



13 July 2010

Mirae Asset Securities

Reuters: **037620.KS** Bloomberg: **037620 KS** Exchange: **KSC** Ticker: **037620**

JunQ10 preview; signs of improvement

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Upgrade to Buy; emerging new earnings drivers

We upgrade Mirae Asset Securities to Buy based on emergence of new earnings drivers. The company's corporate pension and WRAP accounts are improving. Although these represent only 6-10% of total revenue now, they could be a strong long-term cash cow. The stock is trading at a historical low PB of 1.18x. We cut our FY10E earnings estimate by 51%, as our previous estimate was based on bullish assumptions made last year.

Corporate pension; future cash cow

Mirae Asset is the most proactive brokerage company in the corporate pension business with 200 employees. Korea's corporate pension market size grew 135% YoY to W17.9tr in May 2010. Mirae Asset's corporate pension asset business also grew, 206% YoY to W683bn in May 2010, and its total market share increased 1.1ppt YoY to 3.8%. We expect its corporate pension assets to reach W2tr by mid-2011, the breakeven point, and W3tr by the end of 2011. Thereafter, corporate pension will likely generate 4% of operating revenue and 10% of pretax earnings. Corporate pension is likely to be a cash cow, because maintenance costs will decline after initial years, and the corporate pension balance should increase sharply due to mandatory monthly contributions.

Investors are finding alternative investments; WRAP accounts

Many investors who redeemed mutual funds are switching to different products, such as WRAP accounts. Mirae Asset's WRAP balance grew by W600bn or 61% YoY to W1.7tr in June 2010, which partially offset the fund outflow of W2.5tr during the same period. Its WRAP charges higher commission rates (approximately 175bps) vs. the average fund commission rate of 67bps or the average equity fund commission rate of 120bps.

ROE-g/COE-g valuation; fund redemption is the key risk

Our target price of W66,000 is based on the Gordon Growth model (ROE-g/COE-g) with a COE of 10.9% (beta 1.27, RFR 4.5%, ERP 5.0%), a sustainable ROE of 10% and sustainable growth of 3%. The key risk is large-scale fund redemptions, including a decline in high-margin products and brand value of Mirae Asset's fund products and distribution share of Mirae Asset Investment's products.

Forecasts and ratios

Year End Mar 31	2009A	2010A	2011E	2012E	2013E
Net profit (KRWbn)	126	156	177	213	226
DB EPS (KRWbn)	3,158	3,801	4,214	5,080	5,399
EPS growth (%)	-55	20	11	21	6
PER (x)	29	18	13	11	10
ROE (%)	8	9	10	11	11
Price/book (x)	1.7	1.4	1.2	1.1	1.0
DPS (KRW)	238	750	900	1,000	1,100
Yield (net)(%)	0.3	1.1	1.7	1.8	2.0

Source: Deutsche Bank estimates, company data

¹ DB EPS is fully diluted and excludes non-recurring items² Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Recommendation Change

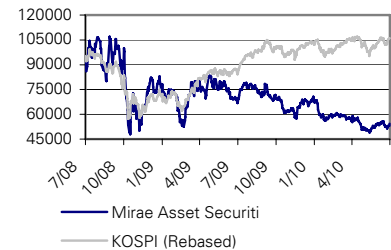
Buy

Price at 13 Jul 2010 (KRW)	54,400
Price target - 12mth (KRW)	66,000
52-week range (KRW)	79,100 - 49,000
KOSPI	1,735.08

Key changes

Rating	Hold to Buy	↑
Price target	77,000.00 to 66,000.00	↓ -14.3%
Net profit (FYE)	358 to 177	↓ -50.6%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	1.7	-2.5	-18.6
KOSPI	3.6	1.4	25.9

Stock data

Market cap (KRWbn)	2,279
Market cap (USDm)	1,896
Shares outstanding (m)	42
Major shareholders	Mirae Asset Capital (39.7%)
Free float (%)	58
Avg daily value traded (USDm)	8.154

Key indicators (FY1)

Net profit margin (%)	31
ROA (%)	2
ROE (%)	10

Deutsche Bank AG/Hong Kong

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 007/05/2010

Model updated: 13 July 2010

Running the numbers**Asia****Korea, Republic of****Brokers****Mirae Asset Securities**

Reuters: 037620.KS Bloomberg: 037620 KS

Buy

Price (13 Jul 10) KRW 54,400

Target price KRW 66,000

52-week Range KRW 49,000 - 79,100

Market Cap (bn) KRWbn 2,279
USDbn 2**Company Profile**

Mirae Asset Securities, established in 1999, provides brokerage, investment trust, and underwriting services. The company also provides services in the areas of cyber trading, mutual funds, asset backed securities (ABS) issuance, and municipal bonds trading. Mirae Asset Securities is part of the Mirae Asset financial group network, consisting of two investment trust companies, plus life insurance and venture capital affiliates.

