

FIXGlobal Face2Face Forums 2010

The Westin Chosun, Seoul



The Outlook of Capital Market in Korea

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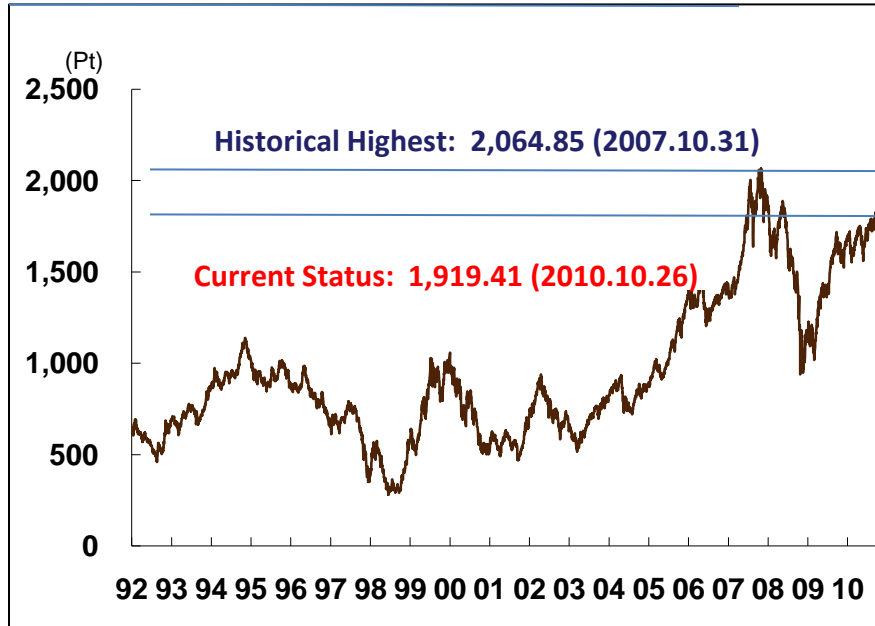


I-1. Status: Korean Capital Market - Stock

◆ KOSPI Index rebounded, owing to Korea's robust economic performance

◆ KRX ranks 18th by total market capitalization (as of June,2010), and 6th in Futures and 1st in Options in terms of the number of contracts (as of Dec, 2009)

● KOSPI



Source : Bloomberg

● Key data

	KOSPI	KOSDAQ
Market cap. (USD bil.)	936.5	88.0
Daily trading amount (USD bil.)	5.1	1.7
No. of listed companies	925	1,032
No. of IPOs ('09)	5	28
	Futures	Options
No. of contracts ('09, mil.)	76 (World No.6)	1,154 (World No.1)

Source : KRX, Bloomberg, World Federation of Exchanges

Note: Market cap. and no. of listed companies are updated as of March.24, 2010

Daily T/O is based on W1,331/USD, the average FX rate in 2009 (YTD)



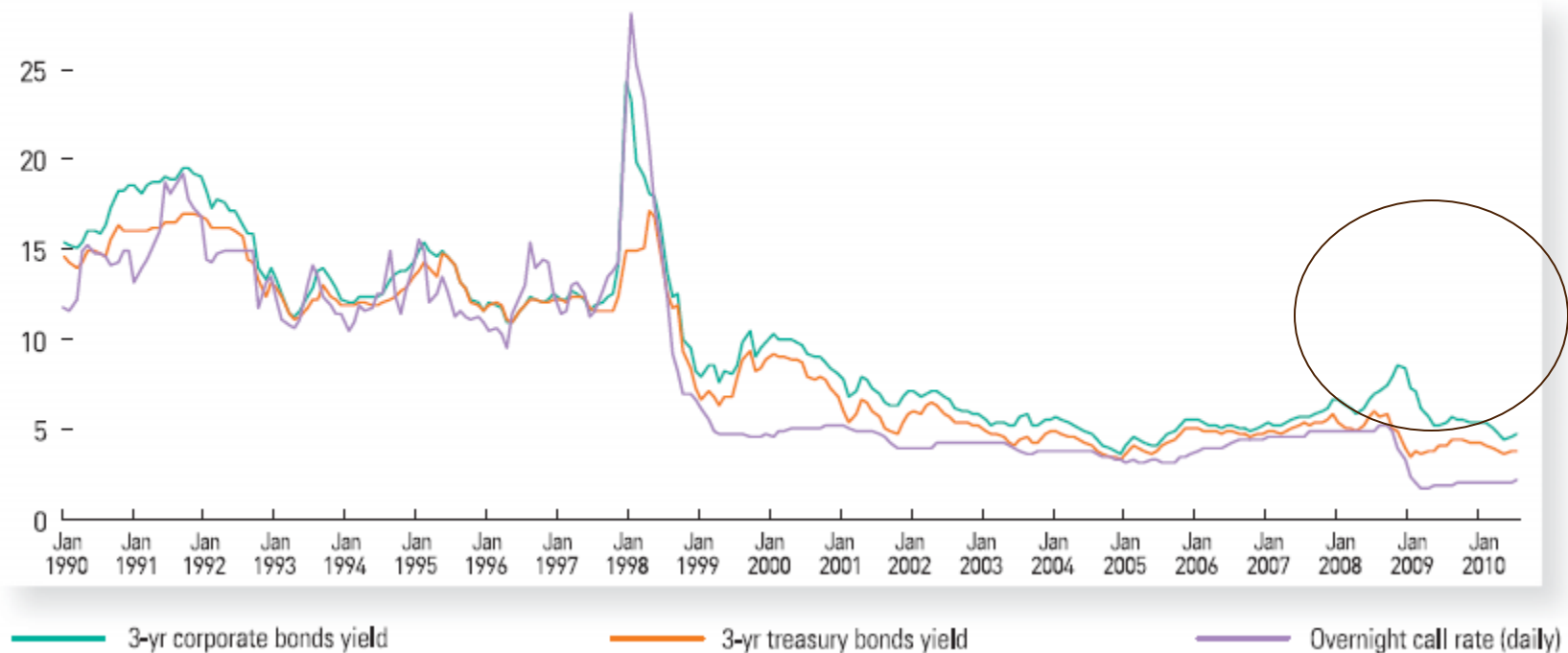
I-2. Status: Korean Capital Market - Bond

