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**QUELLES SONT LES PISTES DE RÉFLEXION
QUI VONT VOUS PERMETTRE D'INVESTIR
DE FAÇON SEREINE ?**

A Tiger's Story: Korea's Next Chapter

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South Korea at a Glance

- » **Capital:** Seoul
- » **Population:** 48.8 million
- » **GDP (PPP):** \$1.46 trillion USD (rank 13th)
- » **GDP per capita (PPP):** \$30,000 (rank 26th)
- » **Literacy rate:** 99%
- » **OECD member:** 1996
- » **F/X Reserves:** \$308 billion USD (rank 8th)
- » **Imports:** \$422 billion USD (rank 8th)
- » **Export:** \$464 billion USD (rank 6th)
- » **Market Value (stock market):** \$1 trillion
- » **Key Industries:** Semiconductors, electronics, wireless telecommunications, computers, motor vehicles, chemicals, shipbuilding, steel



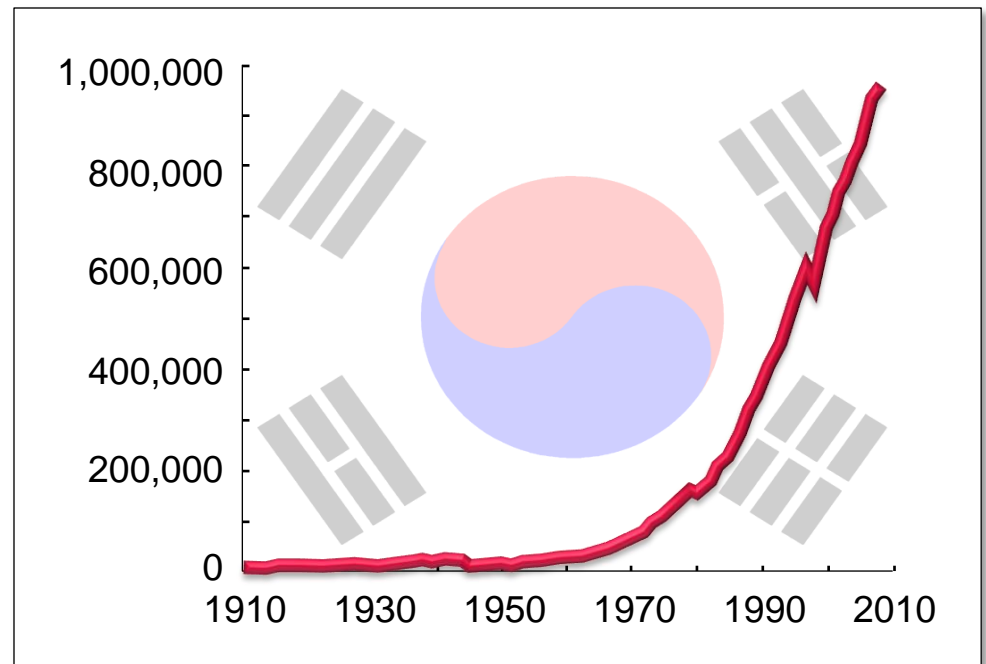
Source: Bank of Korea and IMF

Korea: “The Miracle on the Han River”

- » Transformation of a country from post-war devastation to OECD membership within a span of 40 years.
- » Rapid economic growth, industrialization and modernization.
- » Technological achievement, education boom, exponential rise in living standards.
- » Ranked no. 1 country by UN’s “Digital Opportunity Index” – highest broadband penetration rate in the world
- » Hosted the Summer Olympics in 1988 and FIFA World Cup in 2002.