Fiscal year end 31-Mar	2008	2009	2010	2011E	2012E	2013E
Data Per Share						
EPS (stated) (KRW)	7,053	3,158	3,801	4,214	5,080	5,399
EPS FD (DB adj.) (KRW)	7,053	3,158	3,801	4,214	5,080	5,399
Growth rate - EPS (stated) (%)	92.2	-55.2	20.3	10.9	20.5	6.3
Growth rate - EPS (DB adj.) (%)	92.2	-55.2	20.3	10.9	20.5	6.3
BVPS (stated) (KRW)	39,777	41,517	41,826	45,157	49,254	53,573
BVPS (DB adj.) (KRW)	39,777	42,311	42,589	45,980	50,152	54,550
Market Cap Y/E (KRWbn)	5,274	2,839	2,332	2,279	2,279	2,279
Shares in Issue (m)	38	40	41	42	42	42

Valuation Ratios & Profitability Measures

P/E (stated)	16.0	28.8	18.3	12.9	10.7	10.1
P/E FD (DB adj.)	16.0	28.8	18.3	12.9	10.7	10.1
P/B (stated)	3.5	1.7	1.4	1.2	1.1	1.0
P/B (DB adj.)	3.5	1.7	1.3	1.2	1.1	1.0
ROAE (stated) (%)	21.0	7.8	9.1	9.7	10.8	10.5
ROAA (stated) (%)	5.0	1.9	2.1	2.2	2.5	2.5

Dividends

DPS	953	238	750	900	1,000	1,100
Dividend yield(%)	0.8	0.3	1.1	1.7	1.8	2.0
Payout ratio (%)	14.9	7.8	19.8	21.0	19.3	20.0

Profit & Loss (KRWbn)

Net operating revenues	686	490	526	564	628	664
Commission income	494	349	366	353	372	391
Brokerage	144	134	148	131	142	148
Asset management	279	180	170	173	180	193
Investment banking	65	30	30	29	29	30
Other	6	6	17	20	20	20
Interest income	131	158	166	229	257	270
Trading income	65	8	-5	0	7	10
Other income	-3	-25	0	-19	-7	-7
Net operating income	370	192	195	221	268	286
Net non-operating income	2	-18	21	5	5	4
Pre-tax profit	372	174	215	226	273	290
Effective tax	105	48	60	50	60	64
Profit after tax	268	126	156	177	213	226
Minorities	0	0	0	0	0	0
Net profit	268	126	156	177	213	226
Preference dividends	0	0	0	0	0	0
Net earnings att. to shareholders	268	126	156	177	213	226

Key Balance Sheet Items (KRWbn) & Capital Ratios

Total assets	6,871	6,607	7,886	8,299	8,776	9,207
Stated shareholders' equity	1,588	1,658	1,752	1,892	2,063	2,244
Avg total assets	5,395	6,739	7,246	8,092	8,537	8,991
Avg shareholders' equity	1,272	1,623	1,705	1,822	1,978	2,154
Net capital ratio	617	505	na	na	na	na

Other Key Ratios

Cost asset ratio (%)	40	28	22	18	18	18
Total No of Employees	2,388	2,251	2,251	2,251	2,251	2,251
Total No of Branches	149	132	132	132	132	132
Avg No of Employees	1,976	2,316	2,251	2,251	2,251	2,251
Avg No of Branches	121	142	132	132	132	132
Revenue Per Employee (KRWm)	128,099	91,171	79,532	73,665	78,964	83,041
Expenses Per Employee (KRWm)	109,372	82,887	70,885	63,832	67,048	70,350
Revenue Per Branch (KRWm)	20,963	14,912	13,563	12,562	13,466	14,161
Expenses Per Branch (KRWm)	17,898	13,557	12,088	10,885	11,434	11,997

Source: Company data, Deutsche Bank estimates

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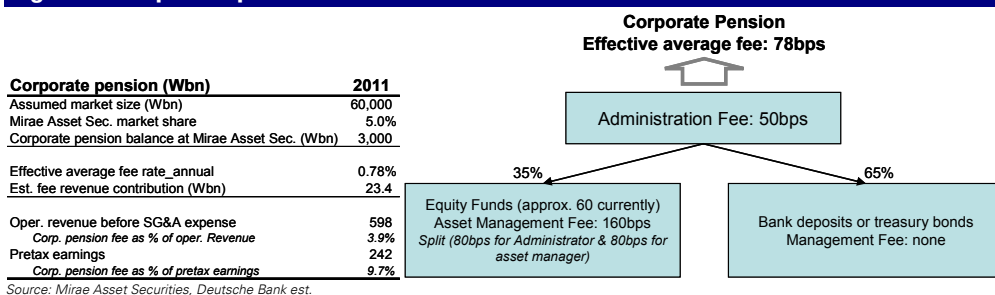
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Corporate pension – long-term growth driver

Fast-growing corporate pension market: New opportunity

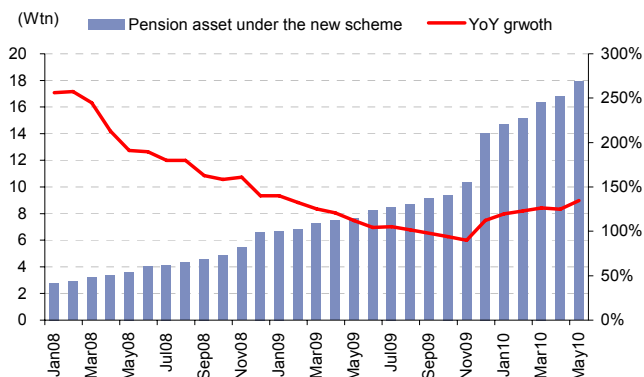
Mirae Asset is still the most proactive brokerage company in the corporate pension business with 200 employees. With continued strong inflow into the new scheme, the total corporate pension market grew 135% YoY to W17.9tr, with defined contribution (DC) type showing 84% YoY growth to W3.7tr as of May 2010. We believe the corporate pension market will grow to W60tr by the end of 2011 when most of the companies migrate their existing employee severance program to new corporate pension plans.