- ◆ 3 years Treasury bond yield now at 3.80%(as of Jul, 2010), decelerating an increase on worries over slower growth in the US and China.

Interest rates

Source: The Bank of Korea

30 - (monthly average, yearly %)





I-2. Status: Korean Capital Market - Bond

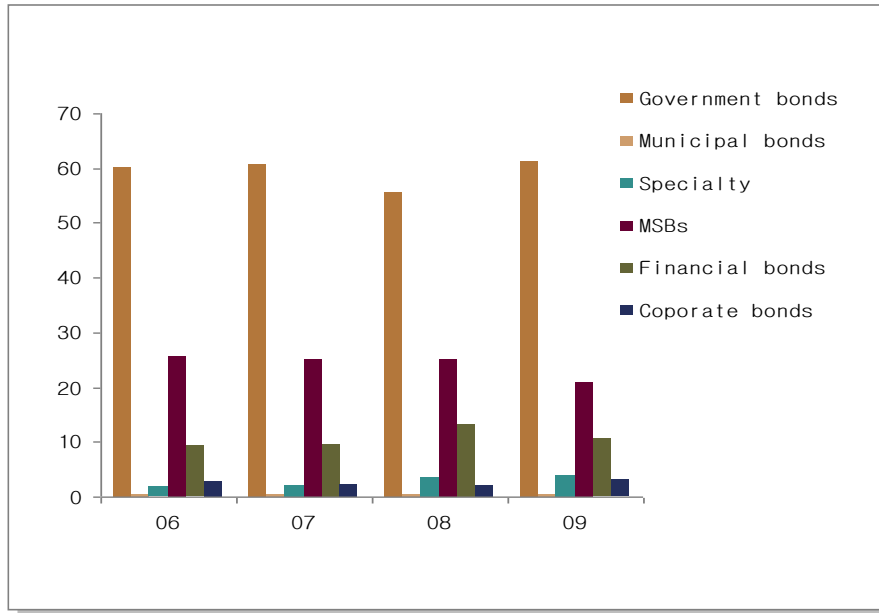
◆ From 2006 to 2009 Korea's bond trading volume increased by 57%

* 3,274.4 (2006)→3,077.8 (2007)→3,569.3 (2008)→ 5,156.2 (2009) (KRW, billion)

◆ Domestic institutional investors* account for 93.3% of the bond OTC market, while foreign investors account for 2.4%