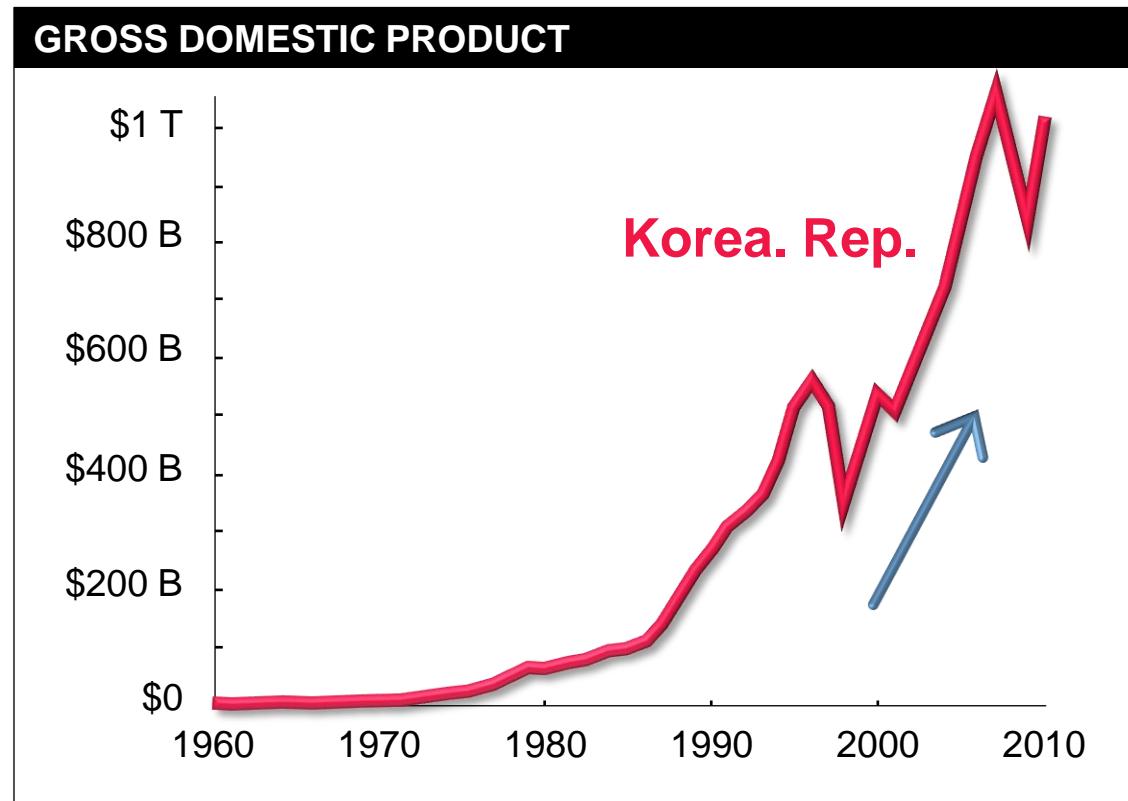


- » Home to leading multinational co’s: Samsung, LG and Hyundai



Lessons Learned from the Asian Crisis

- Fundamental weaknesses in Korea's development model were brought to light during the Asian Financial Crisis ('97-98), such as high debt/equity ratios and massive short-term foreign borrowing.
- GDP plunged by 6.9% in 1998, but recovered back to 9% in '99-2000.
- The Korean Government promptly adopted numerous economic reforms following the crisis, including greater openness to foreign investment and imports.
- Korea led the way out of the Asia Crisis, the first of the major affected economies to make a full recovery.