Figure 1: Corporate pension market



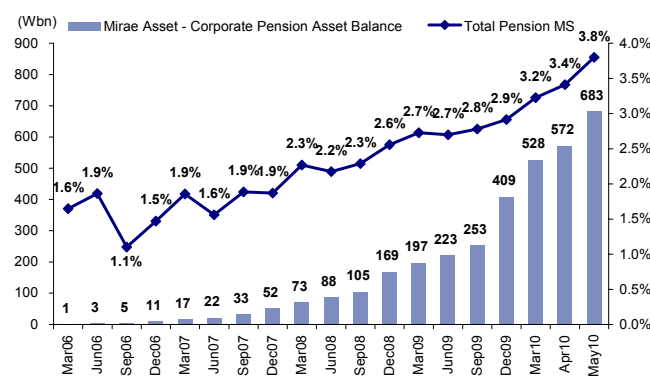
Amid strong corporate pension market growth, Mirae Asset's corporate pension asset business also grew 206% from June 2009 to May 2010, and continued to increase its presence, raising its total market share from 2.7% to 3.8% during the same period. The company expects its corporate pension assets to reach W2tr by the middle of 2011, which will be the breakeven point for the company. Based on our forecast, Mirae Asset Securities' corporate pension market share will reach 5% and corporate pension balance under administration will reach W3tr by the end of 2011. Currently, Mirae Asset Securities is generating 78bps fee from corporate pension business, which is higher than 67bps average fee from mutual funds. The corporate pension fee contribution will be approx. W23.4bn would be 3.9% of operating revenue and 9.7% of pretax income. The corporate pension fee should be enough to fully offset the losses from mutual fund redemption.

Figure 2: Corporate pension market grew 135% YoY and should reach W60tr by the end of 2011



Source: Deutsche Bank and FSS

Figure 3: Corporate pension market share to reach 5% by the end of 2011



Source: Deutsche Bank and company data

Fund size and profits to increase and costs to decrease

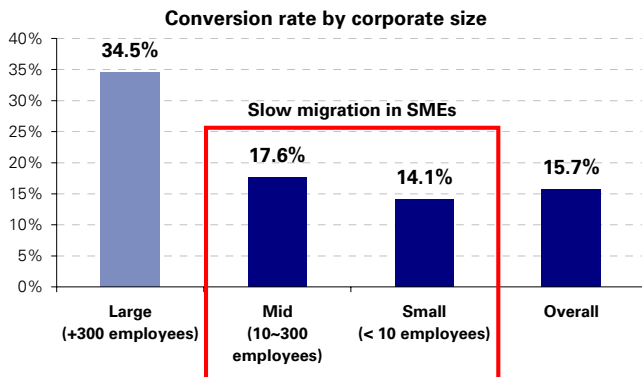
Then, going forward corporate pension is likely to be a cash cow for Mirae Asset Securities due to heavy upfront marketing costs and low maintenance costs in later years. After 2011, the corporate pension balance should increase by 15-16% annually due to accumulated investment returns and periodic contributions from the companies.

SME migration into corporate pension should lead to additional inflow into DC plans

With more SMEs adopting new corporate pensions, DC asset size is likely to grow further. The overall corporate pension adoption rate stands at only 15.7%. Large companies' (i.e. with over 300 employees) adoption rate is 34.5%, while smaller companies' adoption rate is only 17.6% for medium-sized companies (10-300 employees) and 14.1% for small-sized companies (less than 10 employees).

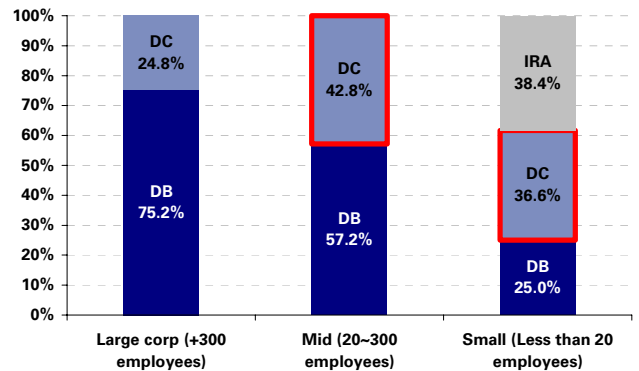
Most large corporations have chosen defined benefit (DB) plans, because the labor unions and employees prefer DB plans over DC plans. However, DC plans are more popular among SMEs with 42.8% DC-type for mid-sized and 36.6% for small companies. We believe the proportion of DC plans will grow further as more SMEs adopt corporate pensions in 2010-11. As a leader in DC-type plans, we believe Mirae Asset is likely to increase its market share from the growing DC portion.

