing and releasing research reports in both Korean and English concurrently to improve access and convenience in navigating the domestic market. We are committed to high quality customer service as we seek to become an ever more reliable and capable brokerage service provider.



Brokerage Revenue **KRW 431.1 billion**

Investment Banking



Evolving from domestic leadership to be a global investment bank

Our Investment Banking (IB) segment generated KRW68.0 billion in operating revenue in 2010, the highest in the industry. This was a result of the introduction of an integrated IB system to maximize the efficiency and capabilities of our sales teams and the successful closing of a variety of large-scale deals, harnessing our top-rated capabilities in sourcing deals. In particular, since the launch of KDB Financial Group, synergies have been generated, from the issuance of global bonds to major block deals, and it is these synergies that are expected to be the new growth engine for our IB business. Industry watchers also recognized Daewoo Securities as the top IB house in Korea by choosing the company as the best lead manager in rights offering at the Bell League Table Awards and the best lead manager at the 7th Korea IB Awards. Lastly not only are we involved in IB deals in Korea, but also we are participating in an increasing number of cross-border deals and planning to expand further in overseas markets through our Asia Pacific Headquarters (APHQ) in Hong Kong with the aim of transforming our company to a global player representing Asia in investment banking business.



IB Revenue **KRW 68.0 billion**



Wealth Management

The highest balance in wealth management accounts in the industry

Last year, the balance in terms of wealth management accounts totaled at KRW45 trillion, the highest in the industry. This was attributable to the extraordinary capabilities of our wealth management teams, our expertise in structured products, and significant enhancements in the competency of our sales personnel in the area of private banker (PB)-level customer service. The stable increase in the balance was based on an array of products in the wealth management portfolio including mutual funds, corporate pensions/trusts and ELS. In particular, increased sales of stock financial products improved profitability. In April of last year, we opened our first Private Banking (PB) office, jointly with the Korea Development Bank (KDB), to provide “One-Stop” asset management services. We are strengthening efforts to attract more VVIPs and planning to expand the service, especially in the southern area of Seoul, which is where our core foothold for the wealth management business is located. We will continue to develop new and innovative financial solutions to better serve the needs of our customers, as we have in the past with an X-ray portfolio diagnosis service, KDB’s ELDs, and Golden Age Trusts, to help customers maximize the value of their assets.



WM Revenue **KRW 99.4 billion**



Sales & Trading

Proactive strategy led to the industry’s top profits

Daewoo Securities is looking to the sales & trading segment as one of its future growth engines. In FY2010, we reported a profit of KRW336.9 billion in the sector, which was the highest in the industry, and as a result of our expertise in trading and sales. The segment played a key role in the balanced growth and development of the company with a significant 33% contribution to company-wide earnings. In August 2010, we opened the largest trading center in the country which can accommodate more than 200 traders and staff. The center is equipped with the latest in IT technologies and infrastructure, enabling the maximizing of efficiency. Our sales & trading segment is fully capable of identifying diverse investment opportunities for our customers backed by our superior market analysis, product development, and trading strategies, and thus is expected to play a pivotal role as a driving force in Daewoo Securities’ efforts to become the number one trading house in Asia.



Trading Revenue **KRW 336.9 billion**

2010 at a Glance



PROVEN EXCELLENCE IN WEALTH MANAGEMENT

Overwhelming customer returns

In June of last year, Daewoo Securities showed what it is capable of in wealth management by taking the top spot in the M World Cup with an overwhelming performance - a project sponsored by Chosun Ilbo Daily, Korea's largest daily newspaper. The purpose of the competition was to open an account of KRW20 million in nine local securities companies and compare the final profit rates of all competitors. In the face of prolonged low interest rates, we offered a reliable investment alternative to investors with an ELS product, the sales of which have ranked first in the industry for four years. Our Golden Age Trusts also provided investors with guidelines for after-retirement investment. With a diverse spectrum of products and an expert system of management and analysis, we will strive to offer our customers optimized portfolios that guarantee stable profitability in any market conditions.

Distinctive wealth management product planning

The Financial Supervisory Service (FSS), Korea's financial regulator, again recognized the high quality of Daewoo Securities' products, singling out the company for offering the outstanding "Financial product of the Year" for a seventh year in a row. Through a roster of innovative products, developed using our superior capabilities in product planning, we offer our customers the finest investment opportunities in the industry. For example, we were the first securities firm to introduce an ELD product, which was the KDB ELD Wrap/Trust. Highly praised by our customers, the product was awarded the Korean Financial Excellence Awards. We also introduced a fresh approach to wrap investment consulting with the release of our "Super Manager Wrap" product, designed to take advantage of the strengths of several investment advisory firms. Increasing customer returns and strengthening our wealth management services will continue to be our priorities in the future.



1. Introduced Golden Age Trusts
2. Won the Korea Financial Excellence Awards



NEW BUSINESSES & SERVICES

A leader pioneering new business opportunities

In January 2010, Daewoo Securities put in place a dedicated overseas futures and FX margin service with the introduction of the first, by a securities firm, mock-trading system, and the providing of real time stock market news on a website and via online broadcasts. In anticipation of full-fledged growth of the local hedge fund industry, we are expanding our PBS businesses from SBL (Stock Borrowing & Lending) to derivatives such as equity swaps while entering into strategic alliances with such world leading hedge fund firms as Millennium partners and Harcourt so as to offer our customers more multifaceted investment opportunities.

New services more responsive to the market and customer needs

In 2010, we unveiled various new services that are more reliable and more responsive to customer needs. We became the first in the country to introduce a recall system for improper fund sales and renewed the X-Ray portfolio diagnosis service that allows investors to monitor their funds and get advice on matching their risk profiles with their investment tendencies. Besides these, we introduced a stock trading application for smart phone users in April 2010 and in November, enabled our individual retail customers as well as our corporate customers to use our loan transaction services in an effort to meet the different needs of all of our customers in November.



1. Concluded an exclusive sales contract with Millennium Partners
2. Renewed the X-ray portfolio diagnosis service



GLOBAL BUSINESS



1. Opening ceremony of Shanghai Representative Office
2. Led the listing of Shenglong PV-Tech Investment Co., Ltd

Strengthen presence in the Asian market with solid business platform

In order to gain a strategic foothold for expansion into the Asian market, we transformed Daewoo Securities' Hong Kong office, established in 1994 as the first of its kind opened by a Korean securities firm, into our Asia Pacific Headquarters (APHQ), while increasing its capital to USD100 million. In February 2011, we opened an office in Shanghai, setting up a dual business platform in China along with our existing Beijing office. We also plan to found a local subsidiary in Singapore within the year to increase our presence in Asia. In addition, in aspiring to strengthen our position in Southeast Asia, we are increasing our support for the firm, e-Trading Securities, in Indonesia, in which our APHQ is listed as the second largest shareholder. With this support, we aim to make the company one of the top securities firms in the region.

Maximize profit in overseas markets through IB globalization and collaboration with KDB network

Our ultimate goal is to become a leading global financial investment firm in Asia. To realize this goal, we are working on the globalization of our IB business and producing tangible results including successful listing of Shenglong PV-Tech Investment Co., Ltd, a Chinese solar energy development firm, in the Korean stock market and collaboration for the IPO of Kolao Holdings Co., Ltd, the first-ever Laos company listed on the Korean stock exchange. We also plan to increase synergies by taking advantage of the overseas network of the KDB Financial Group so as to maximize the generation of profitability through rapid expansion and early settlement in overseas markets.



AWARDS



1. Maekyung Best Analyst Awards Ceremony
2. Received the Prime Minister's Award

The most prestigious financial investment firm in Korea with unrivalled competencies

In FY2010, we received, for the twelfth straight time, an award for "Best Institutional Sales Team," at the Hankyung Business Awards, held semi-annually. Our research unit was also recognized as "the most prestigious research group," having the largest pool of the finest analysts in the country. The expertise of our analysts has been ranked the best in the industry six straight times since the first half of 2008, as determined from surveys conducted by Maekyung Economy, the oldest and foremost economic magazine in Korea. Other industry watchers also recognized Daewoo Securities as the top IPO manager in Korea by choosing us as the finest lead manager in rights offerings at the Bell League Table Awards and the best lead manager at the 7th Korea IB Awards sponsored by Money Today, Korea's major economic daily.

Not only the best performing financial investment firm but also a good corporate citizen

In recognition of our industry leading performances, we were awarded the Golden Prize in the securities house at the Dasan Financial Awards, which are the most prestigious financial awards in the nation, and Grand Prizes at the Seoul Economic Daily's Korea Securities Awards, the Maekyung Securities Awards, and the Herald Biz Capital Market Awards. Furthermore, we received the Prime Minister's Award on the occasion of Korea's 11th Social Welfare Day for our volunteer activities focused on the support for multicultural families. As such, we are highly regarded as a socially responsible company and a good corporate citizen.

NO.1

LEADING THE INDUSTRY IN
BROKERAGE, IB, S&T SECTOR AND ETC.

SUSTAINABLE ADVANTAGE

We have established the fundamentals of our retail sector focusing on increases in assets and customer returns to complete structural innovation and to secure a foundation for sustainable growth. We are committed adapting to changing needs of customer and market utilizing creativity and innovation backed by the most competent pool of manpower in the industry.

고려아연 457,000원 0원
티리얼즈 142,300원 ▼3,700원
KOSPI 2206.30 ▼9.70
다음 106,200원 ▲1,200원 한국

LEADERSHIP

CEMENTING OUR LEADERSHIP IN THE KOREAN CAPITAL MARKET

Daewoo Securities has achieved the best results in the industry through change and innovation, which led us to strengthened competitive edge and close collaboration between all of our business segments, while securing our leadership as the number one financial investment firm in Korea.



ADVANCES

CREATING DOMINANT SOLUTIONS

Daewoo Securities has attained the highest levels of balances in wealth management accounts in the industry as a result of our customized investment solutions developed utilizing the synergies created between our trading, product development and sales activities. We have elevated the trust of our customers in us and expanded our customer base by offering comprehensive consulting, customer care and enhanced investor protection measures.



30 ▼ 9.70
에이블씨앤씨 29,800 ▲ 2,500
현대백화점 154,000

KRW **45.1** trillion

DAEWOO SECURITIES
WEALTH MANAGEMENT BALANCE

UNSTOPPABLE INITIATIVE

As a trusted wealth management partner, Daewoo Securities will continue to offer the finest service and product portfolios in the industry to maximize the value of our customers' assets and create new value for our customers through our seamless initiatives for the upcoming 40 years.

A man in a white shirt and tie is smiling and gesturing with his hand in a meeting room. Other people are visible in the background.

SYNERGY

ENHANCING SYNERGY WITH KDB FINANCIAL GROUP

As a result of our success in conducting major deals based upon synergies with the KDB Financial Group, we have demonstrated our competence as a leading IB house in Korea and also accumulated a strong track record through a participation in Global Bond issuance which is mainly being dominated by foreign IBs .