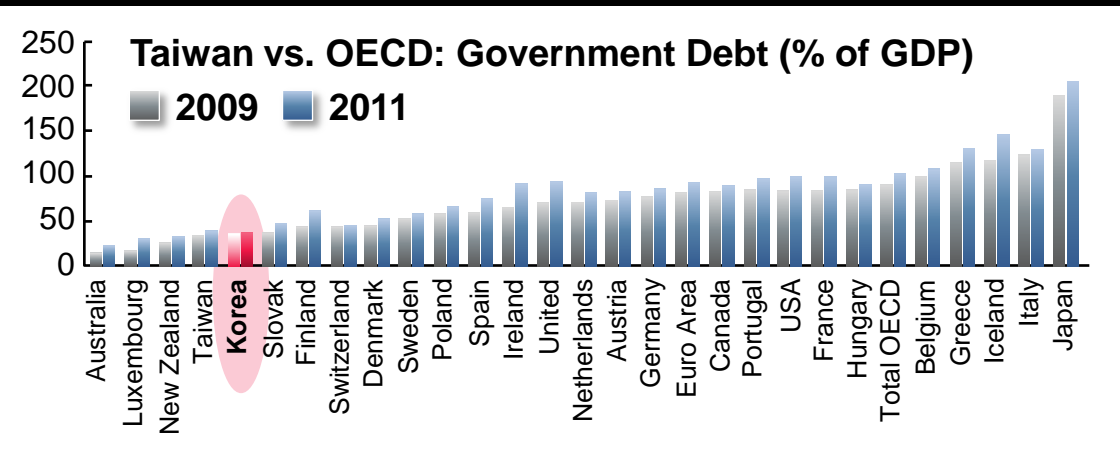


Source : Google Public Data Explorer; World Bank

Lessons Learned from the Asian Crisis

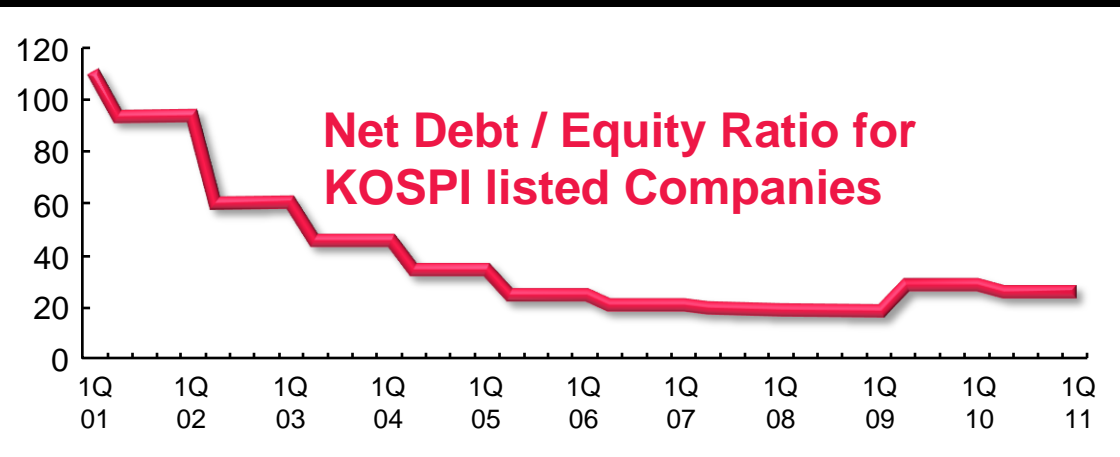
- “Korea’s fiscal reserve stood at the world’s top tier thanks to its relatively low state debt.” – (International Monetary Fund (IMF), Sept 2010 report)
- Only Korea, Denmark and Norway were found to be fully capable of meeting any liquidity shortages.
- Fitch recently revised up the outlook for South Korea’s long-term sovereign credit rating to positive from stable, citing strong external liquidity and sustainable fiscal balance. (Nov 2011)

KOREA’S GOVERNMENT DEBT LEVEL IS LOW



Source : OECD, CEIC and Morgan Stanley Research

CORPORATE DEBT LEVEL STABLE (%)



Source : CEIC and Morgan Stanley Research

Deregulation of Capital Markets

Shift to Functional Regulation

Re-classification of financial investment services, products and investors based on their economic nature

Liberalization of Financial Activities

- Expand the scope of permissible products for financial investment companies
- Introduction of Hedge Fund deregulations onshore

The Capital Market Consolidation Act

The Act is comparable to the UK's 'Big Bang' or the repeal of the Glass-Steagall Act in the US

Cross Border Selling

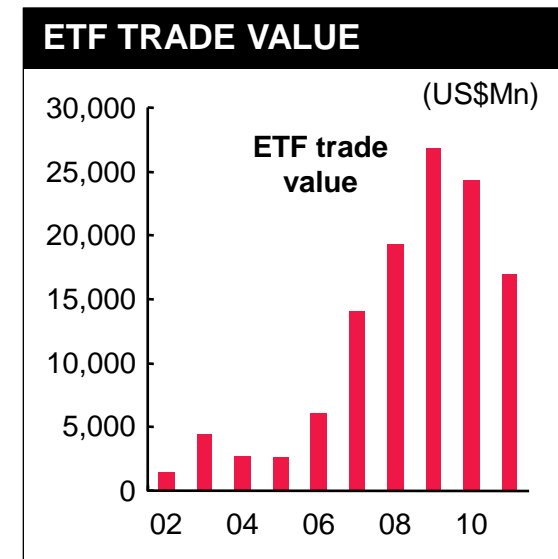
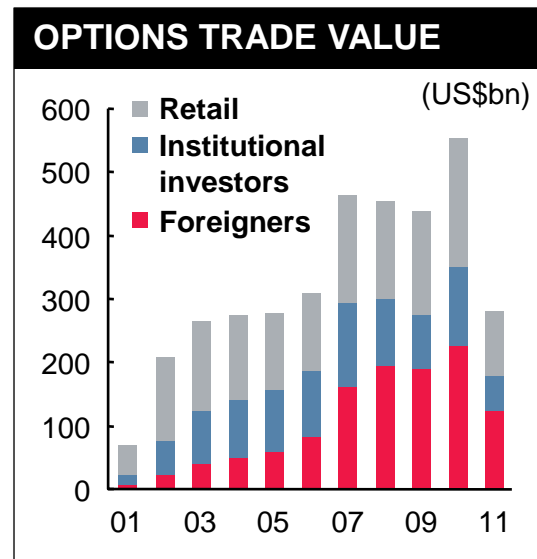
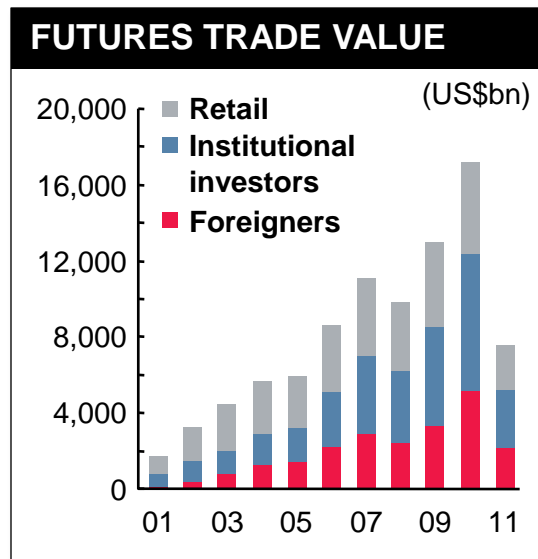
Streamlining of rules for cross-border investment advisory services