Figure 4: Migration has been slow at SMEs



Source: Deutsche Bank and Ministry of Employment and Labor

Figure 5: Relatively more balanced DB/DC mix at SMEs

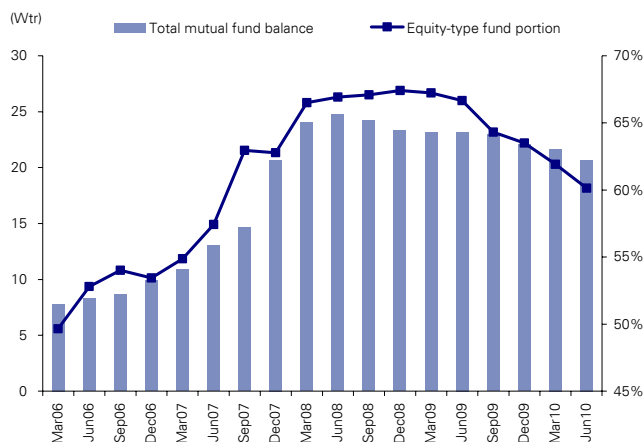


Source: Deutsche Bank and FSS

Mutual funds redemption

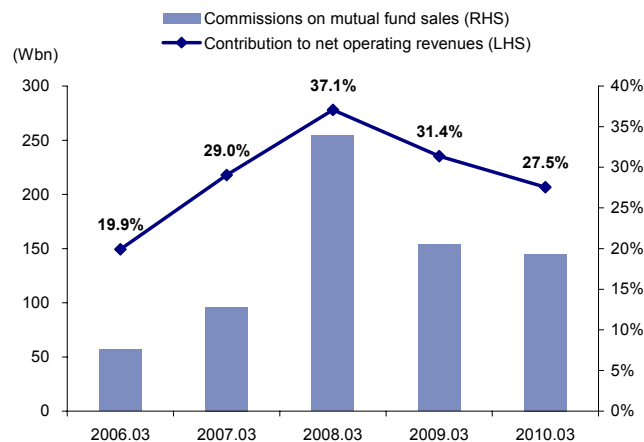
The mutual fund balance should have declined W2.5tr YoY to W20.7tr in June 2010, according to the company. The equity type fund balance declined sharply by W3tr YoY to approximately W12.5tr as of Jun 2010. The effective average fund commission rate stands at 67bps, down from the 2008 peak of 85bps. Most (85%) of the fund commissions come from equity type funds (120bps) as the commission rate for bond/mixed type is quite low at 20bps. The mutual fund redemption has been the key concern for investors and the underlying reason for weak share price.

Figure 6: Mirae’s equity type funds account for 60% of total mutual fund sales, down from 67% at the peak



Source: Deutsche Bank, company data

Figure 7: ...although net operating revenue contribution is declining



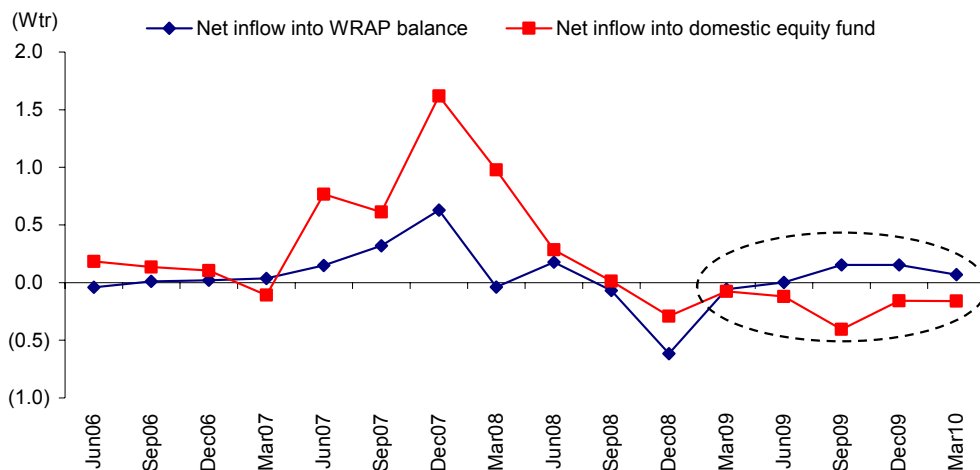
Source: Deutsche Bank, company data

Inflow into WRAP accounts partially offsetting ongoing equity fund redemption

Continued fund redemption remains a concern for many investors. However, the money is moving into different products, instead of exiting the wealth management market. From pure equity type funds, industry-wide year-to-date net outflow was W9.8tr as of June 2010 as retail investors continue to redeem their equity type funds with the KOSPI recovery after a sharp correction in late 2008 and early 2009. At Mirae Asset, the YTD mutual fund outflow was W1.4tr and YTD equity fund outflow was W1.6tr. Fund redemption remains the key risk for Mirae Asset, and will likely continue to be a drag on the share price.

However, the net inflow into the WRAP balance has partially offset this trend. Mirae Asset’s WRAP balance grew by W600bn or 61% YoY to W1.7tr in June 2010, partially offsetting the mutual fund outflow of W2.5tr during the same period.