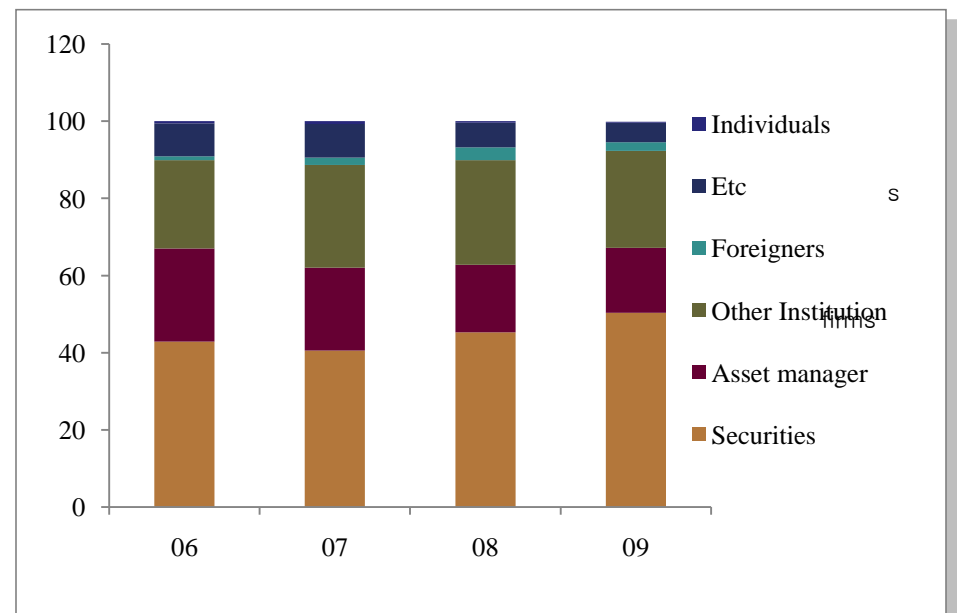
* includes securities companies, asset managers and other institutions

Annual Trading Volume by Bond Type (USD bil.)



Source : KOFIA

Proportion by Investor (OTC market)



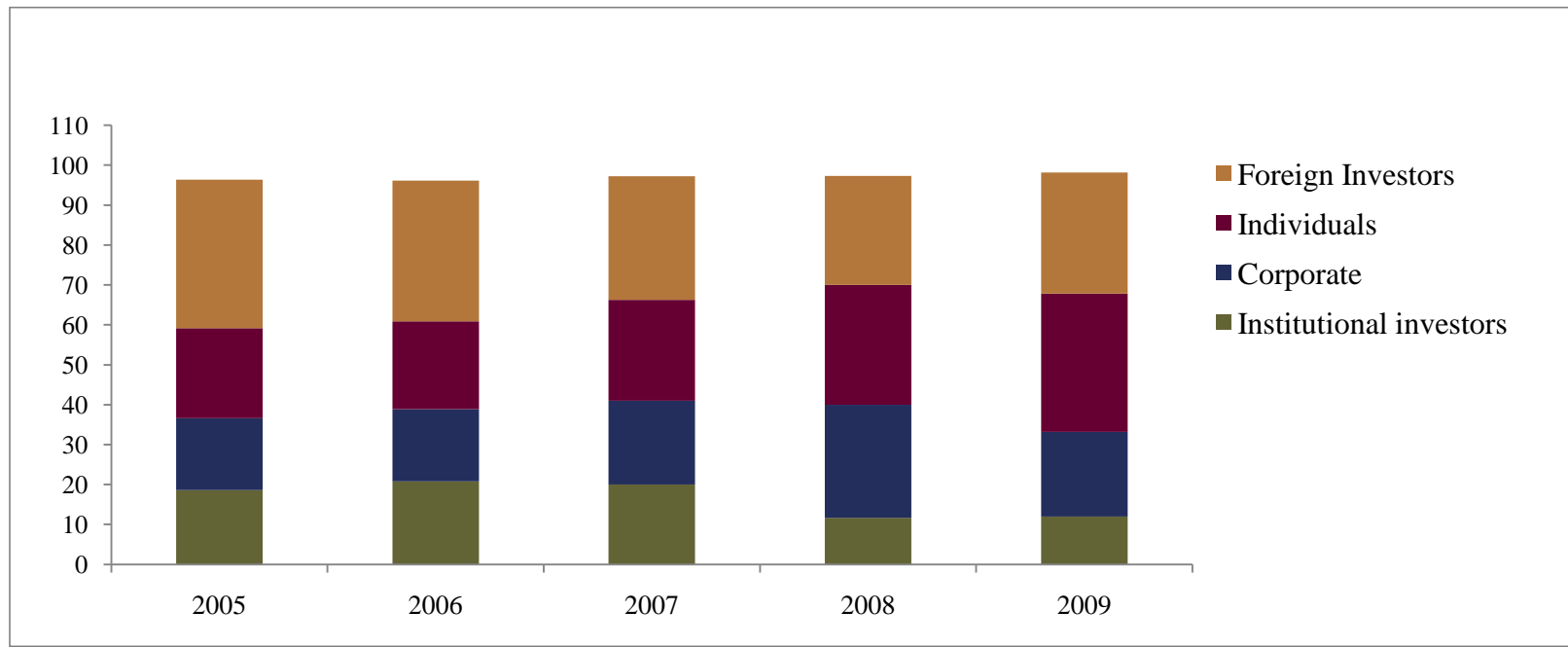
Source : KOFIA



I-3. Status: Foreign Investment in Korea

- ◆ Foreign investors account for 30.4% of the KRX (USD289 bil.), a 3.1% increase from 2008
- ◆ Foreign investors account for 5.8% of the listed bond market (USD62 bil.), a 50.8% increase from 2008