KRW 159.5 trillion

TOTAL ASSETS OF KDB FINANCIAL GROUP
(AS AT DECEMBER 31, 2010)

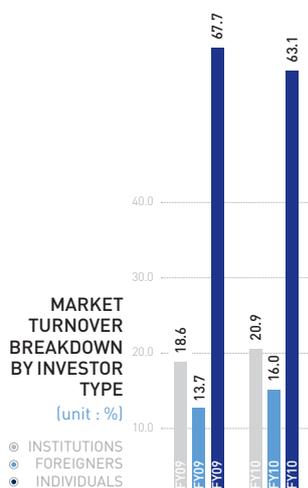
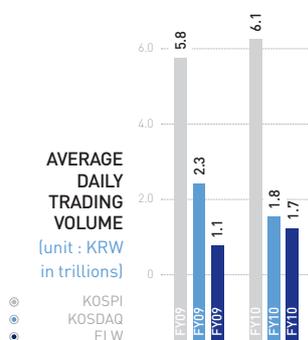
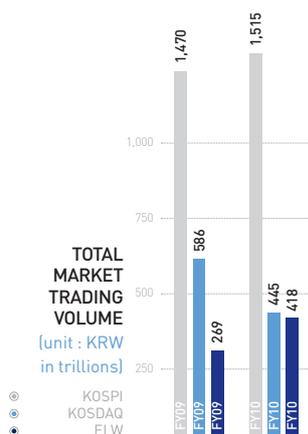
ENVISIONING POSSIBILITY

As the leader in domestic market backed up by the KDB Financial Group's global network, we will accelerate our expansion in international market and try to realize our unlimited potential to secure competitiveness and profitability of our diversified business models.

IN FY 2010, DAEWOO SECURITIES
GENERATED KRW332.6 BILLION
IN OPERATING INCOME AND
KRW256.2 BILLION IN NET INCOME
THROUGH BALANCED GROWTH
IN ALL BUSINESS AREAS AND
DIVERSIFICATION OF ITS REVENUE
BASE, THUS PROVING THE BEST
PROFIT-MAKING ABILITY IN THE
INDUSTRY AND REAFFIRMING
ITS LONGSTANDING POSITION
AS THE NATION'S TOP FINANCIAL
INVESTMENT FIRM.

Management's Discussion & Analysis

1. BUSINESS ENVIRONMENT



In 2010, The Korea Composite Stock Price Index (KOSPI) rose to a record high, topping the 2,000-mark again for the first time in three years. Despite concerns over another possible setback to the steep climb of the index last year, it sustained a double digit rise for two years in a row due to improved liquidity and earnings growth of most players in the market. Most of the emerging Asian stockmarkets also continued on remarkable winning streaks since 2009.

However, not all investors benefited from the rally because the surge was mainly contributed by a handful of stocks in a few industries. In 2010, only three industrial sectors - transport equipment, chemicals, and services - reported returns exceeding the benchmark KOSPI. All of these industries are heavily involved in exports. For instance, the transport equipment and chemical industries have traditionally relied on exports and the strong performance of the service industry was also affected by the improved exports. Korea's highest ever trade surplus in 2010 led to upsurge in the stock prices of exporting industries.

The strong performances of these industries was a reflection of the increased competitiveness of leading domestic corporations, the weakness of the Korean won (KRW) due to the global financial crisis, the ongoing Jasmine revolution, which began in the Middle East and Africa since February and March 2011, and expectations of further exports increase in the aftermath of the earthquake and tsunami that struck Japan. At the same time, the government's high FX rate policy widened the gap between the exporting industries and the others.

In particular, the industries under tight government regulations such as electricity/gas, pharmaceuticals, telecommunications, and insurance posted rates of profitability far below the market average.

The KOSPI closed at 2,106.70pt in FY2010, up 24.5% from the previous year. On the contrary, the KOSDAQ, the nation's junior bourse, rose only 1.9% year-on-year to 525.42pt. All in all, though, local stock markets were on track for recovery. The daily trading volume of the KOSPI increased slightly from a year earlier to KRW6.1 trillion while that of the KOSDAQ plunged 20% to KRW1.8 trillion.

Aggressive foreign buying of stocks continued in 2010. Foreign investors bought stock worth of KRW13 trillion, providing a major boost to Korean stock markets. The second quantitative easing by the U.S. Federal Reserve and low interest rates in other major economies led foreign investors to increase their buying of Korean stocks. Large purchases by foreign pension funds gave local stock markets an added tailwind.

However, the trauma resulting from the seemingly limitless drop in stock prices at the time of the turmoil in global financial markets back in 2008 increased the reluctance to invest in funds. On the other hands of the latest trends in the nation's investment landscape was the emergence of advisory wrap accounts.

2. OVERVIEW

The mood in the domestic bond market turned upbeat in 2010 due to the government's continued quantitative easing, the sustained bullishness of domestic stock markets, and low interest rates. Under these circumstances, Daewoo Securities generated an industry-leading net

Management's Discussion & Analysis

income of KRW256.2 billion built on stable profit-making capabilities backed by balanced growth in all of the company's business segments. Our industry-leading performance in net income solidified our premier position in Korea.

Despite adverse market changes such as the growth of a deep discount brokerage market and the increasing value of trading in ELW (Equity Linked Warrants), our brokerage commissions income again ranked the first in the industry for the seventh consecutive years mainly due to our strong retail sales.

The wealth management accounts amounted to KRW 45 trillion, the highest in the industry, and continued growth thanks to our outstanding capabilities in product development, a varied product line-up, and astute sales skills despite of a rapid change in customer needs as demonstrated by the steady redemption of funds and the rapid growth of the wrap accounts market.

Korea's IB market has expanded over the past two years since the global credit crunch and the competition in the market has gotten tougher. Therefore, we are focusing on large scale deals to improve profitability and exploring further business opportunities in foreign IB marketplaces.

In addition, our sales & trading unit strengthened the capacity of the back office to offer timely monitoring and prudent analysis through sophisticated risk management with an aim of being more responsive and flexible in the face of fluctuations in the market.

Our efforts to equip Daewoo Securities with world-class level sales and trading capabilities were rewarded with an increase in revenue to KRW336.9 billion. Meanwhile, SG&A expenses increased 8% to KRW638.7 billion compared to last year.

3. OPERATING RESULTS

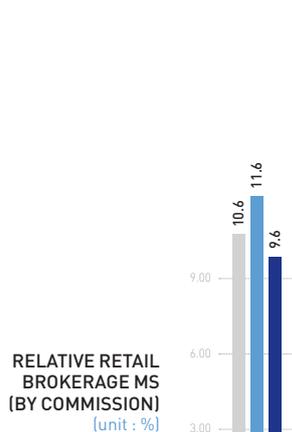
BROKERAGE BUSINESS

Notwithstanding the record-setting performances of domestic stock markets, the daily average trading volume excluding the ELW trade dropped to 3.6% year-on-year to KRW7.8 trillion while the percentage of individual investors decreased 4.6% to 63.1%.

In addition, the growing market share of deep discount brokerage services resulted in unfavorable sales conditions in the sector. However, Daewoo Securities' strong foundation in retail brokerage remained unchanged and we achieved a total of KRW431.1 billion revenue and the largest market share in the segment.

* Market share in brokerage (unit : %)

		FY10	FY09	FY08
Commission revenue	Company-wide	6.9	8.7	7.2
	Stock	6.4	8.1	6.5
	Futures	0.2	0.2	0.3
	Options	0.3	0.3	0.4
Turnover	Stock	6.0	7.2	6.6
	Futures	4.6	5.9	7.2
	Options	2.5	3.8	3.0



UNSURPASSED NO.1 IN RETAIL BROKERAGE

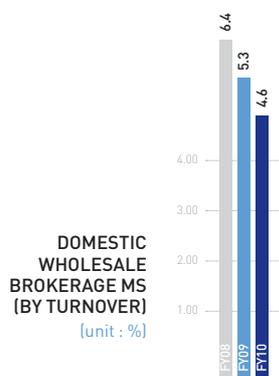
Last year, Daewoo Securities posted KRW376.6 billion in retail brokerage commissions and we topped the industry in the segment for the seventh successive time since 2004. The growth of the brokerage market, however, has slowed as a consequence of increasing competition and a paradigm shift in the mindset of investors. To remain abreast of these changes, from the second half of 2010 we embarked on a drive for greater innovation in our retail area and implemented new growth strategies focused on increasing value for the benefit of our customers.

NEXT GENERATION HTS AND MOBILE SYSTEM

Daewoo Securities' next generation home trading system, QwayNEO, launched in April 2010, received a GOOD DESIGN award by the nation's Ministry of Knowledge Economy, which is the first for a system created by a local securities firm. The system has been complimented for its optimized user interfaces designed on the basis of thorough analysis of trading conditions and the usage patterns. Backed by such efforts, our online discount brokerage service, "Direct", saw customer assets rise by 28% from KRW710 billion in 2009 to KRW912 billion in 2010. We also introduced a smart application called "mobile trading system" (MTS) in April 2010, pioneering early adopters in the steadily growing mobile stock trading market.

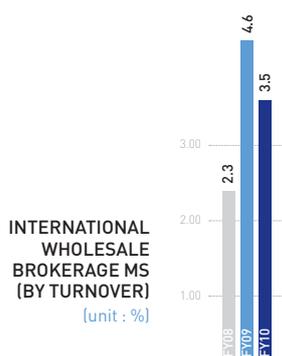
* Retail Brokerage Market Share (unit : %)

		FY10	FY09	FY08
Commission	Individual brokerage	9.6	11.6	10.6
	Turnover			
	Individual offline brokerage	1.0	1.3	1.2
	Individual online brokerage	3.1	3.7	3.4



DOMESTIC WHOLESALE BROKERAGE

Daewoo Securities' domestic wholesale brokerage service has earned a reputation for excellence over a long period of time. Our traders have exceptional capabilities in execution and our brokers provide timely investment advice and professional consulting services for investment in the industries they are specialized in. Our team has been the prime choice of institutional clients as seen in the fact that they have been named as the best wholesale brokerage team by Hankyung Business, the nation's major economic publication, 12 consecutive times semi-annually. Daewoo Securities' market share in the sector reached 4.6%, which was quite a strong performance for a firm without an asset management affiliate. On January 25, 2010, we created a global futures sales department responsible for overseas futures and FX margin sales. The new department has mobilized its full capabilities with the aim of pre-dominating the market. We seek to respond proactively and preemptively to changes in the market in order to maintain our leadership in wholesale brokerage.



INTERNATIONAL WHOLESALE BROKERAGE

Based on the significant expansion of our international wholesale brokerage business in 2009, Daewoo Securities' equity sales to foreign institutional investors were among the highest in the industry. We also achieved qualitative growth in sales and profitability in the segment. To remain abreast of rapidly changing demand in the markets, we increased the number of sales personnel at our head office as well as at our overseas offices in Hong Kong, New York and London, and adopted an efficient business infrastructure, implemented training programs for junior global sales

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personnel, and enhanced customer management and trading systems. In addition, our top-class research people provide reports in Korean and English simultaneously so as to provide our customers worldwide with the latest investment information in a timely manner. We are committed to improving the quality of our customer service through an array of channels including road shows by market analysts, NDR, corporate day events, one-on-one meetings, and video conferences.

In anticipation of domestic legislation on the creation of hedge funds and the consequent growth of the prime brokerage business, we have expanded the mission of our prime brokerage service (PBS) department, the main responsibility of which was SBL, to include derivatives such as equity swaps while strengthening its equity financing services.