Upgrade investor protection mechanism

Selling products with a risk level appropriate to individual customers

Results of Capital Markets Deregulation

- Well-developed derivatives market (the world's largest trading volume)
- Ability to provide hedging & trading opportunities through variety of derivatives products
- Foreign direct investment (FDI) in Korea reached a 10-year high in 2010 at US\$13 billion

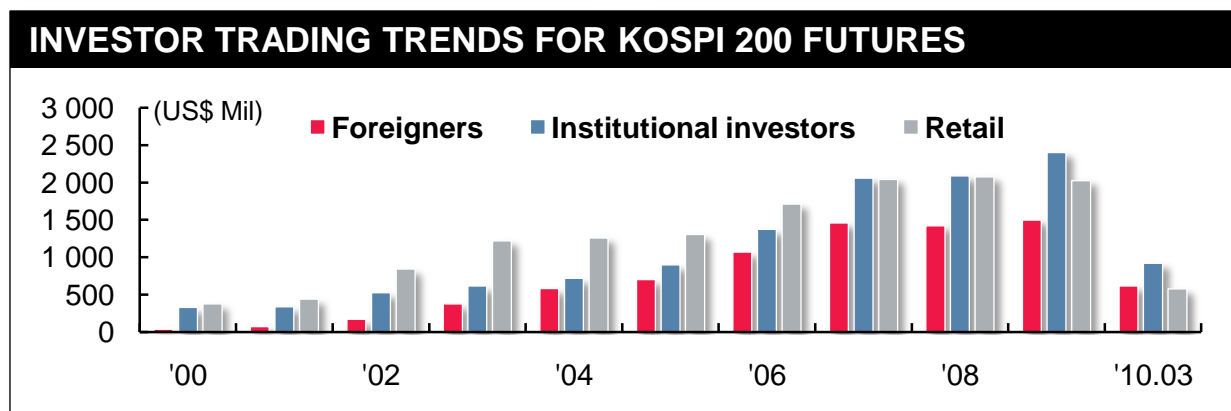
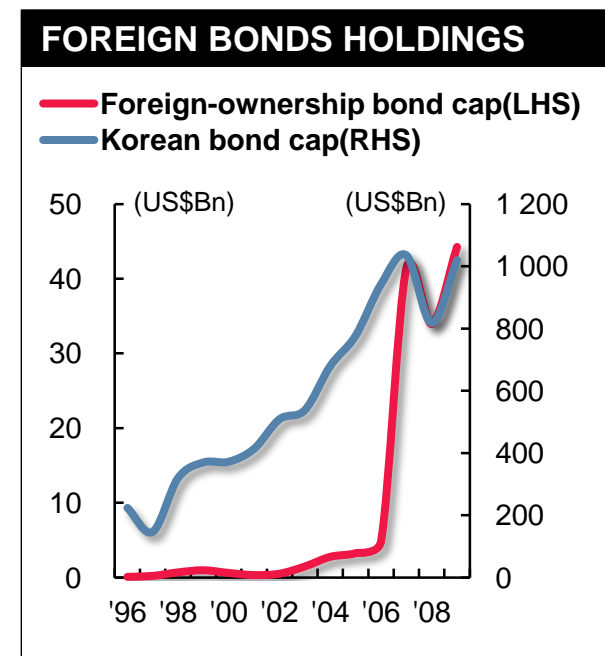
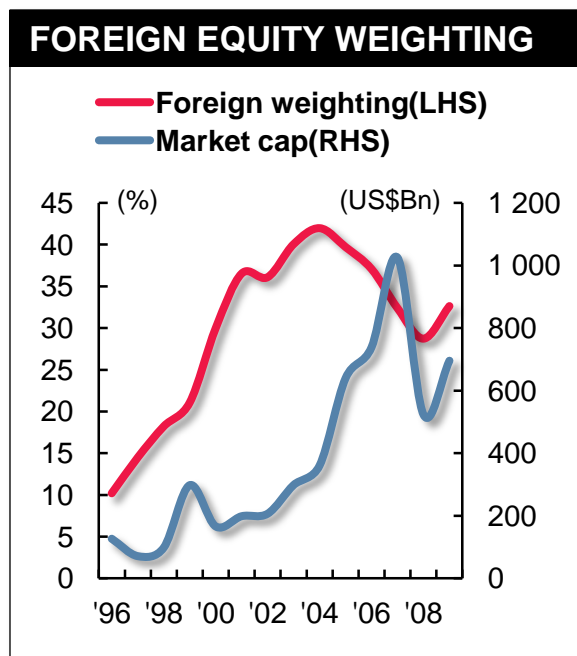