Ownership structure of KRX listed companies (%)



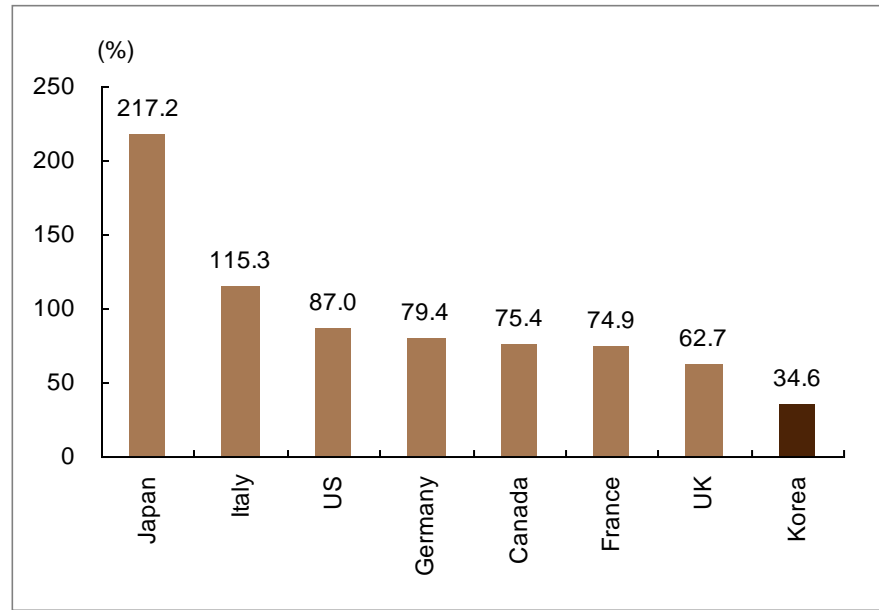
Source: KRX, Korea Investment & Securities



II-1. Prospects : Korea's Fiscal Soundness

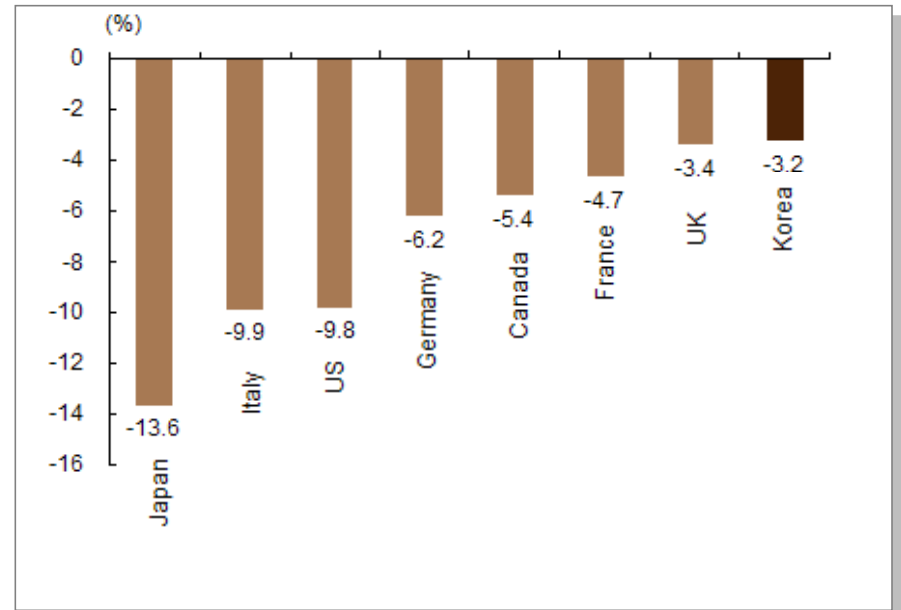
- ◆ Korea's fiscal soundness is in good shape compared to that of other advanced nations
- ◆ Government debt and fiscal deficit as percentages of GDP are 35% and 3%, respectively