*Wholesale Brokerage Market Share (unit : %)

	FY10	FY09	FY08
Domestic	4.6	5.3	6.4
International	3.5	4.6	2.3

INVESTMENT BANKING (IB)

OPERATING REVENUE

Operating revenue from IB in FY2010 was KRW68 billion reflecting a rebound in traditional IB business such as rights offerings, IPOs and block trades. Our strength in ECM led to growth in our equity underwriting commissions. We also reported steady and strong performances in our debt and advisory services, especially in ABS (asset backed securities).

OUR DOMINANCE OF THE MARKET CONFIRMS OUR IB EXCELLENCE

The issuance of securities in 2010 continued upswing after a major resurgence in 2009. During this period, we took the lion's share of the rights offering and ABS sector while having the second largest market share in the block trade business. All of the numbers clearly show that we are undeniably a large player in investment banking.

* Performances in IB by sector (unit : KRW in billions)

	FY10	FY09	FY08
Rights offering	Ranked 1 st	1 st	3 rd
Daewoo Securities' underwriting	1,580.9	688.1	696.7
Total market value	5,414.9	6,159.9	4,234.8
Block Trade	2 nd	5 th	-
Daewoo Securities' sales	1,155.5	300.5	-
Total market value	6,926.3	3,130.9	2,001.4
IPO	7 th	1 st	1 st
Daewoo Securities' underwriting	434.7	1,504.2	150.9
Total market value	8,621.0	5,927.3	728.5
ABS	1 st	1 st	1 st
Daewoo Securities' underwriting	2,481.5	3,529.5	2,373.0
Total market value	19,341.1	26,042.2	16,093.5
Corporate bond	4 th	5 th	3 rd
Daewoo Securities' underwriting	3,939.7	3,405.3	3,913.4
Total market value	46,735.4	44,291.0	45,522.3



* IB market share by sector (unit : %)

Business type	FY10	FY09	FY08
Rights offering	29.2	11.2	16.5
Block Trade	16.7	9.6	-
IPO	5.0	25.4	20.7
ABS	12.8	13.6	14.7
Corporate bond	8.4	7.7	8.6

SUCCESSFUL HANDLING OF A SERIES OF LARGE IB DEALS, MAINTAINED THE HIGHEST MARKET SHARE AND A SOUND TRACK RECORD

EQUITY MARKET : In the rights offering segment, our market share in the last year was 29%, making Daewoo Securities the overwhelming leader in the segment. We led a KRW254.3 billion rights offering for Hanjin Shipping Co.,Ltd, and successfully conducted other major deals for LG Innotek Ltd., KDB Life Insurance, and Taihan Electric Wire Co., Ltd.

In block trades, our client list increased further to include the Woori Financial Group (KRW1.16 trillion), Hynix Semiconductor (KRW923.2 billion), Doosan Heavy Industries and Construction Co., Ltd. (KRW529.5 billion), and Doosan Infracore Co., Ltd. (KRW571.9 billion). These deals consolidated our premier position in the market and added to a stellar track record in this sector.

In the IPO market, we acted as a lead manager in the IPO of Doosan Engine Co., Ltd. (KRW202.6 billion) and were involved in IPOs for the Hyundai Wia Corp. (KRW520.0 billion) and Mando Corp. (KRW498.0 billion). Our outstanding capabilities as an IPO lead manager also led to the successful listing of Shenglong PV-Tech Investment Co., Ltd.,(KRW50.4 billion) a Chinese solar energy development firm, on the Korean KOSPI stockmarket.

DEBT MARKET : Daewoo Securities has been an irrefutable market leader in the issuance of ABS, which has seen an increase in customer demand for debentures over the last two years during the economic rebound in Korea. Our expertise in structured securities has enabled us to take a leading position in this sector.

We also have solidified our presence in ABS market while leading diverse sectors including participation in the Korea Credit Guarantee Fund's Primary CBO guarantee program to assist financially-stricken SMEs, the issuance of secondary CBOs, which securitize the bonds owned by the Korea Development Bank (KDB), and the securitization of project financing (PF) loans of major construction companies as well as other segments of the market such as non-performing loans (NPL) and mortgage backed securities (MBS).

With regards to corporate bonds, Daewoo Securities has assisted many companies to provide liquidity. One major example is the participation in issuance of global bonds for KEPCO, Korea's state-owned electricity company. Although the global bond marketplace is dominated by foreign firms, we have demonstrated our capabilities in this sector while working to establish a solid track record.

ADVISORY MARKET : Daewoo Securities is committed to strengthening its capabilities in conducting large-scale M&As through the hiring of top-rated experts and the accumulation of knowledge and experience of small- and medium-sized deals. Based on these efforts, we have

Management's Discussion & Analysis

bolstered our track record as an outstanding advisor for large-scale deals with the acquisition of the Daewoo Electronics Corp., and the selling-off of the Daewoo Shipbuilding & Marine Engineering Co., Ltd., Daesun Co., Ltd., and the Korea Express Co., Ltd.

In particular, the M&A involving the Daesun Co., Ltd., acclaimed for its fairness and rapid execution, clearly demonstrate Daewoo Securities' powers of execution in this area.

As for the private equity (PE) business, we have also been active in managing the Green Future PEF worth KRW100 billion, which identifies and invests in next generation growth engines among promising local companies in the domestic LED industry.

STABLE INCOME GENERATION FROM PROJECT FINANCING AND ADVISORY

Despite a prolonged slump in the real estate market, we have expanded our PF business into energy, shipping and raw materials to secure stable sales revenue and achieved KRW24.2 billion in revenue in the segment, including KRW7.3 billion from the disposal of our shares in Hynix Semiconductor.

AWARDED FOR OUTSTANDING IB CAPABILITIES

The exceptional progress Daewoo Securities has made in the IB sector was recognized on several occasions. For example, we won the award for the "Best Deal" at the 2nd Korea IB Awards sponsored by the Korea Economic Daily and Yonhap Infomax for the listing of the Daewoo Securities Green Korea Special Purpose Acquisition Company (SPAC), the first of its kind in Asia. We were also named as the year's best lead manager for rights offerings at the 2010 Bell League Table Awards.

SALES EMPOWERMENT WITH AN INTEGRATED IB SYSTEM

Daewoo Securities has developed an integrated IB system to improve the efficiency of our sales and to systemize the management of IB deals. The system includes a database with deals, records of sales activities, and the financial information of various businesses. With the aim of increasing timeliness and the efficiency of our sales activities, the system is also available on mobile devices.

WEALTH MANAGEMENT (WM) BUSINESS

WM COMPETENCIES ENHANCED BY RETAIL INNOVATION

In order to innovate and strengthen the competitiveness of our WM retail business, we integrated our IM and WM personnel into the PB unit to better facilitate the cross-selling of all brokerage and WM products through an integrated system designed to fit for the purpose. Consequently, the balance of our WM accounts amounted to KRW45.1 trillion in FY2010, up 14% from FY2009. In addition, WM revenue commissions rose 44% from a year ago to KRW99.4 billion.

GROWING ADVISORY WRAP BUSINESS AND DIVERSIFIED PROFIT SOURCES

Since July 2010, the popularity of advisory wrap accounts has soared, prompting the balance in the accounts to surge from KRW11.8 billion in FY2009 to KRW617.4 billion by the end of 2010. The

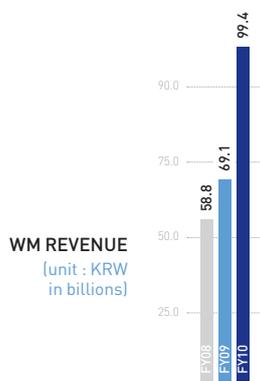
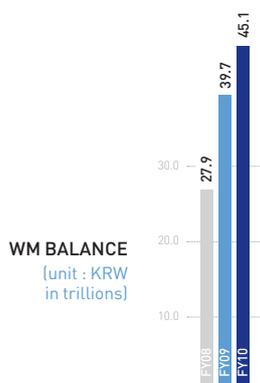
robust sales of the product also led to the diversification of the WM profit base, which was previously focused on retail bonds and ELS. The revenue from wrap accounts increased 131% to KRW37.0 billion in FY2010, accounting for 37% of total revenue from the WM business.

CREATE SYNERGIES WITH KDB FINANCIAL GROUP

We launched an ELD product linked to the KOSPI 200 in collaboration with the Korea Development Bank (KDB), increasing the synergies between our two companies. The ELD product is a wrap account incorporated into KDB's ELD wrap/trust, which is based on the KOSPI 200. With this product, investors will be able to retain their initial investment even in a bear market while seeing a rise in profitability in an upturn of the stock markets. Our ELDs reflect investor demand for products offering high returns when interest rates are low. We are planning to introduce more of such joint investment products in conjunction with KDB, while strengthening synergies from our partnership.

UPGRADED X-RAY PORTFOLIO DIAGNOSIS SERVICE

The X-ray service enables investors to monitor the status of their funds and get advice on alternative investments best suited to their personal investment profile. The service was recently upgraded after steps were taken to enhance and renew its processes. The fund management service provides a multifaceted analysis and diagnosis of a customers' assets by type, invested country, and currency. Based on the analysis and diagnosis, clients receive advice regarding possible adjustments to their portfolios and recommendations as to what funds are best suited to their investment profile. Before the upgrade, the existing fund management services offered customers only limited self-diagnosis tools. The new system allows customers more flexibility, offers a greater range of choices and offers timely advice and recommendations. For instance, the service enables customers to monitor their portfolios more effectively, allowing them to check the rates of profitability of their funds and the rates of a wish list of other investments, and offers greater convenience in the creation of simulated portfolios. The service also enables investors to consult directly with wealth management experts via telephone.



* Wealth management balance and revenue

	FY10	FY09	FY08
WM balance (unit: KRW in trillions)	45.1	39.7	27.9
WM revenue (unit: KRW in billions)	99.4	69.1	58.8



WEALTH MANAGEMENT BALANCE COMPOSITION
(unit : KRW in trillions)

MUTUAL FUNDS	8.3	CD/CP/BOND	6.7
WRAP	13.9	RP	5.6
CORPORATE PENSION/TRUST	7.9	ELS	1.3
		OTHERS	1.4

* Wealth management balance composition (unit : KRW in trillions)

	Mutual funds	Wrap	Corporate pension/trust	CD/CP/bond	RP	ELS	Others
	45.1	8.3	13.9	7.9	6.7	5.6	1.3

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SALES & TRADING

EARNINGS IN SALES & TRADING BUSINESS

In FY2010, our sales & trading (Global Financial Market (GFM) division) generated KRW336.9 billion in operating revenue. The GFM is positioned as the company's core cash cow with its contributions of 33% of the total earnings of the company.

BUILDING A TRADING FLOOR COMPARABLE TO GLOBAL IBS

Last August, we opened the largest trading floor (151.51m²) in Korea, which can accommodate 200 people at any given time. As the spacious floor allows us to bring together traders as well as sales, financial engineers, middle office personnel, and IT people, business efficiency has significantly improved. The floor is also equipped with an advanced IT infrastructure such as the total OTC system (Front Arena), and the first bond trading support system in the industry. The big wall board and ticker installed on the floor frequently appear on television screens as a background for interviews and news on stockmarkets, thus giving the company more media exposure and promoting its image among the general public.