Source: KRX, Woori I&S

- Regulations on hedge fund industry are also being introduced, with the first domestic hedge funds authorized to launch in December 2011.
- Korea is making strides in shifting from a manufacturing based economy to a services / capital markets oriented economy.

Key Business Opportunities

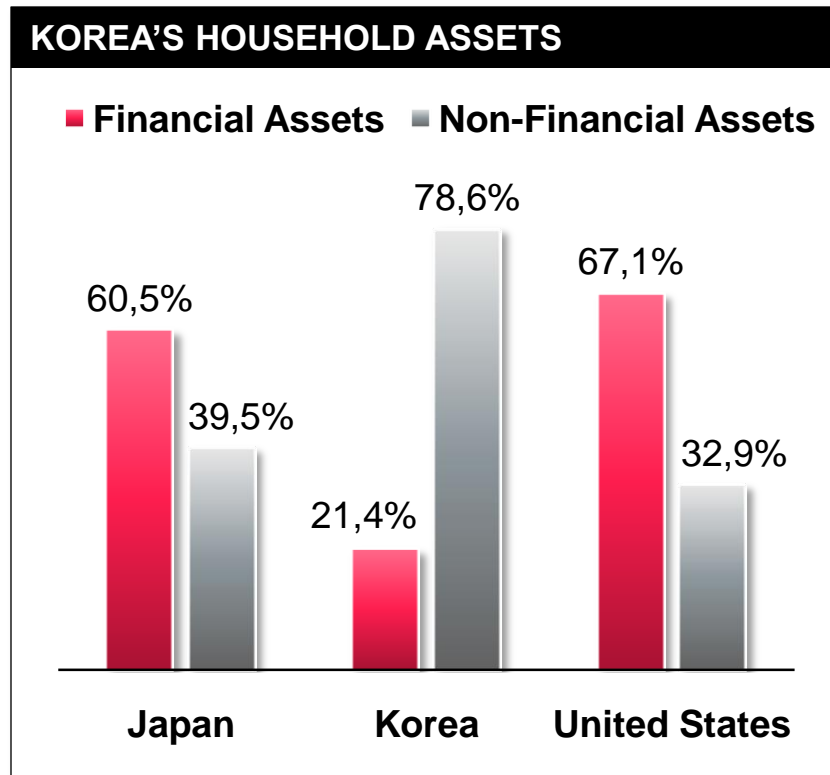
- Foreign equity ownership has risen rapidly following 1997 Asian financial crisis.
- Bond holdings held by foreigners increased by more than 1,200% from 2006.
- Growing trend of foreign investors actively using Kospi futures for hedging purposes.