● Major countries' government debt as percentages of GDP in FY2009



Source: IMF

● Major countries' fiscal balance in FY2009



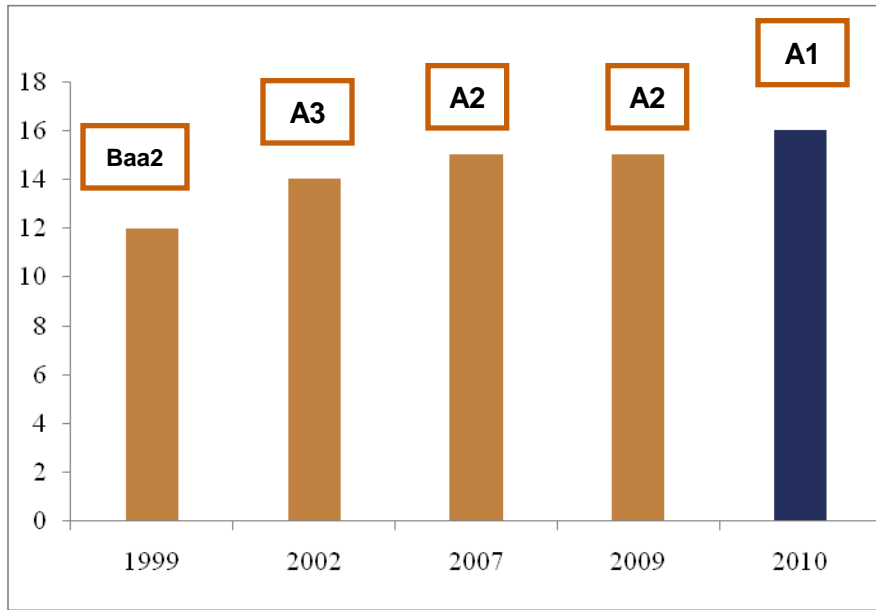
Source : IMF



II-2. Prospects: Korean Economy

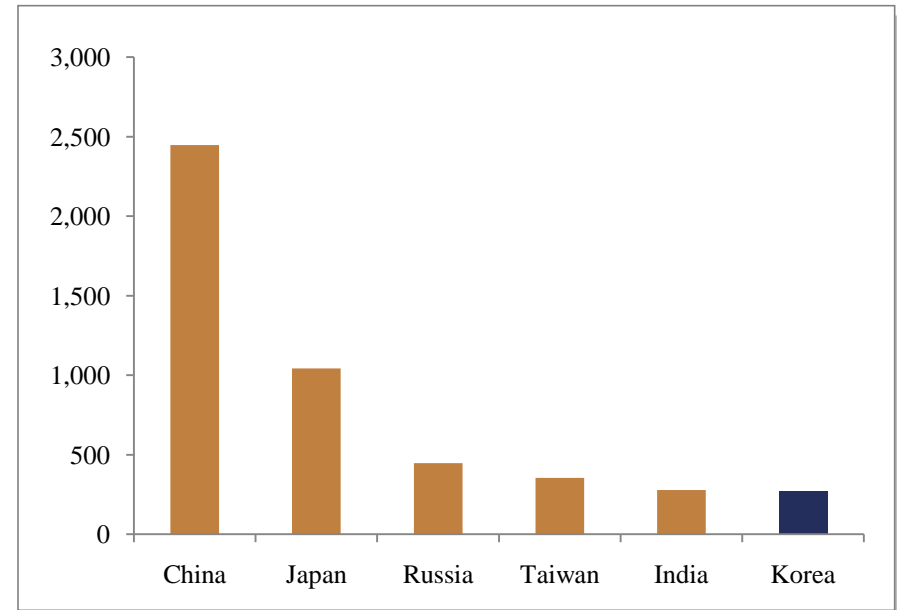
- ◆ Moody's upgraded Korea's credit rating from A2 to A1 in April 2010
- ◆ Korea's foreign exchange reserves rank 6th globally (USD272 bil.) as of March 2010

● Credit rating



Source : Moodys

● Foreign reserves (USD bil.)



Source : BOK



II-3. Prospects: Global Market Players

- ◆ Market share of Korean corporations has been steadily increasing, in particular in the semiconductor, display, and shipbuilding industries

● Global market share of Korean Corporations

	Global Market Share of Korean Corporations (%)				Increase from 2006 (%p)	Out of Total*	
	2006	2007	2008	2009		'08	'09
Semiconductor	43.9	46.9	46.8	56.2	12.3	7.8	7.2
Display	43.5	43.2	46.2	53.3	9.8	4.4	6.4
Shipbuilding	33.5	35.7	37.5	41.6	8.1	10.2	15.0
Mobile Phone	17.6	21.5	25.3	28.8	11.2	8.5	9.3
Automobile	5.9	6.0	6.6	7.0	1.1	8.3	6.5
Petrochemicals	5.1	5.5	5.5	5.3	0.2	7.6	7.4
Steel	3.9	3.9	4.0	4.2	0.3	7.1	6.9