DERIVATIVES : Since the attainment of an OTC derivatives license in 2003, we have led the development of the market with a varied product line-up, which includes ELS, DLS, and ELW. We generated KRW30.7 billion in operating revenue in the sales and trading business on the strength of stable and balanced management of our ELS and ELW book and the introduction of distinctive new products. Daewoo Securities was also the leader in the industry in terms of DLS issuance last year. In addition, when it comes to ELS issuance, we have been second to none for four years in a row.

In the past year, we also launched a Derivatives Syndicate Unit, the first in the industry, to ensure the smooth provisioning and trading of products. We also have developed hybrid products that combine interest rates, FX rates, credit and stock indices. Thanks to these innovative approaches and our dominant performance against our competitors, we won the Best Derivatives Product award at the 2010 Korea Stock Awards and the Grand Prize at the 2nd Korea IB Awards.

FIXED INCOME : Daewoo Securities' fixed income business is responsible for bond dealing/intermediary, and RP trading/sales. In 2010, the accuracy of our predictions for the market and proactive business strategies contributed to our operating revenue to KRW235.9 billion, which is the highest in the Korean fixed income market. Despite the market decrease, our retail bond sales also rose from the previous year to KRW4.2 trillion, the best in the market. Following an assessment of the market for government bond sales by the Korean Ministry for the Knowledge Economy, the ministry recognized Daewoo Securities as an outstanding corporate bond dealer in the first half of 2010 and ranked the company number one in the segment out of all financial investment firms and banks in the country in the latter half of the year.

In an effort to develop new products, revenue sources, and synergies, we established a foreign bond trading desk in Hong Kong responsible for foreign currency RP, a foreign currency bond book, a Dimsum bond intermediary, and a Korean currency bond intermediary for foreign investors.

PROPRIETARY TRADING : Daewoo Securities' proprietary trading is composed of principal

investment and prop-trading that includes stocks, futures, and options. 2010 operating revenue in the segment improved to KRW70.3 billion, attributable to strategic investment based on fundamental analysis and the resultant maximization of profitability.

In the prop-trading unit, manpower and resources for hedge trading were increased in order to ensure the effective management of positions and the diversification of our investment strategies, which have allowed Daewoo Securities to strengthen its competencies and expertise in this area.

INTEREST INCOME

Interest income for 2010, excluding interest on bonds, rose to KRW96.9 billion, up 21% from KRW80 billion a year ago. More specifically, the interest on brokers' loans rose by KRW15.5 billion due to an increase in securities collateral loans. The dividend yield surged by KRW44.1 billion to KRW59.7 billion reflecting a cash dividend from Daewoo Capital CRV, one of our available-for-sale securities. With an increase in the issuance of debentures in 2010, interest income on debentures rose by KRW19.8 billion to KRW38.9 billion.

SELLING, GENERAL & ADMINISTRATIVE (SG&A) EXPENSES

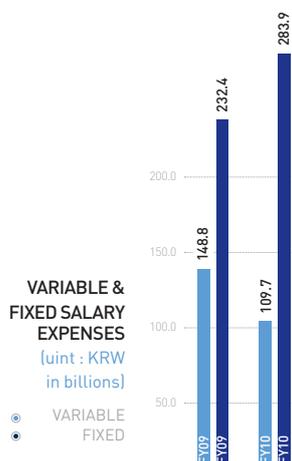
In 2010, SG&A expenses were up 8% year-on-year to KRW638.7 billion, primarily owing to a KRW22.9 billion increase in severance payment for voluntary retirement in December 2010 as well as company-wide increases in costs.

Taxes and dues including an education tax and a securities trading tax increased by KRW5.1 from the previous period while increased television advertising brought up overall advertising expense by KRW2.1 billion.

The establishment of an advanced trading system and the enhancement of a training program for the system led to increases in computer system operating expenses and research expenses by KRW3.3 billion and KRW2.4 billion, respectively.

*** SG&A expenses (unit : KRW in billions)**

		FY10	FY09	FY08
Labor costs	Salaries	166.1	148.4	143
	Severance payments	52.6	29.7	24.9
	Fringe benefits	174.9	203.1	120.5
		393.6	381.2	288.3
Computer system operating expenses		23.5	20.2	19.6
Rental expenses		19.6	17.1	17.7
Commissions paid		9.5	7.5	7.1
Entertainment expenses		7.4	7.7	7.8
Advertising expenses		39.9	37.8	36.3
Depreciation expenses		25.2	23.1	22.8
Research expenses		3.6	1.2	2.1
Training expenses		3.5	3.2	3.8
Amortization expenses on intangible assets		13.0	10.2	6.2
Taxes and dues		36.0	31.0	20.3
Others		63.9	53.6	46.2
Total		638.7	593.8	478.3



Management's Discussion & Analysis

4. FINANCIAL POSITION

FINANCIAL CONDITION

As at FY2010, total assets were valued at KRW17,940.5 billion, up 2.5% or KRW436.7 billion from KRW17,503.8 billion in 2009. Total liabilities and total shareholders' equity posted increases of 2.9% and 0.1% to KRW15,077.2 billion and KRW2,863.3 billion, respectively. Marketable securities were KRW12,039.1 billion or a 4.3% gain from a year earlier, reflecting growth of KRW836.7 billion in bond holdings as a result of an increase in the volume of RP sales and bond trading. However, derivatives combined with securities decreased by KRW391 billion on the back the growth in our own hedging agreements. Loan receivables rose 52% to KRW1,550.6 billion backed by a rise in secured collateral loans and loans purchased. Total liabilities, which were KRW14,647.8 billion in 2009, increased by KRW429.4 billion to KRW15,077.2 billion in 2010. The RP balance was up by KRW566.9 billion to KRW6,648.2 billion while debentures and subordinated debentures each increased by KRW300 billion. Customer deposits and other liabilities dropped by KRW419.4 billion and KRW198.8 billion respectively.

As at 31 March 2011, total shareholders' equity balance did not move so much from the previous year to total KRW2,863.3 billion due to the effect of capital reduction after the purchase of treasury shares.

Capital stock remained at KRW1,020.9 billion, unchanged from the previous year. The total number of shares outstanding was 190,100,891 and 14,075,750 for common and preferred stock respectively.

* Summarized balance sheet (unit : KRW in billions)

	FY10	FY09	FY08
Cash and deposits	2,915.5	3,599.1	3,460.8
Securities	12,039.1	11,546.7	8,788.7
Derivatives	203.9	221.7	296.6
Loans	1,550.6	1,017.6	622.3
Tangible fixed assets	426.0	424.3	426.0
Others	805.4	694.3	630.7
Total assets	17,940.5	17,503.8	14,225.1
Deposits	2,090.7	2,520.4	1,951.4
Borrowings	12,387.8	11,329.7	9,224.2
Other liabilities	598.7	797.7	559.7
Total liabilities	15,077.2	14,647.8	11,735.3
Pain-in capital	1,020.9	1,020.9	1,020.9
Capital surplus	223.5	222.8	222.8
Capital adjustments	(133.9)	(33.0)	(33.0)
Accumulated other comprehensive income	121.0	167.9	80.0
Retained earnings	1,631.8	1,477.4	1,199.1
Total shareholders' equity	2,863.3	2,856.0	2,489.8
Total liabilities and shareholders' equity	17,940.5	17,503.8	14,225.1

5. NET CAPITAL RATIO (NCR)

To maintain our financial soundness, we measure and monitor the net capital ratio on a regular basis as required by the nation's financial supervisory authorities. The net capital ratio was adopted by the authorities to promote the soundness of financial investment firms and, more importantly, to protect investors in a volatile financial market.

The ratio is calculated by dividing the net working capital by total risk as of a set date. Net working capital can be determined after subtracting illiquid assets from shareholders' equity. In other words, it is the value obtained by subtracting total liabilities from total assets, which is then adjusted with necessary deductions such as non-current assets as well as inclusions such as debt without recourse. Total risk refers to quantified losses that may arise in the event of a market downturn, which reflects market risk, credit risk, and operational risk.

As at March 2011, our net capital ratio was 469.7% (KRW2,390.6 billion in net working capital divided by KRW509.0 billion in total risk), placing it well above the figures stipulated by government regulations: 150% for securities businesses (Financial Investment Industry Regulations), 200% for dealing in new OTC derivatives (Capital Markets Act), and 300% for the listing of new ELS or ELW and to act as a liquidity provider (LP) (Regulations for listing on the Korea Stock Exchange and related businesses). Surplus capital, an indicator of the risk management capabilities of an investment firm, is calculated by subtracting total risk from net working capital. Our surplus capital by the end of March 2011 remained among the top in the industry at KRW1,881.7 billion.

* Net capital ratio (unit : KRW in billions)

	FY10	FY09	FY08
Net working capital	2,390.6	2,267.3	1,917.3
Risk-weighted assets	509.0	521.5	361.3
Net capital ratio	469.7%	434.8%	530.7%
Surplus capital	1,881.7	1,745.8	1,556.0

6. RISK MANAGEMENT

RISK MANAGEMENT PRINCIPLES

Risk is the potential loss that may arise in the course of conducting business. Therefore, efficient management of risk is the key to success for financial institutions. Opportunities for creating value would not exist without risk, but excessive risk exposure can lead to severe losses in corporate and shareholder value. Daewoo Securities' executive management fully understands the importance of effective risk management and strives to create the best value possible for both its shareholders and the company within an acceptable range of risks. The risks that Daewoo Securities is exposed to in conducting business are classified into market, credit, liquidity, operational, legal, and reputation risks, and these must be comprehensively identified, monitored, and controlled. The company also mobilizes its most talented personnel and organizes its financial affairs to maintain risk management policies and systems that reflect global standards. Through these efforts, the company has secured both an industry leading performance and a stable level of capital adequacy as required by Korea's Financial Supervisory Service (FSS).

Management's Discussion & Analysis

* Risk Management System

Regulations & System	Risk Management Organization	Risk Measuring Methods
<ul style="list-style-type: none"> · Risk Management Regulations · Risk Management Committee Regulations · Market Risk Management Guidelines · Credit Risk Management Guidelines · Liquidity Risk Management Guidelines · Operational Risk Management Guidelines · Overseas Network Risk Management Guidelines · Trust Asset Management Guidelines · Assessment Regulations · Principal Investment Management Guidelines · Acquisition Review Guidelines · NPL Management Guidelines · Real Estate Project Financing Risk Management Guidelines 	<ul style="list-style-type: none"> · Risk Management Committee · Proprietary Asset Risk Management Council · Trust Asset Risk Management Council · Investment Review Committee · Risk Management Executive · Risk Management Department · Investment & Credit Assessment Department · Risk Manager · Risk Reporter · Operational Risk Manager 	<ul style="list-style-type: none"> · Standard VaR · Internal VaR · Exposure · Sensitivity · Simulation · Liquidity Gap · Stress Test

Daewoo Securities maintains a comprehensive companywide risk management system through diverse regulations, guidelines and standards. To begin with, the company prioritizes risk management issues according to government regulations and sets its own risk management standards in order to achieve capital adequacy and stable risk management via the efficient management of risks and distribution of available investment resources. Within the company, a risk management committee functions as the highest authority in the hierarchy of the risk management structure in accordance with regulations specific to the risk management committee. The company also operates a Proprietary Asset Risk Management Council and a Trust Asset Risk Management Council to deal with the details and the delegated issues of resolutions determined by the Risk Management Committee. In addition, we established detailed guidelines to effectively manage risk according to the type of asset management and risk exposure. The guidelines include Market Risk Management Guidelines”, “Credit Risk Management Guidelines”, “Liquidity Risk Management Guidelines”, “Operational Risk Management Guidelines”, “Overseas Network Risk Management Guidelines” and “Trust Asset Management Guidelines.”