Figure 8: Net inflow into WRAP lowers the fund redemption impact

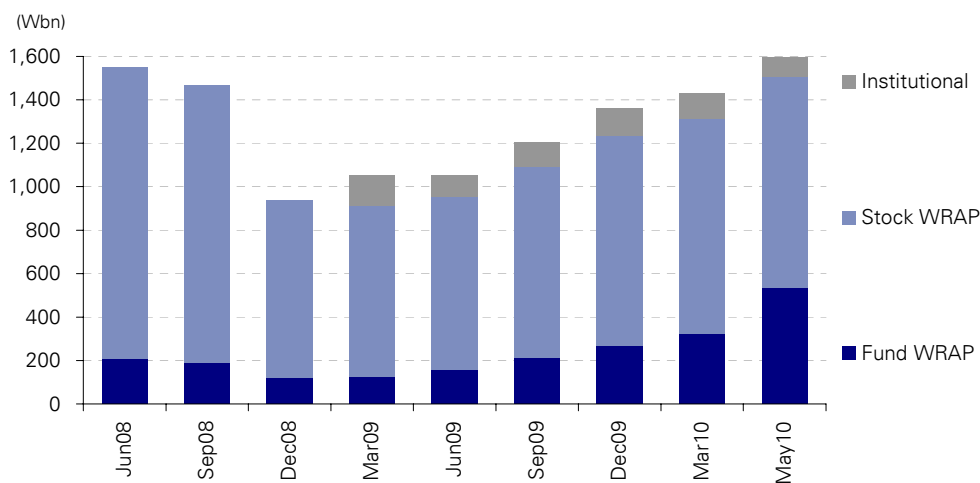


Source: Deutsche Bank and company data

WRAP products partially offset the commission loss from fund redemption

Mirae Asset charges higher commission on WRAP products. Out of the W1.65tr WRAP balance, fund WRAP accounts for 61% and stock WRAP for 34%. The fund WRAP commission comprises two types of commissions: 1) fund sales commission and 2) annual advisory fee of 30bps classified as WRAP advisory commission. As for stock WRAP products, a 3.2% to 3.5% fee is charged per year while the trading costs are borne by Mirae Asset. The minimum investment is W50m for most WRAP accounts but the hurdle amount will be brought down to W10m for fund WRAP products to promote popularity. The commission rates for WRAP account are 110bps–350bps, approximately 175bps on average, which are much higher than the average fund commission rate of 67bps and the average equity fund commission rate of 120bps. We believe the commission loss from W2.5tr fund redemption during the past year should be W33bn, whereas the additional commission from W600bn WRAP accounts increase should be W10.5bn for the same period. The net commission loss should be W22bn (4.2% of operating revenue). Thus, the negative impact from fund redemption is much less than perceived.

Figure 9: Composition of WRAP account balance at Mirae Asset Security



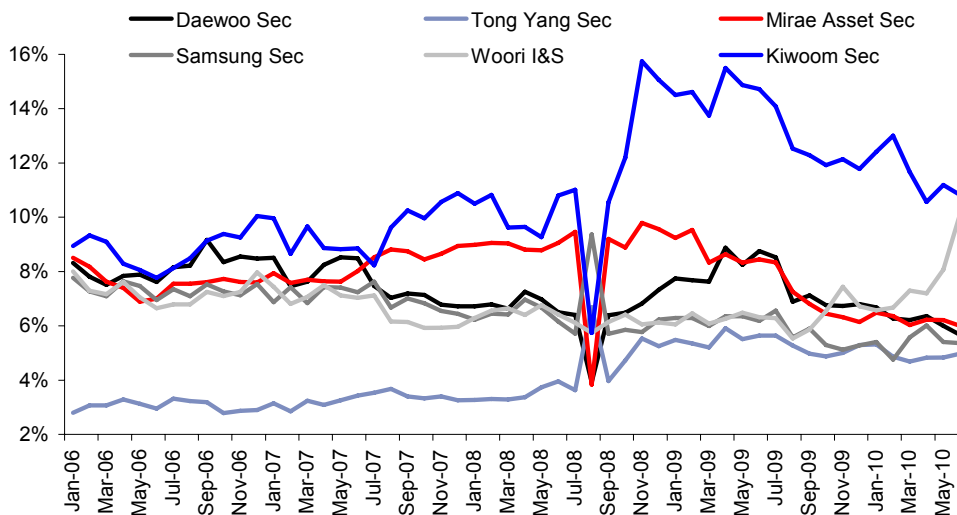
Source: Deutsche Bank and company data

Brokerage

Declining brokerage market share due to continued equity fund redemption

With a lower average daily trading value of W7.5tr for JunQ, down 22% YoY, and continued equity fund redemption (W9.8tr net outflow YTD), Mirae Asset's brokerage commission is expected to decline by 14.9% YoY in JunQ10. We believe Mirae Asset Securities should be more affected than peers given its affiliate asset manager, Mirae Asset Investment's volume decline.

Figure 10: Brokerage market share by trading value

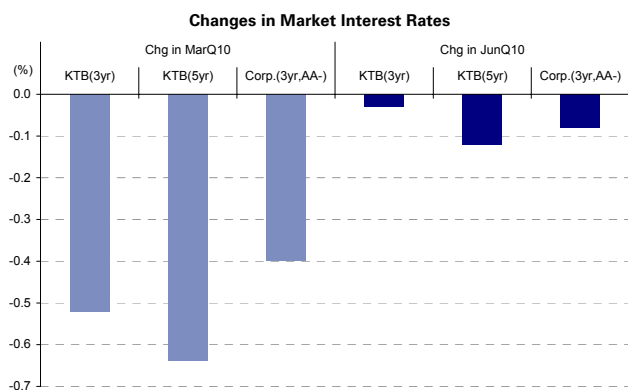


Source: Deutsche Bank and CheckExpert

Net interest income

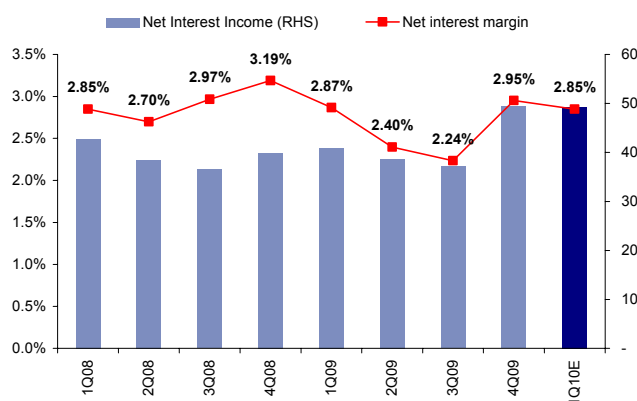
The net interest margin at Mirae Asset Securities rose 71bps QoQ in MarQ10 due to high volatility in market rates, ranging between 40bps to 52bps. Due to the asset sensitive nature of brokerage companies, their net interest margins rose QoQ in MarQ10. However, the movement in market interest rates was much smaller in JunQ10, ranging between 3bps and 12bps and we do not expect to see many changes in the company's net interest margin.