* Semiconductor & mobile phone: shipments, display: total size of production, shipbuilding: delivery volume (dwt), Passenger car: sales volume, petrochemicals: ethylene production capability (number of tons of ethylene that can be produced annually), steel: crude steel output,

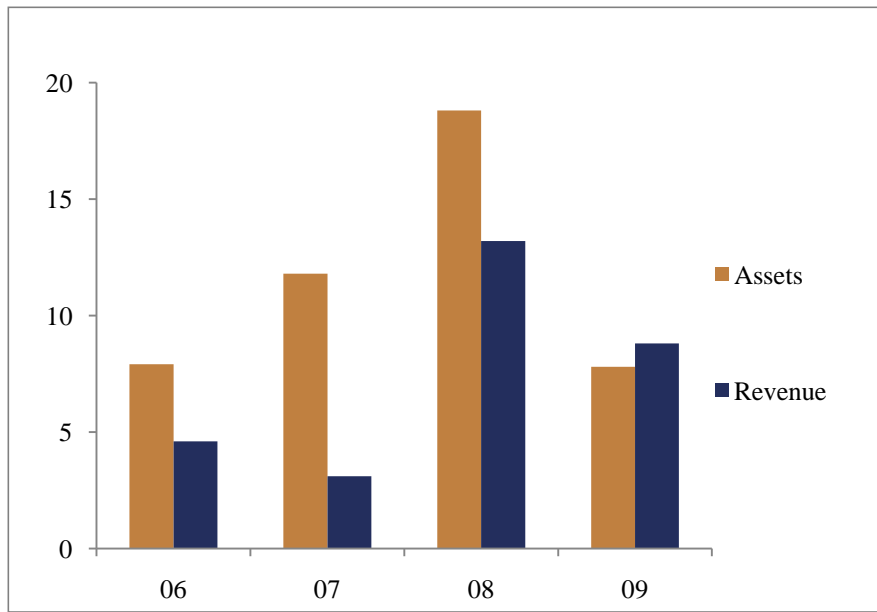
• Source: Korea International Trade Association, Korea Investment & Securities Co., Ltd.



II-4. Prospects: Korean Corporate Profitability and Soundness

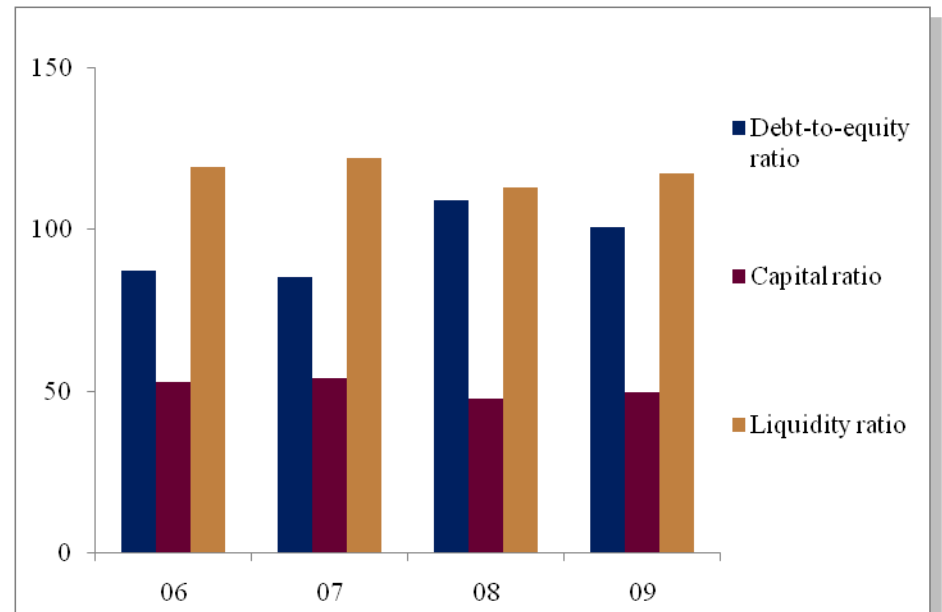
- ◆ Listed Korean corporations recorded a YoY 7.8% increase in assets and a 5.8% increase in operating profit
- ◆ Debt-to-equity ratio, capital ratio, and liquidity ratio were respectively recorded at 100.8%, 49.8%, 117.4% at the end of 2009

● Profitability (increase rate, %)



Source : BOK

● Soundness (%)