In addition to the regulations, guidelines and standards related to risk management, Daewoo Securities has drawn up a set of “Assessment Regulations” to promote stability and efficient follow up on investments and extensions of credit lines. These regulations set forth procedures for managing principal investments, acquisitions and credit lines and for the monitoring, recovery, and management of non-performing loans. The “Investment Review Committee Regulations” guide the activities of the Investment Review Committee on principal investments and other committee duties. Daewoo Securities has also drawn up “Principal Investment Management Guidelines”, “Acquisition Review Guidelines”, “Non-Performing Loan Management Guidelines” and “Real Estate Project Financing Risk Management Guidelines.”

RISK MANAGEMENT ORGANIZATION

Daewoo Securities' risk management organization is comprised of a Risk Management Committee ("Committee"), a Proprietary Asset Risk Management Council, a Trust Asset Risk

Management Council, a Trust Asset Risk Management Council, an Investment Review Committee, a Chief Risk Officer, a Risk Management Department, an Investment & Credit Assessment Department, a risk manager from each business division level, a risk reporter from every department, and an operational risk manager.

RISK MANAGEMENT ORGANIZATION CHART



The Committee, comprised of more than three BOD members including at least one outside director, heads Daewoo Securities’ risk management structure. The Committee prepares risk management strategies that correspond to the company’s management strategies and supervises the risk management process. Major issues that the Committee reviews and resolves include enacting and revising risk management regulations, guidelines and systems, setting adequate capital ratio levels including risk appetite, authorizing criteria for judging liquidity crisis and contingency plans, mandating total risk limits by year and quarter, setting liquidity risk limits, extending large-size credit lines, and approving improvements and major changes to the risk management system. The nomination and dismissal of Committee members is determined by the board of directors and the Committee chair is selected from among the members. In the event of a risk-related emergency in which the Committee is unable to meet, the chair is entitled to authorize the suspension of the pertinent transaction or trust asset operation, readjustment of position, and other appropriate measures related to the pertinent department.

The Proprietary Asset Risk Management Council and the Trust Asset Risk Management Council deal with the details and the delegated issues of resolutions determined by the Committee and report the results to the Committee. The Proprietary Asset Risk Management Council’s major functions include: approving the commencement of new transactions or introduction of new products, assenting to usage of and changes to price valuation models, approving issues related to the incorporation of policy positions, authorizing criteria for the evaluation of risk-adjusted performances of relevant departments, distributing limits approved by the Committee according to department and marketing activity, consenting to risks that exceed distributed limits, and approving changes to the routine risk management system. Members of the Council are

Management's Discussion & Analysis

assigned on an individual basis and the role of chair is held by the Chief Risk Officer (CRO). In the event of an emergency related to issues dealt with by the Council, the chair is entitled to demand the suspension of the transaction, readjustment of position and appropriate measures related to the pertinent department and designated employee.

The Trust Asset Risk Management Council's major functions include: approving the commencement of new transactions or introduction of new products, certifying the classification of trust assets acquired for the company's own accounts, valuing bonds for which price information provided by bond rating companies are not applicable, and approving risk in excess of the limits related to the management of trust assets. Council members are appointed by the Committee and the executive officer in charge of trust assets serves as chair of the Council. In the event of an emergency related to issues dealt with by the Council, the chair is entitled to demand the suspension of the transaction, readjustment of position and appropriate measures related to the pertinent department and designated employee. The Investment Review Committee is the body responsible for conducting reviews of the company's investment transactions and is composed of executive officers. The Committee convenes regularly to facilitate investment decision-making. The Committee's major functions include conducting reviews of: principal investments exceeding specified limits or the acquisition of assets for similar purposes; acquisitions and extensions of credit lines; and designations of non-performing loans, position transfers and alternative pricing for financial investments. The Chief Risk Officer (CRO) serves as chair of the Proprietary Asset Risk Management Council and the Investment Review Committee. The CRO presides over the meetings of the two bodies and has authority over the risk management organization. The CRO is also entitled to take appropriate measures in the event of an emergency concerning the company's risk management.

The risk management department is tasked with overseeing a comprehensive risk management system that enhances risk management capacity so as to protect and enable the efficient usage of the company's equity capital, laying the foundation for sustainable growth. The risk management department executes the risk management policies determined by the Committee or the Proprietary Asset Risk Management Council through appropriate procedures and systems, plans and controls all risk management-related issues and oversees the operation of the Committee or the Proprietary Asset Risk Management Council. The department also oversees reports on the current status of the company's asset management and reports on overall risk management issues to the executive management. The Investment & Credit Assessment Department's major functions include: providing rational decisions based on comprehensive analysis of transactions related to principal investments, underwriting transactions and extensions of credit lines, and follow-up after transactions are executed to facilitate recovery. The department conducts reviews prior to the company's investment transactions independent from the sales departments and supports the operations of the Investment Review Committee. Its responsibilities also extend to monitoring investment positions, recovery, and management of non-performing loans. The risk manager, reporting to the division head of the risk management department, works independently of transaction-related departments and assesses the operational positions, the profit/loss of transactions and all related risk factors of each business division. The risk manager then reports the results of the

assessment to the head of the division and notifies the risk management department. Risk reporters are selected from each transaction-related department to report on the current status and activities of their departments' risk position to the management of the transaction-related department and the division, and to report to the risk management department. Operational risk managers are selected from each department and branch to manage operational risk using the RCSA (Risk & Control Self Assessment), KRI (Key Risk Indicator) data input system, and the registration of loss cases.

MANAGEMENT OF MAJOR RISK FACTORS

MARKET RISK : Market risk refers to the potential losses that the company may incur in the course of conducting asset management business due to changes in the market value of equity prices, interest rates and currency rates. Daewoo Securities mobilizes the standard market Value at Risk (VaR), set according to Korea's Financial Supervisory Service (FSS) regulations, and the internal market VaR, calculated by the company's internal risk management system, to monitor and control market risk. VaR calculates the maximum loss expected on an investment, over a given time period, and given a specified degree of confidence level when the market price moves in an adverse direction under normal market conditions.

Although VaR is an effective market risk measurement method, it fails to provide information on possible losses in cases exceeding a given confidence level, as it is calculated under the premise of normal market conditions. To mitigate VaR shortfalls, Daewoo Securities utilizes additional indicators to manage market risk such as sensitivity monitoring and stress testing. Daewoo Securities produces assessment and analysis reports on current market risk on a daily, weekly and monthly basis for submission to the executive management. The reports also contain the current status of loss limit monitoring, assessments of major company assets, the results of crisis scenario analysis and the current status of capital adequacy.

CREDIT RISK : Credit risk refers to the losses that Daewoo Securities would incur if a counterparty or an issuer of securities or other instruments held by the company failed to fulfill its contractual obligations, or upon a deterioration in the credit quality of a third party, whose securities or other instruments, including OTC derivatives, are held by the company. To reduce our credit exposure, we assign exposure limits that vary according to the counterparty or their credit rating and utilize the standard model to maintain an appropriate level of capital adequacy by controlling VaR credit limits. Additionally, through regular monitoring - usually, weekly and monthly - of the current credit risk status, we focus on monitoring major counterparties in which we have excessive exposure.

Transactions involving credit risk are usually difficult to securitize due to their large volume. Therefore, proactive risk management strategies are imperative. Considering this characteristic of credit risk, Daewoo Securities undertakes mandatory proactive inspections of all transactions involving credit risk to reflect both qualitative and quantitative analyses in the inspection report process.

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LIQUIDITY RISK : Liquidity risk generally occurs in two types of situations. In the first, market liquidity risk may occur when a firm is unable to offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. In the second, prudential liquidity risk may occur when a company is unable to maintain minimum liquidity ratios. To measure liquidity risks, Daewoo Securities operates a liquidity risk management system and uses liquidity gap and liquidity ratios as key indicators. Daewoo Securities reports the liquidity risk status on a weekly and monthly basis to the executive management while the financial department also reports the current situation to the management regularly. In addition to managing normal liquidity risk, Daewoo Securities has drawn up emergency plans to deal with any liquidity crisis that may arise. Crisis situations are classified into the three categories of caution, alert and risk, depending on the company's liquidity conditions and stability in the financial markets. Specific action plans have been prepared for each phase. Financial market stability is monitored based on indicators that take into account the attributes of each management department and the senior management is briefed on a regular basis.

OPERATIONAL RISK : Operational risk is the risk of loss arising from shortcomings or failures in internal processes, people or systems, and from external events. Daewoo Securities uses a value chain analysis for systematic assessment of the companywide work process. This enables sophisticated operational risk management as well as efficient control of overall processes.

We have in place an operational risk management system for loss monitoring, risk & control self-assessment, key risk indicator management and risk measurement. In order to prevent repeat occurrences, the system collects data on past incidences of loss events and analyzes their root causes and types. Regular risk and control self-assessments facilitate the day-to-day monitoring of risk at the companywide level for effective management of operational risk factors, event types and countermeasures. The selection of key risk indicators also enables us to mitigate operational risk. For calculation of operational VaR, we use both the standard model recommended by financial and investment industry regulations and our internal model, the AMA (Advanced Measurement Approach).

LEGAL RISK : Legal risk is the potential loss that the company may incur due to unexpected changes and/or the adverse impact of shortfalls in contracts and/or legal translations or changes in laws and regulations governing securities firms. Daewoo Securities includes these legal risks in its operational risk management system and assigns a legal affairs department to exclusively handle legal risk.

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Independent auditors' report

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 **ERNST & YOUNG**

The Board of Directors and Stockholders Daewoo Securities Co., Ltd.