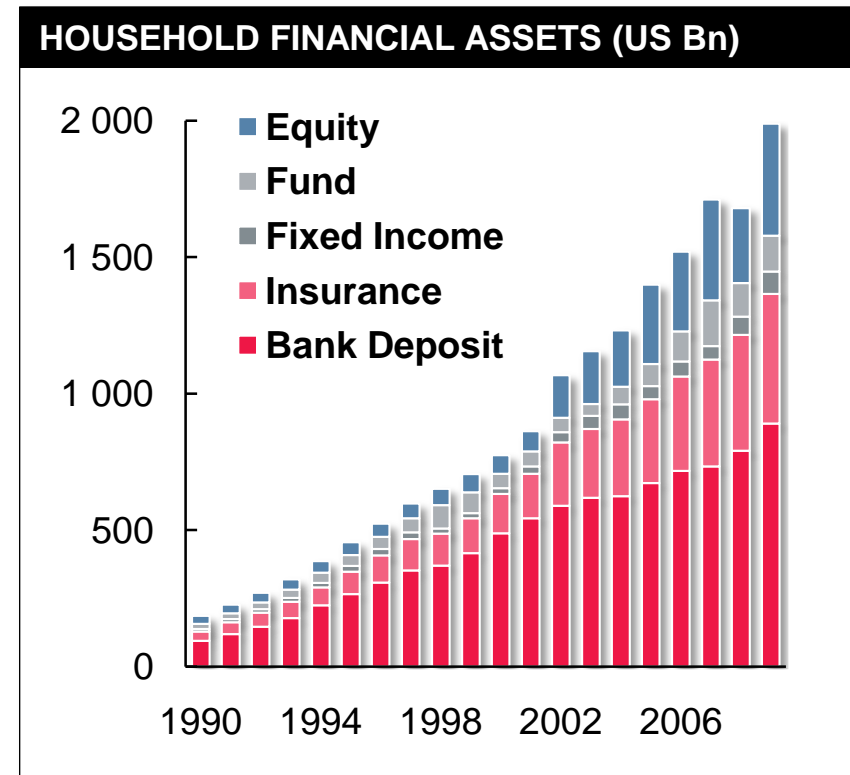
Sources: KRX, FSS

Key Business Opportunities

- Korea's proportion of financial assets out of total household assets is relatively low, compared to developed countries, indicating strong growth potential.
- A paradigm shift has seen Korean households steadily shifting away from conventional investment vehicles such as bank deposits to more sophisticated capital market products.



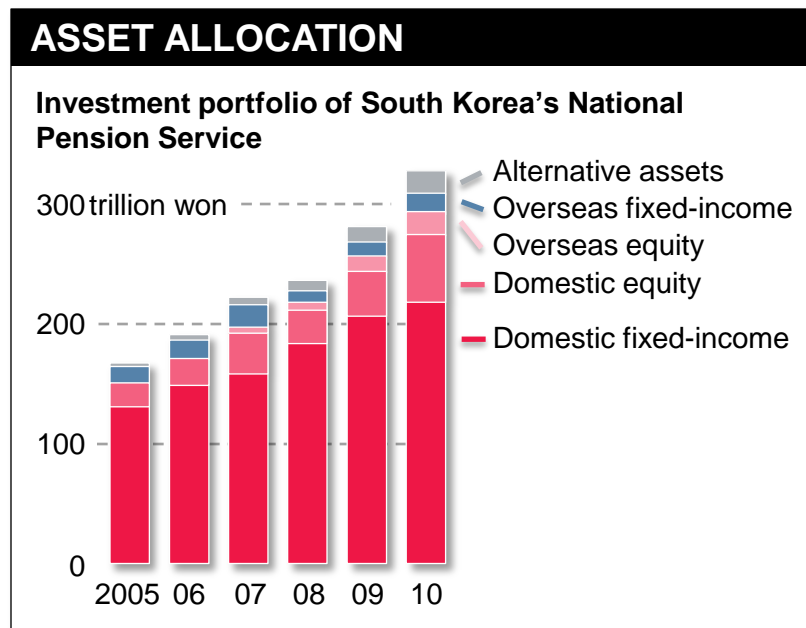
Source: Survey conducted by Korea Financial Investment Association, 2011