Source : BOK



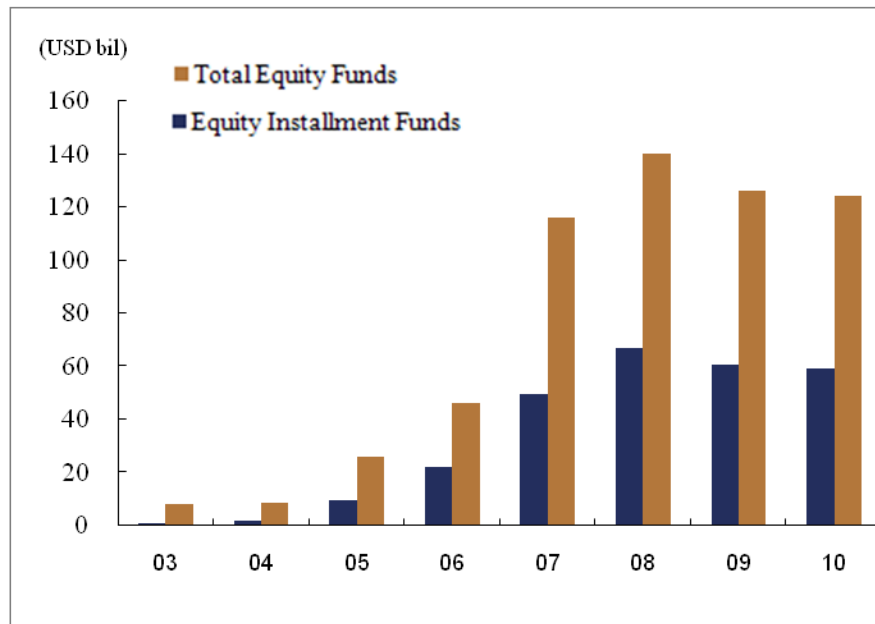
II-5. Prospects: Fund Market and Household Investment

- ◆ Korean fund market expanded drastically from 2005 due mainly to installment funds*

* The funds that are invested with a number of periodic payments in the long run

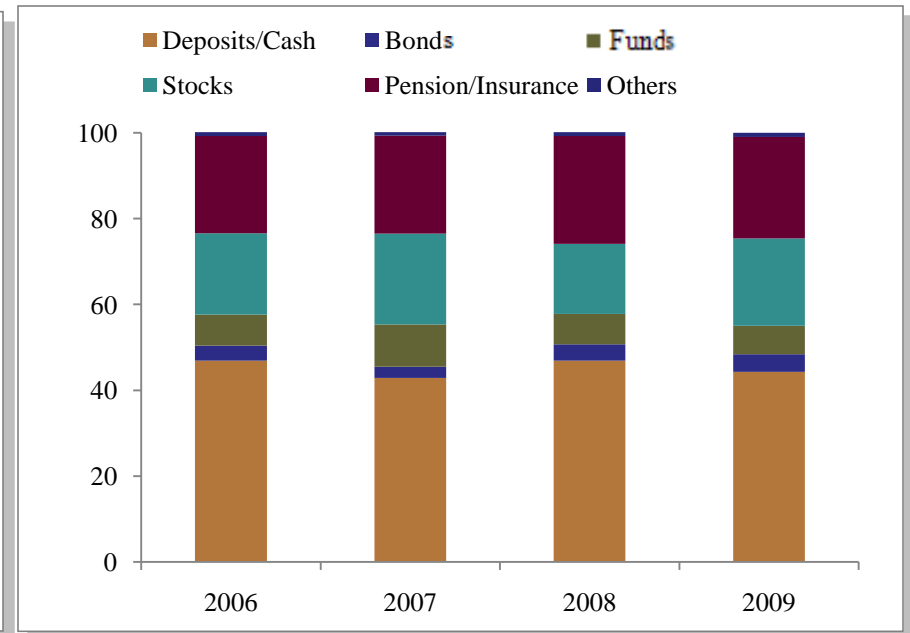
- ◆ Financial investment products such as funds and equities account for 30% of household financial assets

● Total equity funds and Installment funds



Source : KOFIA
Note : 2010 numbers are as of January 2010

● Breakdown of Household Investment (%)