We have audited the accompanying statements of financial position of Daewoo Securities Co., Ltd. (the Company") as of March 31, 2011 and 2010, and the related statements of income, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daewoo Securities Co., Ltd. as of March 31, 2011 and 2010, and the results of its financial performance and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of financial performance, and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

May 17, 2011

Ernst & Young Han Young

This audit report is effective as of May 17, 2011, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

STATEMENTS OF FINANCIAL POSITION

At of March 31, 2011 and 2010

(unit : Korean won in thousands)

	2011	2010
ASSETS		
Cash and deposits		
Cash and cash equivalents	₩ 82,802,707	₩ 739,606,448
Reserve for claims of customers' deposits (trust)	1,854,159,295	2,225,330,301
Margin deposits for exchange-traded derivatives	11,621,174	6,682,589
Long-term due from financial institutions	939,979,486	615,309,355
Others	26,942,801	12,213,260
Total cash and deposits	2,915,505,463	3,599,141,953
Securities		
Trading securities	7,162,003,838	7,743,248,127
Available-for-sale securities	4,599,477,947	3,211,190,421
Equity method investments	188,299,605	111,953,780
Hybrid debt securities acquired	89,337,867	480,318,424
Total securities	12,039,119,257	11,546,710,752
Derivatives assets	203,935,174	221,745,779
Loans		
Broker's loans, net of allowance of ₩5,426,450 thousand (March 31, 2010: ₩4,032,128 thousand)	1,079,756,438	802,286,380
Loans purchased, net of allowance of ₩12,627,696 thousand (March 31, 2010: ₩43,614,467 thousand)	282,281,873	88,358,007
Advances for customers, net of allowance of ₩6,190,576 thousand (March 31, 2010: ₩17,833,113 thousand)	384,900	384,900
Other loans, net of allowance of ₩29,425,291 thousand (March 31, 2010: ₩35,708,742 thousand)	188,172,339	126,605,576
Total loans	1,550,595,550	1,017,634,863
Property and equipment, net	426,008,450	424,256,020
Other assets		
Receivables	429,742,059	355,769,077
Accrued income	104,366,968	93,768,416
Advanced payments	22,698,054	38,939,660
Prepaid expenses	9,852,921	10,732,827
Prepaid income tax	-	-
Guarantee deposits	105,514,964	106,281,809
Collective funds for default losses	7,022,619	7,616,604
Intangible assets, net	36,262,904	41,617,026
Deferred income tax assets	37,845,388	-
Others	52,035,032	39,605,167
Total other assets	805,340,909	694,330,586
Total assets	₩ 17,940,504,803	₩ 17,503,819,953

STATEMENTS OF FINANCIAL POSITION (CONT'D)

At of March 31, 2011 and 2010

(unit : Korean won in thousands)

	2011	2010
LIABILITIES AND EQUITY		
Liabilities		
Deposits received		
Customers' deposits		
Customers' deposits for stock trading	₩ 1,514,946,285	₩ 1,468,028,892
Customers' deposits for futures and options trading	475,873,078	862,039,829
Customers' deposits for savings	19,423,130	19,547,509
Customers' deposits for fund investments	29,986,348	105,851,186
Others	923,294	5,041,254
Total customers' deposits	2,041,152,135	2,460,508,670
Guarantee deposits received	30,042,851	24,934,954
Others	19,455,836	34,983,820
Total depots received	2,090,650,822	2,520,427,444
Borrowing liabilities		
Call money	399,900,000	700,200,000
Borrowings	330,000,000	360,000,000
Bonds sold under repurchase agreements	6,648,173,418	6,081,255,837
Derivatives liabilities	168,953,573	169,525,163
Securities sold	397,904,710	216,130,114
Debentures	658,404,682	359,002,506
Hybrid debt securities sold	3,484,683,531	3,442,791,634
Others	299,735,277	795,768
Total borrowing liabilities	12,387,755,191	11,329,701,022
Other liabilities		
Accounts payable	314,027,555	318,554,363
Accrued expenses	48,351,930	84,971,759
Tenants deposits	30,549,564	32,514,632
Unearned income	4,545,969	3,537,197
Severance and retirement benefits, net	126,037,571	107,292,675
Deferred income tax liabilities	-	15,875,838
Others	75,333,642	234,908,999
Total other liabilities	598,846,231	797,655,463
Total liabilities	15,077,252,244	14,647,783,929
Equity		
Capital stock		
Common stock	950,504,455	950,504,455
Preferred stock	70,378,750	70,378,750
	1,020,883,205	1,020,883,205
Capital surplus	223,500,695	222,792,047
Treasury stock	(133,893,664)	(32,969,980)
Accumulated other comprehensive income	120,972,081	167,888,469
Retained earnings	1,631,790,242	1,477,442,283
Total equity	2,863,252,559	2,856,036,024
Total liabilities and equity	₩ 17,940,504,803	₩ 17,503,819,953

STATEMENTS OF INCOME

For the years ended March 31, 2011 and 2010

(unit : Korean won in thousands, except per share amounts)

	2011	2010
Operating revenues		
Commission income	₩ 631,978,496	₩ 721,922,332
Gain on valuation and disposal of securities	953,639,593	1,494,573,072
Gain on derivative transactions	1,189,154,615	1,757,860,165
Interest income	588,429,510	508,330,354
Gain on valuation and disposal of loans	250,780	7,696,306
Gain on foreign currency transactions and translation	17,668,917	25,528,976
Other operating income	143,306,868	76,019,493
	3,524,428,779	4,591,930,698
Operating expenses		
Commission expense	63,890,286	69,319,960
Loss on valuation and disposal of securities	1,111,426,865	2,045,739,497
Loss on derivative transactions	1,010,009,682	1,153,971,282
Interest expense	339,608,399	240,859,904
Loss on valuation and disposal of loans	12,561,479	25,570,275
Loss on foreign currency transactions and translation	15,582,160	20,211,248
General and administrative expenses	638,698,963	593,839,979
Other operating expenses	98,750	30,406,688
	3,191,876,584	4,179,918,833
Operating income	332,552,195	412,011,865
Non-operating income		
Gain on disposal of property and equipment	15,462	8,839
Rental income	10,064,752	10,432,868
Gain on valuation of equity method investments	16,697,246	3,494,674
Gain on disposal of equity method investments	2,969,321	1,234
Other non-operating income	5,833,706	3,669,929
	35,580,487	17,607,544
Non-operating expense		
Loss on disposal of property and equipment	589,537	227,176
Loss on valuation of equity method investments	3,330,233	673,688
Loss on disposal of equity method investments	4,888,572	-
Donations	3,657,989	1,253,007
Other non-operating expenses	1,725,207	4,340,670
	14,191,538	6,494,541
Income before income taxes	353,941,143	423,124,868
Provision for income taxes	97,789,276	104,036,748
Net income	256,151,867	319,088,120
Earnings per share		
Basic	₩ 1,282	₩ 1,567

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

Years ended March 31, 2011 and 2010

(unit : Korean won in thousands)

	2011	2010
RETAINED EARNINGS BEFORE APPROPRIATIONS		
Unappropriated retained earnings carried forward from the prior year	₩ 1,332,844,423	₩ 1,125,740,601
Net income for the year	256,151,867	319,088,120
	1,588,996,290	1,444,828,721
APPROPRIATIONS		
Legal reserve	7,951,677	10,180,391
Dividend	79,516,769	101,803,907
	87,468,446	111,984,298
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO THE NEXT YEAR	₩ 1,501,527,844	₩ 1,332,844,423

STATEMENTS OF CHANGES IN EQUITY

For the years ended March 31, 2011 and 2010

(unit : Korean won in thousands)

	Capital stock	Capital surplus	Treasury stock	Accumulated other comprehensive income	Retained earnings	Total
As of April 1, 2010	₩ 1,020,883,205	₩ 222,792,047	₩ (32,969,980)	₩ 167,888,470	₩ 1,477,442,282	₩ 2,856,036,024
Dividend	-	-	-	-	(101,803,907)	(101,803,907)
Net income	-	-	-	-	256,151,867	256,151,867
Acquisition of treasury stock	-	-	(100,923,684)	-	-	(100,923,684)
Gain on disposal of treasury stock	-	708,647	-	-	-	708,647
Loss on valuation of available-for-sale securities, net	-	-	-	(44,938,415)	-	(44,938,415)
Changes in share of other comprehensive income of equity method investees, net	-	-	-	(1,977,973)	-	(1,977,973)
As of March 31, 2011	₩ 1,020,883,205	₩ 223,500,694	₩ (133,893,664)	₩ 120,972,082	₩ 1,631,790,242	₩ 2,863,252,559
As of April 1, 2009	₩ 1,020,883,205	₩ 222,792,047	₩ (32,969,980)	₩ 79,969,533	₩ 1,199,075,694	₩ 2,489,750,499
Dividend	-	-	-	-	(40,721,532)	(40,721,532)
Net income	-	-	-	-	319,088,120	319,088,120
Gain on valuation of available-for-sale securities, net	-	-	-	99,014,900	-	99,014,900
Changes in share of other comprehensive income of equity method investees, net	-	-	-	(11,095,963)	-	(11,095,963)
As of March 31, 2010	₩ 1,020,883,205	₩ 222,792,047	₩ (32,969,980)	₩ 167,888,470	₩ 1,477,442,282	₩ 2,856,036,024

STATEMENTS OF CASH FLOWS

For the years ended March 31, 2011 and 2010

(unit : Korean won in thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	₩ 256,151,867	₩ 319,088,120
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Provision for severance and retirement benefits	52,558,779	29,719,572
Depreciation	25,234,204	23,131,677
Bad-debt expenses	12,561,479	54,474,834
Gain on valuation of trading securities, net	(11,055,366)	(84,459,925)
Gain on disposal of available-for-sale securities, net	(53,714,890)	(45,264,351)
Loss on valuation of available-for-sale securities, net	159,806	1,669,155
Impairment loss on available-for-sale securities, net	29,760,898	7,481,246
Loss on valuation of securities sold , net	5,658,606	2,609,751
Loss (gain) on valuation of hybrid debt securities acquired, net	1,657,357	(154,230,126)
Loss on valuation of hybrid debt securities sold, net	117,600,476	477,407,426
Gain on valuation of OTC derivatives, net	(53,928,590)	(192,307,129)
Amortization of discount on debenture issued	686,165	554,863
Amortization of present value discounts	-	(1,006,526)
Loss (gain) on foreign exchange translation, net	497,173	(351,799)
Gain on valuation of reserve for claims of customers' deposits	(65,291,912)	(52,521,273)
Gain on valuation of equity method securities, net	(13,367,013)	(2,820,985)
Others	14,027,835	12,814,532
Changes in operating assets and liabilities		
Deposits	91,440,730	(109,865,014)
Trading securities	592,105,635	(592,306,507)
Hybrid debt securities acquired	389,323,200	723,648,781
Derivatives assets	79,899,031	367,036,271
Broker's loans	(278,864,380)	(343,681,096)
Loans purchased	(197,339,940)	25,219,193
Receivables	(74,603,594)	(48,463,461)
Accrued income	(10,765,611)	16,612,850
Other assets	(159,302,346)	(42,939,442)
Customers' deposits	(418,985,933)	532,774,136
Securities sold	176,115,990	134,708,932
Hybrid debt securities sold	(75,708,579)	(818,806,986)
Derivatives liabilities	13,016,488	(443,381,789)
Payment of severance and retirement benefits	(34,265,095)	(12,160,669)
Accrued income taxes	(167,537,326)	179,540,316
Accounts payable	(3,389,216)	38,977,481
Accrued expenses	(32,836,087)	23,354,420
Unearned income	₩ 1,008,773	₩ (1,932,754)

(unit : Korean won in thousands)

	2011		2010	
Deferred income tax liabilities	₩	[4,249,314]	₩	[87,609,065]
Withholding income taxes		3,986,450		7,318,603
Other liabilities		[18,875,430]		77,040,415
Total adjustments		[66,781,547]		[298,014,443]
Net cash provided by operating activities		189,370,320		21,073,677
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in available-for-sale securities, net		[1,422,106,692]		[2,550,234,746]
Decrease (increase) in call loan, net		50,000,000		[50,000,000]
Proceeds from disposal of property and equipment		94,373		291,143
Acquisition of property and equipment		[27,655,082]		[21,886,658]
Decrease (increase) in collective fund for default loss, net		593,985		[507,779]
Proceeds from disposal equity method investments		19,497,837		4,804,251
Dividends from equity method investments		11,749,870		-
Acquisition of equity method investments		[97,075,330]		[2,720,000]
Increase in intangible assets		[8,523,641]		[7,020,922]
Decrease (increase) of other assets		766,843		[11,175,219]
Net cash used in investing activities		[1,472,657,837]		[2,638,449,930]
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) call money, net		[300,300,000]		154,300,000
Proceeds from (repayment of) borrowings, net		[30,000,000]		100,000,000
Issuance of debenture		298,716,011		58,929,600
Issuance of subordinate bond		299,616,011		-
Increase in bonds sold under repurchase agreements, net		566,917,580		2,324,057,160
Decrease in other borrowing liabilities		[698,072]		[1,615,212]
Decrease in rental deposits received		[1,965,068]		[1,387,601]
Acquisition of treasury stock		[103,998,779]		-
Payment of dividends		[101,803,907]		[40,721,532]
Net cash provided by financing activities		626,483,776		2,593,562,415
NET DECREASE IN CASH AND CASH EQUIVALENTS		[656,803,741]		[23,813,838]
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		739,606,448		763,420,286
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	₩	82,802,707	₩	739,606,448

Internal control over financial reporting review report

ERNST & YOUNG HAN YOUNG

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 **ERNST & YOUNG**

The Chief Executive Officer
Daewoo Securities Co., Ltd.