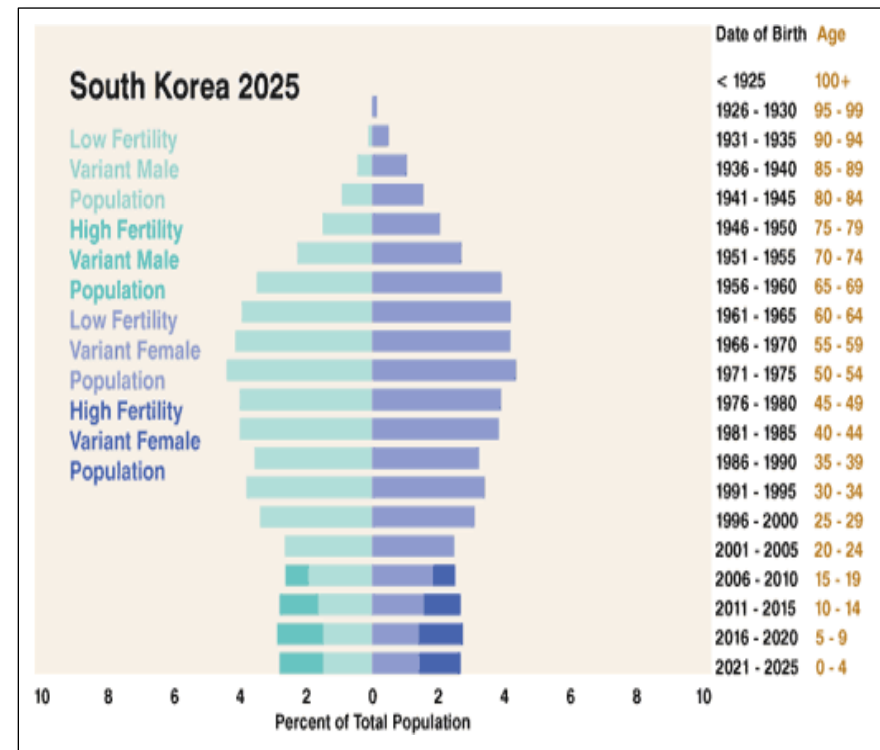
Source: BOK

Key Business Opportunities

- Asia's life insurance industry (asset pools), are growing at more than 4 times the rate of Europe and 8 times that of the US, with Korea offering huge Bancassurance (Bank Insurance Model - BIM) potential. (Ernst & Young, Asia Pacific Insurance Outlook, 2011)
- Faced with an ageing population, Korea's National Pension Service, the world's 4th largest, is looking to invest ~\$4 billion into alternative assets.
- Alternatives investment industry (e.g. WAP, hedge funds) is poised to play an important role in this regard.



Source: National Pension Service



Source : United Nations Population Division, 2005.
World Population Prospects: The 2004 Revision. New York: UN Population Division.

Challenges on the Horizon

- Historically, incidents related to North Korea has had minimal impact on the Korean exchanges.
- Though, this will likely continue to weight on the minds of domestic and foreign investors alike.

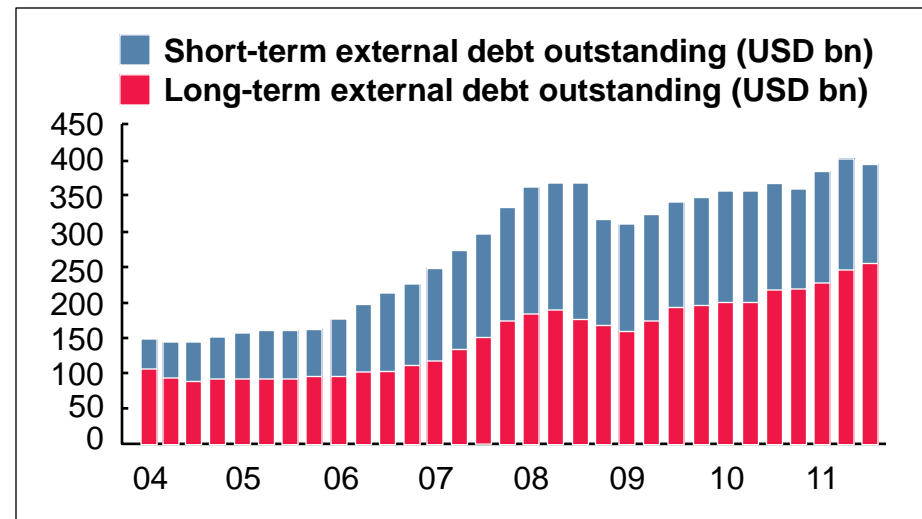


Source: Bloomberg

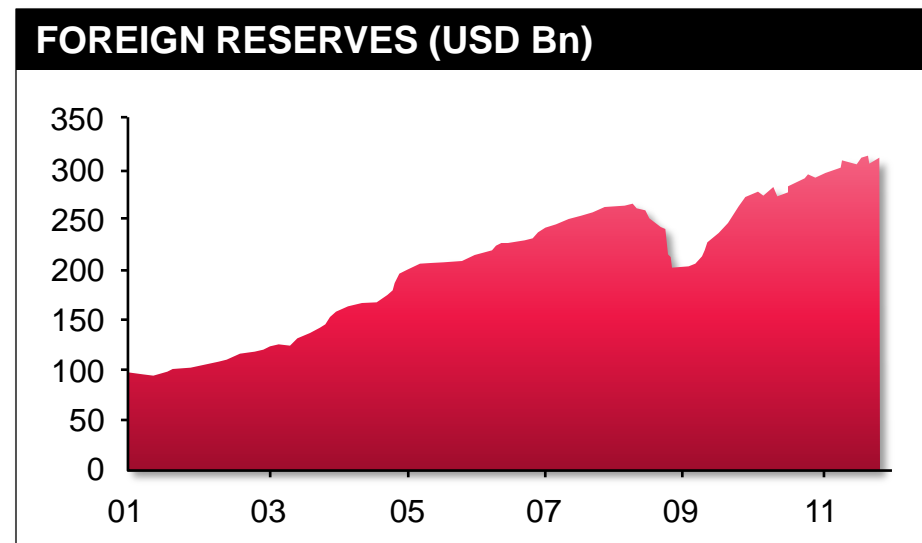


Challenges on the Horizon

- A potential negative shock from Europe's sovereign debt crisis would affect Korea through external trade and the banking system, though the impact would likely be mitigated by measures taken by policy makers in Seoul.
- Vulnerability to the international wholesale funding market has been mitigated by the country's hefty foreign exchange reserves, which are currently at USD309 billion.
- Korea is exposed to global high-tech product demand, but trade is cushioned by sizable machinery sector (31% of exports) which is less cyclical and more geographically diversified to the emerging markets. (Credit Suisse Economics Research 12 Dec 2011)