Figure 11: Market rates only moved 3–12bps in JunQ10E



Source: Deutsche Bank and BoK

Figure 12: We expect NIM to decline 10bps in JunQ10E



Source: Deutsche Bank estimates and company data

Earnings changes and preview

JunQ10 earnings likely to be weak due to bond MTM losses

Our estimate on Mirae Asset Securities' JunQ net earnings is W32bn, 18% lower than consensus and down 18% QoQ. Like other major brokers, Mirae Asset Securities should have experienced bond valuation losses due to volatile market interest rates during the quarter. We believe the company's brokerage commission should remain stable, but its commission on mutual fund sales should decline slightly due to equity fund redemption. Net interest margin should remain stable at 2.95%.

Figure 13: Quarterly earnings trend and JunQ estimates

Mirae Asset Securities (037620.KS) Quarterly Analysis (Wbn)	MarQ09 Qtr Act	JunQ09 Qtr Act	SepQ09 Qtr Act	DecQ09 Qtr Act	MarQ10 Qtr Act	JunQ10 DB F'cst	Changes		JunQ10 Consensus	Diff. %
							QoQ (%)	YoY (%)		
Net commission income	64.3	93.4	99.0	91.2	81.9	84.6	5.2%	-7.7%		
Brokerage	30.1	44.2	43.0	30.2	30.6	30.9	0.6%	-30.4%		
Wealth management	29.3	39.3	43.3	45.7	42.0	41.4	2.7%	9.7%		
Commissions on mutual fund sales	26.6	34.4	37.1	38.8	34.5	34.1	-1.3%	-1.0%		
Investment banking (underwriting)	3.1	8.4	7.1	9.2	5.4	7.0	30.9%	-16.9%		
Other commission income	1.8	1.5	5.7	6.1	4.0	5.3	31.9%	259.4%		
Net interest income	39.8	40.9	38.7	37.2	49.4	51.1	3.3%	24.8%		
<i>Net interest margin</i>	3.19%	2.87%	2.40%	2.24%	2.95%	2.95%	0.0%	0.1%		
Net prop trading income	(0.2)	9.1	(12.4)	(6.5)	4.7	(3.2)	-168%	-135%		
FX gain (loss)	1.5	(0.6)	(13.4)	2.0	(4.4)	(4.1)	-7%	545%		
Loan loss provision	10.9	2.5	2.3	2.8	(7.6)	4.2	-155%	69%		
Other net income	(14.7)	(0.4)	(2.6)	5.7	13.3	0.1	-99%	-134%		
Net operating revenues	79.9	139.8	107.1	126.7	152.5	124.3	-17.5%	-10.0%	128.9	-2.4%
SG&A expenses	59.5	79.8	76.9	86.2	88.6	83.8	-5.4%	5.0%		
Labor expenses	26.4	55.5	41.0	47.9	45.4	48.0	5.7%	-13.5%		
Other SG&A expenses	33.1	24.3	35.9	38.3	43.2	35.8	-17.1%	47.3%		
Net operating income	20.4	60.0	30.2	40.6	63.9	40.4	-34.3%	-30.0%	55.2	-24.0%
Non-operating income	0.2	14.7	16.5	8.6	(9.9)	2.5	-125.1%	-83.1%		
Non-operating expenses	7.5	8.6	2.7	1.5	(3.8)	2.3	-159.5%	-73.8%		
Recurring profit	13.2	66.0	44.1	47.6	57.8	40.6	-27.0%	-36.1%	58.0	-27.2%
Profit before taxation	13.2	66.0	44.1	47.6	57.8	40.6	-27.0%	-36.1%		
Taxation	4.0	18.2	10.3	14.2	17.3	8.9	-46.3%	-48.9%		
Net profit	9.2	47.9	33.7	33.4	40.5	31.7	-18.8%	-31.2%	40.1	-18.0%

Source: Deutsche Bank, company data

FY10-11E earnings lowered by 52-54%

We readjusted our earnings forecasts for FY10 and FY11 earnings by -51% and 48%, respectively. Our previous earnings forecasts were made based on bull market view and did not reflect the continued fund redemption and the associated brokerage market share erosion that our previous estimate did not capture. The wealth management fee (mostly fund sales and management fees) was lowered 43-49% to reflect funds outflow and a decline in the average fee rate. Previously we predicted that funds outflow would stop, and strong fund inflow would return as the economy regained its strength. However, many investors redeemed their mutual funds when their fund values reached breakeven between KOSPI 1,500-1,700. The brokerage fee was lowered by 7% to reflect the company's brokerage market share decline of 1.41ppt YoY to 7.58%. Mirae Asset Securities lost brokerage market share as the overall AUM of its affiliate, Mirae Asset Investment, declined due to mutual fund redemption.

Proprietary trading income was reduced sharply, as Mirae Asset Securities as well as most other brokerage companies in Korea would post large valuation losses on their bond portfolios as Korea will likely enter an interest rate hike period. SG&A expense increased by 38% to reflect the company's additional human resource costs to promote the corporate pension business. The company's marketing expense is likely to increase with a great emphasis on corporate pension and WRAP account sales.

In addition, the slower-than-expected adoption of corporate pensions and limited earnings contribution from overseas subsidiaries caused us to lower our earnings estimates. Although we remain long-term positive on Mirae Asset Securities due to its leading position in the wealth management and fast-growing corporate pension market, the benefits from these long-term growth drivers would be reflected in two-three years down the road.