We have reviewed the accompanying management's report on the operations of the internal control over financial reporting ("ICFR") of Daewoo Securities Co., Ltd. (the "Company") as of March 31, 2011. The Company's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Company states that "based on the assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of March 31, 2011, in all material respects, in accordance with the ICFR standard."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that management's report referred to above is not presented fairly, in all material respects, in accordance with the ICFR standards.

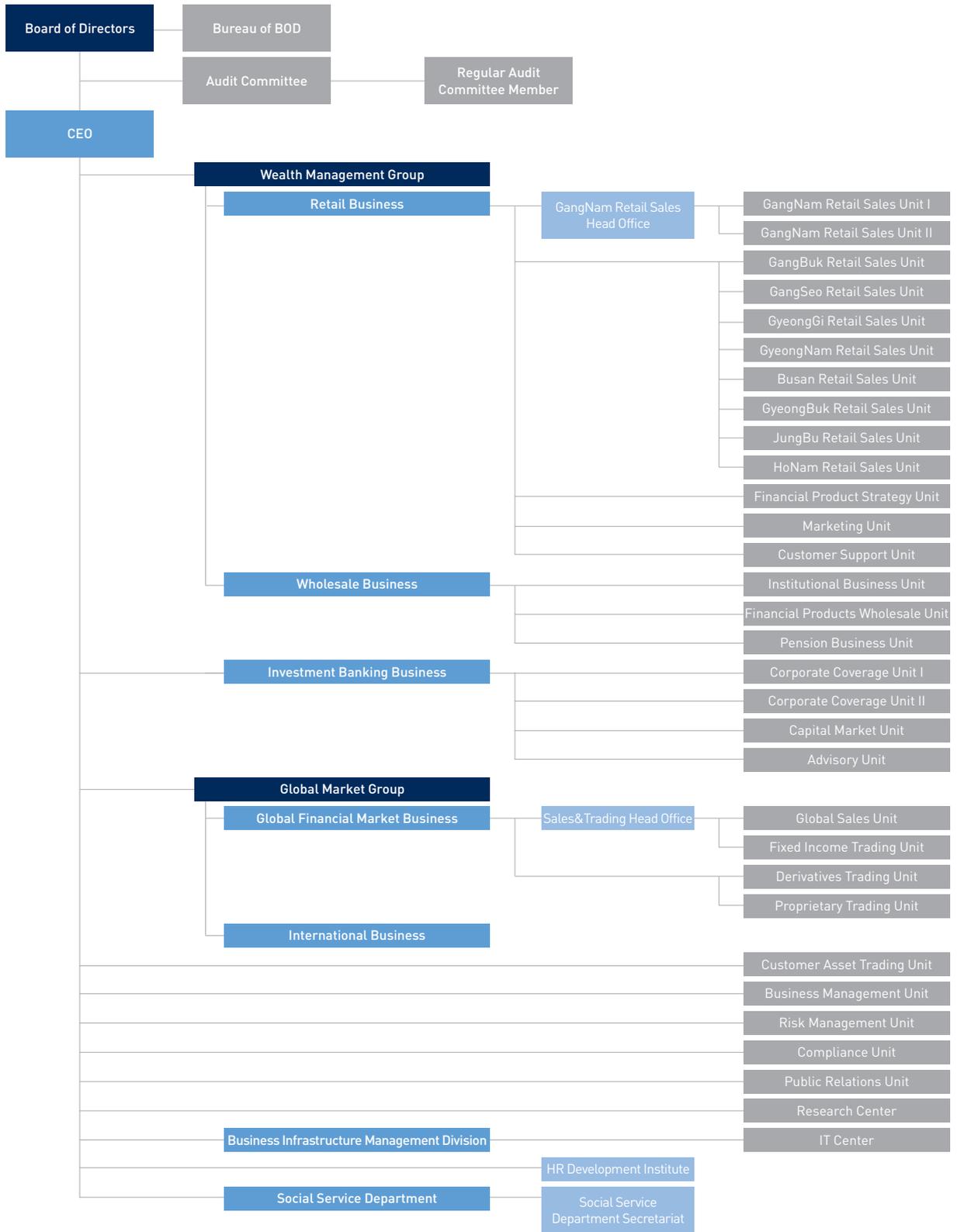
We conducted our review of the ICFR in place as of March 31, 2011, and we did not review the ICFR subsequent to March 31, 2011. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

May 17, 2011

This report is annexed in relation to the audit of the financial statements as of March 31, 2011 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Organization Chart

- 2 Groups, 5 Business Units, 1 Management Division, 2 Head Office, 1 HR Development Institute, 31 Units (10 Retail Sales, 11 Sales, 10 Administration), 1 Social Service Department
- 81 Departments (79 Departments, 2 Secretariats), 15 Teams (10 Regional Teams, 5 Teams at Headquarters)
- 3 Overseas Subsidiaries, 4 Representative Offices
- 120 Sales Networks (1 Retail Sales Department, 2 PB Class, 15 WM Class, 93 Branches, 9 Sales Office)



Domestic Network

	Branch	Address	Tel	
South Seoul	Garak	78 Garakbon-dong, Songpa-gu, Seoul	82-2-3401-5544	
	Gasan	371-31 Gasan-dong, Geumcheon-gu, Seoul	82-2- 811-3888	
	Gangseo	998-9 Hwagok 6-dong, Gangseo-gu, Seoul	82-2-2691-5774	
	Gaebongdong	157-13 Gaebong-dong, Guro-gu, Seoul	82-2-2616-6655	
	Gwanak	32-8 Bongcheon 10-dong, Gwanak-gu, Seoul	82-2- 875-5454	
	Gyodae Station	1674-4 Seocho-dong, Seocho-gu, Seoul	82-2- 592-5959	
	Gildong	458-5 Gil-dong, Gangdong-gu, Seoul	82-2- 474-1255	
	Daechi	599 Daechi-dong, Gangnam-gu, Seoul	82-2-3411-3111	
	Doksandong	288-1 Doksan-dong, Geumcheon-gu, Seoul	82-2- 858-5511	
	Mokdong	908-28 Mok 5-dong, Yangcheon-gu, Seoul	82-2-2649-0568	
	Banpo	18-1 Banpo-dong, Seocho-gu, Seoul	82-2- 534-0142	
	Bangbae	811-6 Bangbae-dong, Seocho-gu, Seoul	82-2-3477-2251	
	Seochodong	1337-20 Seocho-dong, Seocho-gu, Seoul	82-2-3474-8383	
	Songpa	286-5 Seokchon-dong, Songpa-gu, Seoul	82-2- 419-5160	
	Shinnonhyeon	748- Banpo-dong, Seocho-gu, Seoul	82-2-3478-2244	
	Sindorim	338 Sindorim-dong, Guro-gu, Seoul	82-2-2632-2222	
	Shinsa	1-3 Nonhyeon-dong, Gangnam-gu, Seoul	82-2-3446-9966	
	Shincheon	35-2 Jamsil-dong, Songpa-gu, Seoul	82-2-2202-5566	
	Yeoksamdong	823 Yeoksam-dong, Gangnam-gu, Seoul	82-2- 556-9441	
	Yeongdeungpo	57 Yeongdeungpo 4-ga, Yeongdeungpo-gu, Seoul	82-2-2632-8741	
	Olympic	89-20 Bangi-dong, Songpa-gu, Seoul	82-2- 404-8851	
	Teheran Valley	942 Daechi 3-dong, Gangnam-gu, Seoul	82-2- 564-3355	
	PB Class Galleria	79 Cheongdam 2-dong, Gangnam-gu, Seoul	82-2-3445-9966	
	WM Class Gangnam	141-35 Shinsa-dong, Gangnam-gu, Seoul	82-2-3429-0077	
	WM Class Dogok	467-14 Dogok-dong, Gangnam-gu, Seoul	82-2- 573-5599	
	WM Class Mokdong Central	962-1 Mok-dong, Yangcheon-gu, Seoul	82-2-2601-6191	
	WM Class Apgujeong	614-3 Shinsa-dong, Gangnam-gu, Seoul	82-2-3446-4488	
	WM Class Yeoksam	679-5 Yeoksam-dong, Gangnam-gu, Seoul	82-2- 568-8866	
	WM Class Jamshil	7-19 Shincheon-dong, Songpa-gu, Seoul	82-2- 412-5588	
	WM Class Hanti	1024 Daechi-dong, Gangnam-gu, Seoul	82-2- 561-1133	
	North Seoul	Konkuk Univ. Station	227-342 Jayang-dong, Gwangjin-gu, Seoul	82-2- 454-8484
		Gwanggyo	33 Seorin-dong, Jongno-gu, Seoul	82-2- 734-9944
Gwanghwamun		5 Dangju-dong, Jongno-gu, Seoul	82-2- 736-9170	
Mapo		36 Dohwa-dong, Mapo-gu, Seoul	82-2- 719-8861	
Myeongdong		59-19 Myeong-dong, Jung-gu, Seoul	82-2- 777-5400	
Sanggye		712-1 Sanggye-dong, Nowon-gu, Seoul	82-2- 934-2511	
Seongdong		267-23 Haengdang-dong, Seongdong-gu, Seoul	82-2-2297-4466	
Suyu		230-7 Suyu 3-dong, Gangbuk-gu, Seoul	82-2- 986-4554	
Sinchon		72-21 Changcheon-dong, Seodaemun-gu, Seoul	82-2- 332-2321	
Sales Department		34-3 Yeouido-dong, Yeongdeungpo-gu, Seoul	82-2- 768-3114	
Ichondong		300-15 Ichon 1-dong, Yongsan-gu, Seoul	82-2- 797-9696	
Janghanpyeong		235-2 Yongdap-dong, Seongdong-gu, Seoul	82-2-2248-8700	
Cheongnyangni		317 Cheongnyangni-dong, Dongdaemu-gu, Seoul	82-2- 962-4911	
Taepyeongno		45 Namdaemunro 4-ga, Jung-gu, Seoul	82-2- 778-5800	
STX Seoul Tower	631 Namdaemunro 5-ga, Jung-gu, Seoul	82-2- 773-8811		
WM Class Yeokjeon	581 Namdaemunro 5-ga, Jung-gu, Seoul	82-2- 774-1221		
Gyeonggi & Incheon	Guri	293 Inchang-dong, Guri-si, Gyeonggi-do	82-31-569-8855	
	Dongtan	107-1 Bansong-dong, Hwaseong-si, Gyeonggi-do	82-31-613-9955	
	Bucheon	1132 Jung 1-dong, Wonmi-gu, Bucheon-si, Gyeonggi-do	82-32-667-7711	
	Bundang	25-1 Jeongja-dong, Bundang-gu, Seongnam-si, Gyeonggi-do	82-31-718-3311	
	Sanbon	1133-2 Sanbon-dong, Gunpo-si, Gyeonggi-do	82-31-394-0940	
	Sangdong	544-4 Sang-dong, Wonmi-gu, Bucheon-si, Gyeonggi-do	82-32-329-6633	
	Suwon	13-2 Gucheon-dong, Paldal-gu, Suwon-si, Gyeonggi-do	82-31-245-4171	
	Ansan	706-5 Gojan-dong, Danwon-gu, Ansan-si, Gyeonggi-do	82-31-482-0055	
	Anyang	627-3 Anyang 5-dong, Manan-gu, Anyang-si, Gyeonggi-do	82-31-448-2211	
	Yatap	366-1 Yatap-dong, Bundang-gu, Seongnam-si, Gyeonggi-do	82-31-702-3232	
	Uijeongbu	137-7 Uijeongbu-dong, Uijeongbu-si, Gyeonggi-do	82-31-877-8772	
	Ilсан	71-1 Juyeop-dong, Ilsanseo-gu, Goyang-si, Gyeonggi-do	82-31-921-3101	
	Pyeongchon	1591 Gwanyang-dong, Dongan-gu, Anyang-si, Gyeonggi-do	82-31-386-2323	
	Hwajeong	970-2 Hwajeong-dong, Deokyang-gu, Goyang-si, Gyeonggi-do	82-31-938-9911	