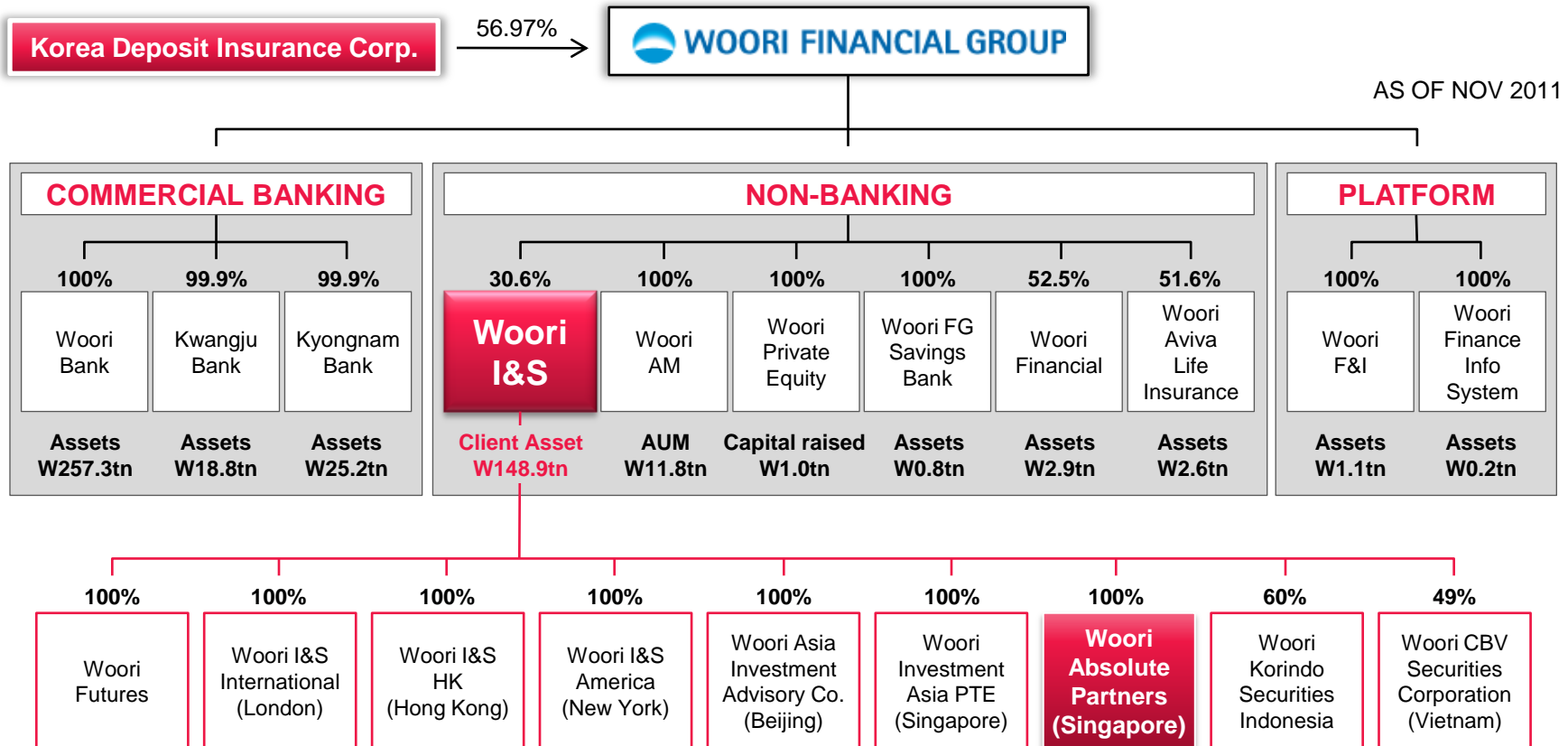
Source: BoK, CEIC, Credit Suisse



Source: Ministry of Strategy and Finance, Credit Suisse

Woori: The #1 Korean Financial Partner

- Ranked 1st in asset size and 3rd in shareholders' equity, Woori Financial Group has been selected as "The Best Financial Group in Korea for 2011" by *THE BANKER*



*KDIC (Korea Deposit Insurance Corporation), a government entity, owns 56.97% stake of Woori Finance Holdings (Woori Financial Group)

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Document non contractuel.