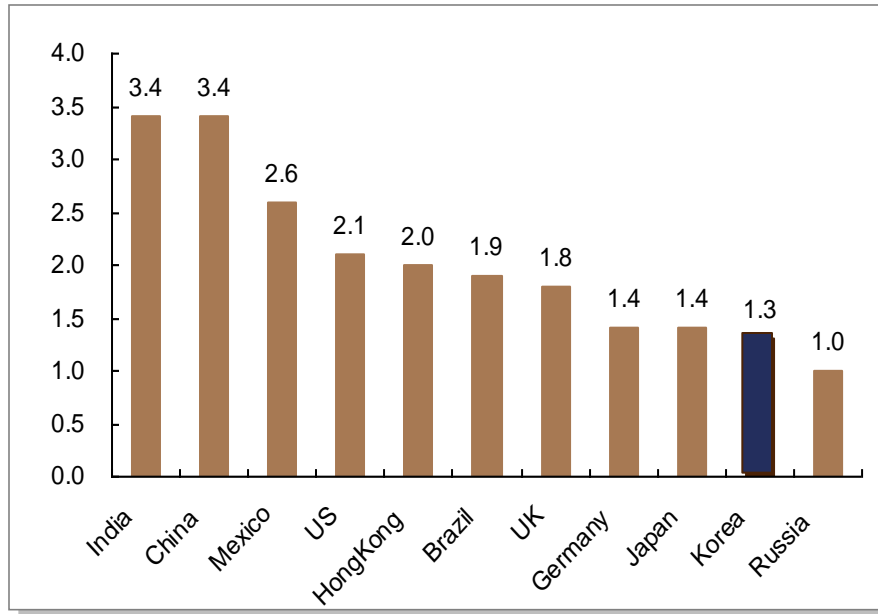
Source : BOK



II-6. Prospects: Undervalued Korean Capital Market

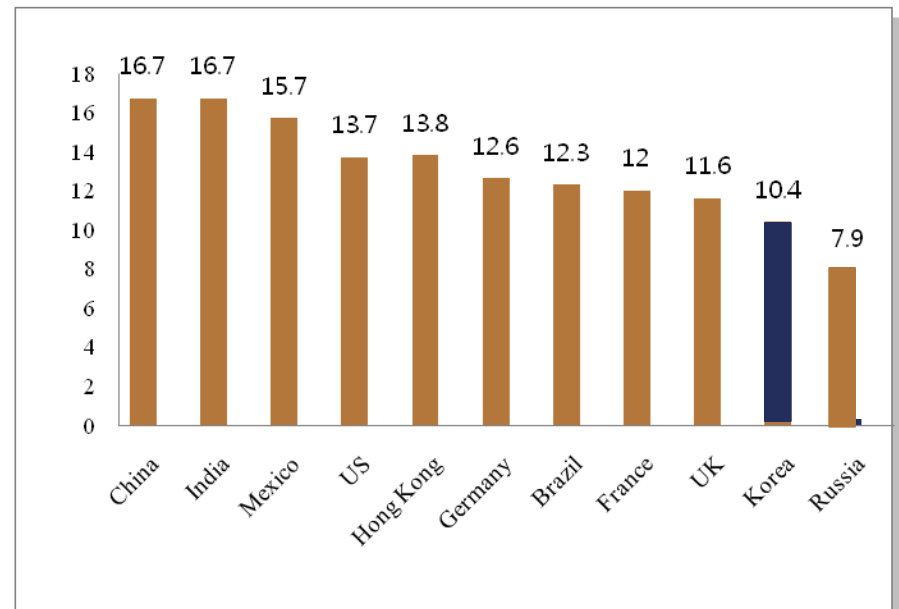
- ◆ Korean PBR and PER are 1.3 and 10.4 in 2009, respectively, and are undervalued compared to emerging and developed markets

● PBR comparison



Source: Bloomberg

● PER comparison



Source: Bloomberg



III-1. Regulatory Development: The 1st Amendments to the FSCMA

◆ After the Financial Investment Services and Capital Market Act (FSCMA) came into effect on February 2009, the first amendments were made in six key areas

● Disclosure Items of Analysts and Reports

Key Changes	Purpose
① Introducing PEFs and Mutual Fund for Corporate financing (temporarily enforced for 3 years)	Facilitate corporate funding and restructuring through capital markets
② Allow companies to issue CPs without issuing electronic notes	
③ Strengthen requirements for financial investment companies to add new business activities while easing requirements for major shareholders	Improve the quality of financial services by extending the scope of financial investment business, as well as enhancing public trust in financial investment companies
④ Extend qualifications for financial investment companies' executives to non-registered directors	
⑤ Impose mandatory ceilings on funds sales/service fees	Provide better protection for financial investors and consumers
⑥ Conducting prior reviews for OTC derivative trades	



III-2. Regulatory Development: Disclosure System on Analysts

- ◆ “The Analysts Disclosure System” is now available on the KOFIA website in order for investors to gain easy access to information on all analysts registered with KOFIA

- Items for Disclosure

	Analyst
Items being disclosed	<ul style="list-style-type: none">● Name and age● Work experience (career background and employment history provided on a company-by-company basis; no need to identify each company)● Status of the analysts (total numbers of analysts) for each securities company● Status of the reports by analyst (accessed via the website of the relevant securities company)



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