	Branch	Address	Tel	
Gyeonggi & Incheon	WM Class East	1124 Ingye-dong, Paldal-gu, Suwon-si, Gyeonggi-do	82-31-224-0123	
	WM Class Seohyeon	246-6 Seohyeong-dong, Bundang-gu, Seongnam-si, Gyeonggi-do	82-31-708-0528	
	Bupyeong	549-5 Bupyeong-dong, Bupyeong-gu, Incheon	82-32-505-8451	
	Yeonsu	503-3 Cheonghak-dong, Yeonsu-gu, Incheon	82-32-813-5588	
	Incheon	2-41 Sinsaeng-dong, Jung-gu, Incheon	82-32-763-4401	
	Juan	77-7 Juan-dong, Nam-gu, Incheon	82-32-423-1100	
	Chungcheong, Daejeon & Gangwon	West Cheongju	261-5 Sachang-dong, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do	82-43-268-7711
Jecheon		29-2 Jungangno 2-ga, Jecheon-si, Chungcheongbuk-do	82-43-642-6600	
Cheongju		9-3 Bukmunno 1-ga, Sangdang-gu, Cheongju-si, Chungcheongbuk-do	82-43-250-3311	
Asan		300-24 Oncheon-dong, Asan-si, Chungcheongnam-do	82-41-549-2233	
Cheonan		365-1 Sinbu-dong, Cheonan-si, Chungcheongnam-do	82-41-562-0311	
Daejeon		139-1 Eunhaeng-dong, Jung-gu, Daejeon	82-42-253-3301	
Yongjeondong		9-5 Hongdo-dong, Dong-gu, Daejeon	82-42-627-4100	
WM Class Dunsan		1413 Dunsan-dong, Seo-gu, Daejeon	82-42-483-6555	
Donghae		1078-3 Cheongok-dong, Donghae-si, Gangwon-do	82-33-532-3340	
Sokcho		669-9 Gyo-dong, Sokcho-si, Gangwon-do	82-33-636-3900	
Wonju		232-1 Jungang-dong, Wonju-si, Gangwon-do	82-33-745-1651	
Chuncheon		37-11 Joyang-dong, Chuncheon-si, Gangwon-do	82-33-251-8851	
Gyeongbuk & Daegu		Gyeongsan	870-6 Jungbang-dong, Gyeongsan-si, Gyeongsangbuk-do	82-53-811-2211
	Gyeongju	386-6 Seongdong-dong, Gyeongju-si, Gyeongsangbuk-do	82-54-776-5533	
	Gumi	78 Songjeong-dong, Gumi-si, Gyeongsangbuk-do	82-54-451-1511	
	Andong	85-3 Dongbu-dong, Andong-si, Gyeongsangbuk-do	82-54-841-2266	
	Pohang	203-10 Jukdo-dong, Buk-gu, Pohang-si, Gyeongsangbuk-do	82-54-277-6655	
	Pohang North	1462-13 Jangseong-dong, Buk-gu, Pohang-si, Gyeongsangbuk-do	82-54-244-3232	
	Daegu	96 Deoksan-dong, Jung-gu, Daegu	82-53-424-0311	
	Daegu Central	6-1 Bukseongno 1-ga, Jung-gu, Daegu	82-53-421-0141	
	Sangin	1512 Sangin-dong, Dalseo-gu, Daegu	82-53-638-4100	
	Seongseo	1198-5 Igok-dong, Dalseo-gu, Daegu	82-53-582-4567	
	Chilgok	940 Taejeon-dong, Buk-gu, Daegu	82-53-325-5533	
	WM Class Beomeo	177-4 Beomeo 2-dong, Suseong-gu, Daegu	82-53-751-0345	
	Gyeongnam, Busan & Ulsan	Geoje	534-5 Okpo-dong, Geoje-si, Gyeongsangnam-do	82-55-688-0134
		Geoje Sinhyeon	961-29 Gohyeon-ri, Sinhyeon-eup, Geoje-si, Gyeongsangnam-do	82-55-638-3900
Gimhae		1143-2 Nae-dong, Gimhae-si, Gyeongsangnam-do	82-55-324-2421	
Masan Central		259-6 Seokjeon-dong, Hoewon-gu, Masan-si, Gyeongsangnam-do	82-55-297-8851	
Jinju		5-7 Dongseong-dong, Jinju-si, Gyeongsangnam-do	82-55-742-3444	
Changwon		94-3 Jungang-dong, Changwon-si, Gyeongsangnam-do	82-55-282-6900	
Changwon City		333 Duda-dong, Changwon-si, Gyeongsangnam-do	82-55-600-6000	
Tongyoung		1058-8 Mujeon-dong Tongyoung-si Gyeongsangnam-do	82-55-643-8881	
Namcheondong		36-7 Namcheon-dong, Suyeong-gu, Busan	82-51-625-0120	
Noksan		1631-3 Songjeong-dong Gangseo-gu, Busan	82-51-941-2270	
Dongnae		552 Suan-dong, Dongna-gu, Busan	82-51-554-4111	
Busan		44-1 Jungangdong 2-ga, Jung-gu, Busan	82-51-242-3351	
Sasang		546-11 Gwaebeop-dong, Sasang-gu, Busan	82-51-327-8801	
Saha		528-11 Hadan-dong, Saha-gu, Busan	82-51-293-6644	
Haeundae		1406-2 Woo-dong, Haeundae-gu, Busan	82-51-743-1211	
PB Class Centumcity		1488 U-dong, Haeundae-gu, Busan	82-51-742-4747	
WM Class Beomil		828-1 Beomil-dong, Dong-gu, Busan	82-51-644-0077	
WM Class Seomyeon		257-3 Bujeon-dong, Busanjin-gu, Busan	82-51-806-6001	
Ulsan		666-53 Yaksa-dong, Jung-gu, Ulsan	82-52-244-8441	
Ulsan South	1365-7 Dal-dong, Nam-gu, Ulsan	82-52-258-7766		
Honam, Gwangju & Jeju	Gunsan	100-14 Naun-dong, Gunsan-si, Jeollabuk-do	82-63-443-1711	
	Iksan	57 Chungmu-dong, Yeosu-si, Jeollabuk-do	82-63-857-8811	
	Jeonju	568-95 Seonosong-dong, Wansan-gu, Jeonju-si, Jeollabuk-do	82-63-288-0011	
	Hyojadong	548 Hyojadong 1-ga, Wansan-gu, Jeollabuk-do	82-63-227-1414	
	Mokpo	1123 Sang-dong, Mokpo-si, Jeollanam-do	82-61-285-9911	
	Suncheon	1324-2 Yeonhyang-dong, Suncheon-si, Jeollanam-do	82-61-724-4422	
	Yeosu	502-1 Chungmu-dong, Yeosu-si, Jeollanam-do	82-61-663-7977	
	Duamdong	821-2 Duam 2-dong, Buk-gu, Gwangju	82-62-267-8844	
	WM Class wangju	62-17 Geumnamno 5-ga, Dong-gu, Gwangju	82-62-227-6605	
	Jeju	1431 Ildoil-dong, Jeju-si, Jeju-do	82-64-755-8851	

Overseas Network



	Address	Tel	Fax
Daewoo Securities(Hong Kong)Ltd.	Suites 2005-2012, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	852-2845-6332	852-2514-1372
Daewoo Securities(Europe) Ltd.	41st fl-, Tower42, 25 Old Broad St-, London EC2N 1HQ, U.K.	44-20-7982-8000	44-20-7982-8040
Daewoo Securities(America) Inc.	600 Lexington Avenue, Suite 301, New York, NY10022, USA	1-212-407-1000	1-212-407-1010
Beijing Representative Office	26th Floor, East Tower, Twin Towers, B-12 Jianguomenwai Avenue Chaoyang District, Beijing 100022, China	86-10-6567-9699	86-10-6568-7899
Shanghai Representative Office	Unit 013, 28F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, 200120, P.R.China	86-21-5013-6392	86-21-5013-6395
Tokyo Representative Office	7F, Yusen Building, 2-3-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	81-3-3211-5511	81-3-3211-5544
Ho Chi Minh Representative Office	Centec Tower, 72-74 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Chi Minh City	84-8-910-6000	84-8-910-7716

GENERAL INFORMATION

CEO	Kee-Young Im
Establishment	23 September 1970
Date of Listing	30 September 1975
Shares Issued	Common Share 190,100,891
Number of Employees	3,125 (As of March 2011)
Domestic Network	120 branches (1 Retail Sales Department, 2PB Class, 15WM Class, 93 Branches, 9 Sales Office)
Global Network	Subsidiaries Representative Office
	Hong Kong, New York, London Tokyo, Ho Chi Minh, Beijing, Shanghai
Address	34-3, Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea



KDB Financial Group

Daewoo Securities

IR INFORMATION

Settlement March 31

Regular Shareholders' Meeting June 1, 2011

CONTACT US

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