Figure 14: Lowered FY10E and FY11E earnings by 51% and 48%, respectively

Year end Mar. 31 (Wbn)	FY06 (Mar07)	FY07 (Mar08)	FY08 (Mar09)	FY09 (Mar10)	FY10F (Mar11F)	FY11F (Mar12F)
New net commission income	235.1	493.7	349.4	365.5	353.3	371.9
Old net commission income	235.1	493.7	349.4	365.5	481.0	519.8
Change (%)	0%	0%	0%	0%	-27%	-28%
New brokerage fee	86.6	143.8	133.7	147.9	131.5	142.4
Old brokerage fee	86.6	143.8	133.7	147.9	142.7	126.0
Change (%)	0%	0%	0%	0%	-8%	13%
New wealth management fee	113.0	278.5	179.6	170.3	172.9	180.2
Old wealth management fee	113.0	278.5	179.6	170.3	302.8	356.2
Change (%)	0%	0%	0%	0%	-43%	-49%
New investment banking revenue	27.7	65.1	30.3	30.1	28.6	29.3
Old investment banking revenue	27.7	65.1	30.3	30.1	28.5	30.5
Change (%)	0%	0%	0%	0%	0%	-4%
New net interest income	61.3	131.1	157.6	166.2	229.3	256.7
Old net interest income	61.3	131.1	157.6	166.2	205.9	232.1
Change (%)	0%	0%	0%	0%	11%	11%
New prop trading income	33.7	64.6	8.3	-5.1	0.5	6.7
Old prop trading income	33.7	64.6	8.3	-5.1	27.1	36.6
Change (%)	0%	0%	0%	0%	-98%	-82%
New operating revenue	330.7	686.3	490.0	526.1	564.4	628.5
Old operating revenue	330.7	686.3	490.0	526.1	669.6	741.1
Change (%)	0%	0%	0%	0%	-16%	-15%
New SG&A expenses	172.7	316.2	290.7	331.5	343.1	360.2
Old SG&A expenses	172.7	316.2	290.7	331.5	248.3	259.4
Change (%)	0%	0%	0%	0%	38%	39%
New other income/expenses	2.9	-1.0	-34.7	36.9	6.2	5.9
Old other income/expenses	2.9	-1.0	-34.7	36.9	-7.3	-7.3
Change (%)	0%	0%	0%	0%	-186%	-181%
New net income	115.7	267.6	126.1	155.5	176.5	212.8
Old net income	115.7	267.6	126.1	155.5	357.6	407.1
Change (%)	0%	0%	0%	0%	-51%	-48%

Source: Deutsche Bank estimates, company data

Valuation

Upgrade to Buy, target price adjusted to W66,000, 21% upside potential

We upgraded Mirae Asset Securities to Buy based on the positive trends in corporate pension and WRAP accounts. The redemption of equity type mutual funds may continue to drag down investor sentiments in the near future; however, positive trends on corporate pension and WRAP accounts will turn investors' sentiment around in medium-to-long term. We lowered our target price by 16% to W66,000 from W77,000 to reflect the reduced earnings forecasts. With lower earnings assumption for FY2010, we lowered the sustainable ROE from 16% to 11%. Our previous earnings forecast were based on a bullish view on market condition and does not reflect mutual fund redemption.

We believe Mirae Asset's current strategy on corporate pension and WRAP accounts should bring improved results and a positive catalyst in the medium-to-long term. We believe the company's strategies on wealth management and overseas expansion should pay off in the long term.

Figure 15: Valuation based on Gordon Growth model

ROE-g/COE-g Valuation	Calculation	New
2 year beta	a	1.27
Equity risk premium	c	5.0%
Risk free rate	d	4.5%
Cost of equity	$e = d + a \times c$	10.9%
Mar10 ROE		9.1%
Mar11E ROE		9.7%
Mar12E ROE		10.8%
Sustainable ROE	f	11.0%
Sustainable growth	g	3.0%
Suggested PBR (x)	$h = (f - g) / (e - g)$	1.02
Premium for potentials on corp. pension	i	40%
Target PBR (x)	$j = h * (1 + i)$	1.43
Adj Mar11E BPS (W)	k	45,980
Fair Value (W)	$m = j \times k$	65,602
Historical PB Spreads Valuation		
	Calculation	
Industry average PBR	r	1.15
MiraeAsset average PB premium excluding bull market period	s	0.34
Suggested PBR (X)	$t = r + s$	1.49
Fair Value suggested by Industry PB comparison (W)	$v = t \times k$	68,604
Current share price	w	54,400
Current PBR		1.18
Target Price (W)	y	66,000
Upside (Downside)	$z = (y - w) / w$	21%

Source: Deutsche Bank

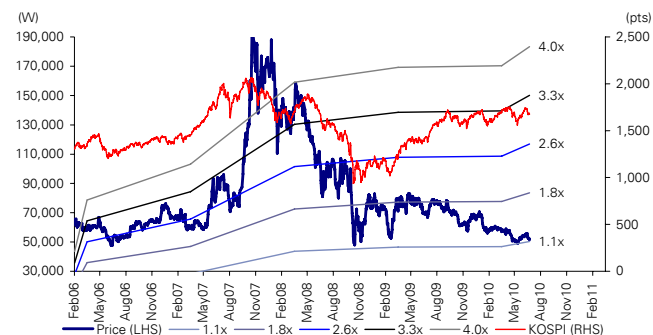
Our target price of W66,000 is based on the Gordon Growth model (ROE-g/COE-g) with a cost of equity of 10.9% (the two-year adjusted beta of 1.27, risk-free rate of 4.5%, risk premium of 5.0%), a sustainable ROE of 11% and sustainable growth of 3%. The sustainable ROE of 11% is based on our assumption that the company's corporate pension business should lift the current ROE in the long term. Our long-term growth of 3% is based on Korea's long-term GDP growth rate assumption.

We applied a 40% premium over the suggested PBR to reflect the company’s traditional premium in the market as the leader of wealth management. We believe the premium will likely prevail as the company is one of the leaders of corporate pensions, an emerging growth sector. Separately, we note that Mirae Asset Securities’ historical PB premium of 0.34x over the industry average, excluding the bull market period, would suggest a PBR of 1.46x, slightly above the target PBR of 1.43x.

Mirae Asset Securities currently trading at historically-low PBR

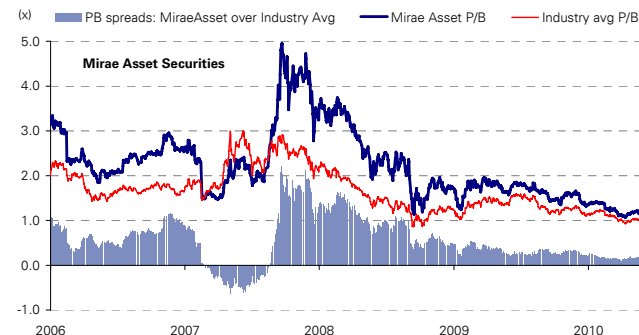
Mirae Asset Securities’ current valuation is at a historical-low PBR of 1.18x. The negative investor sentiment may prevail in the near future until the investor concerns over the redemption of equity mutual funds disappear. However, the positive trends on corporate pension and WRAP accounts will turn investors’ sentiment around in the medium-to-long term.

Figure 16: Mirae Asset Securities trading at its historical low PBR of 1.1x (Mar11E)



Source: Deutsche Bank, Bloomberg Finance LP

Figure 17: Mirae Asset’s historical PB premium over industry average is 0.34x, excluding bull market period



Source: Deutsche Bank, Bloomberg Finance LP

Risks

Major risks for the company involve large-scale fund redemption, including a decline in 1) sales of high-margin products (i.e., overseas equity funds), 2) brand value of Mirae Asset’s fund products, and 3) distribution share of Mirae Asset Investment’s products. The company is also subject to risk from its investments overseas.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Mirae Asset Securities	037620.KS	54400.00 (KRW) 13 Jul 10	NA

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

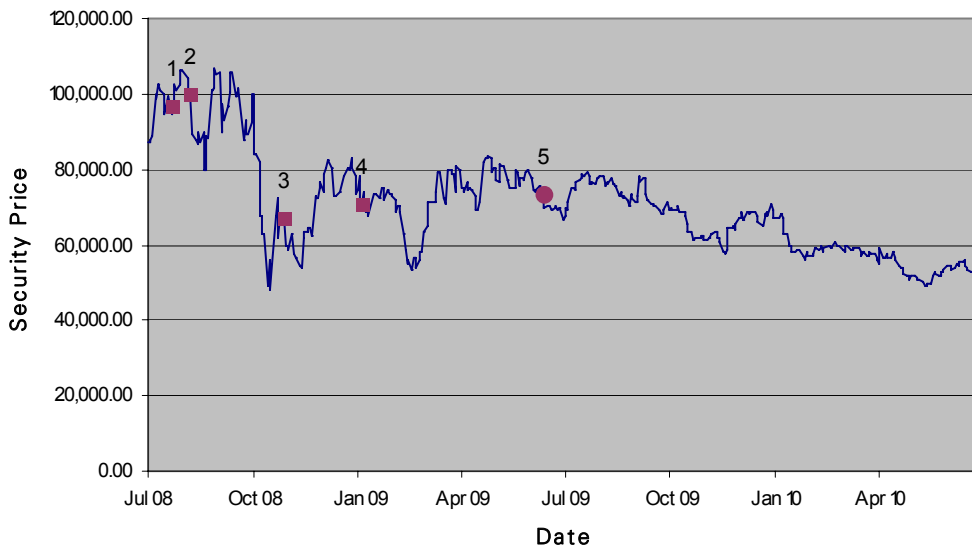
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Historical recommendations and target price: Mirae Asset Securities (037620.KS)

(as of 13/07/2010)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

1.	5/8/2008:	Buy, Target Price Change KRW126,000.00	4.	18/1/2009:	Buy, Target Price Change KRW85,000.00
2.	20/8/2008:	Buy, Target Price Change KRW122,000.00	5.	25/6/2009:	Downgrade to Hold, Target Price Change KRW77,000.00
3.	10/11/2008:	Buy, Target Price Change KRW81,000.00			

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Equity rating dispersion and banking relationships

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

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Notes:

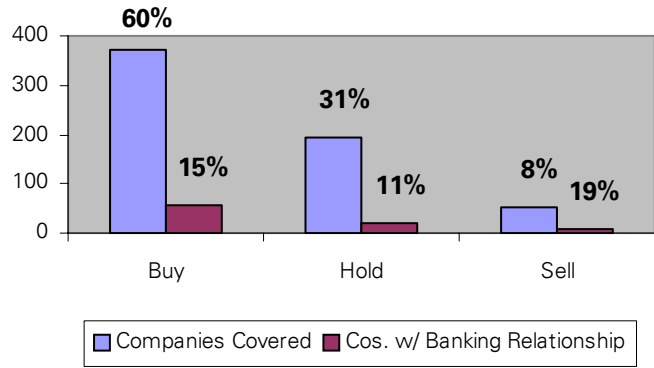
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Sell: Expected total return (including dividends) of -10% or worse over a 12-month period



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