

The Korea Economic Slice on KBC (Vol. 1.15)

An Exclusive Report from [Korea Business Central](#) and [DS - Financial Market Analysis](#)

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Leading up to Korean Chuseok, a holiday most easily compared to Western Thanksgiving, fellow expat residents have surely noticed massive, sometimes ostentatious, decorative packaging of various products; from assorted Spam canned meat to Johnny Walker Blue Label whiskey. The purpose of the decorations is to honor the receiver of the gift, but now even the government is cracking down on wasteful packaging meant to deceive consumers. The visions of these “Chuseok sets” dance through my head and birth a pondering of the Korean banking system. From the eyes of an expat, banking in Korea is noticeably “gift wrapped” in polite manners, humble attendees, and sexy advertising, but do Korean banks exist outside of Korea? What are their functions and how are they perceived? Korea is host of this year’s G20 in November, and is looking to advance as intelligence based economy. One avenue to securing a larger slice of the pie would be to mature and then promote investment banks to the rest of the world, starting with Korean industry deals tied to expansion in the East.

Brave New Worlds

Korea may be a young gun host for the G20 in November, but one place that Korea has excelled is in the continuously refined comprehension of global consumers’ wants and needs. The successes in Korea’s branding of consumer products in international forums is undeniable; from their Samsung and LG electronics (now in the upper echelon of the digital display business) and by pushing Hyundai and Kia into the short list of scrutinizing American car buyers.

However, it has been a relatively untried endeavor that Korean banks would truly globalize and compete in foreign markets. As of yet Daewoo, Hanna, Mirrae, KB Kookmin, KEB, Shinhan and Woori have all begun moving outside South Korea’s borders with physical offices and operations abroad. However, the objectives of their international investments are dissimilar, causing the scope and strategies of each firm to differ greatly.

Take a moment to review the chart we’ve built below, summarizing the major private banks in

Korea that have actively expanded operations abroad.

Bank Name	Foreign Presence (# of Countries)	U.S. Offices
Daewoo	6	1
Hanna	9	1
Mirrae	6	2
Shinhan	14	18
KB	12	1
KEB	22	1
Woori	13	18

From the chart, one can easily surmise which of Korea’s banks are actively expanding into foreign markets to become international financial institutions. Going on the chart alone, we can see that most of Korea’s international expansion (Daewoo, Hanna, KB, and KEB) has been aimed at establishing presences in foreign countries for foreign exchange exposure, supporting bank dealings with foreign investors, allowing access to native Korean clients living abroad, and of

course... great “Global PR”.

From our research we found that only Shinhan and Woori have set up substantial networks of banks in Western markets, and that they have far more branches in the U.S. than other Western nations.

We're Bankin' in the USA

First we'll look at Woori Bank Korea, which has established subsidiary branches in all 13 countries it operates in. In the U.S. Woori America Bank has 18 branch offices, making it the largest Korean bank on the Eastern seaboard. The bank was founded in New York to appeal to “ethnic Koreans” in 1984, then in [late 2003](#) it bought PanAsia Bank to grow to its current size and presence throughout New England.

According to their website, the mission and goals of Woori America are first to assist Korean nationals and their families in the remittance of funds to and from Korea. Second, to continue building its [deposit base](#) and promoting its line of consumer [loans](#). Third, to promote the [commercial lending](#) business and grow the [International Trade Finance](#) division, which facilitates trade financing between Korea and the United States. And perhaps most important, Woori America, as a subsidiary, can perform currency swaps with Woori Korea, allowing them highly demanded access to foreign currency reserves.

As a brand, Woori America is primarily promoted through its [website](#), word of mouth, [social media](#), and the demand of Koreans for a local means of banking with their homeland. However, through expansion efforts and regulatory approvals, the bank has been promoted and fostered into a legitimate Savings and Loan name in the North East. However, the bank is now fighting to compete with thousands of other S&L banks with only a comparative advantage to Korean clients. Perhaps this is reason enough to compete at the retail banking level, but the profits are certainly minimal compared to investment banking operations.

Shinhan operates an equivalent 18 branches in

America, however the bank's strategy has a slightly different focus. Aimed at blanketing the entire country, rather than growing a network of community branches in one region akin to Woori, Shinhan has spread their U.S. locations among major metro areas all across the country. For this reason, Shinhan is able to dominate certain areas because there is simply no competition for remittances or trade financing. In Dallas, Texas for example, where Shinhan has a branch, there's no need to promote their business because they are the only local Korean player. Still however, their operations consist mainly of currency supply to the mother company, remittances, and trade financing.

Shinhan has also concentrated much of its international expansion focus in Asia, where they have nine branches in Japan and ten in china. By comparison, Woori has one office in Japan and seven in China on a slightly smaller scale.

Korean Investment Banks?

Alright, of course there are Korean investment banks. An investment bank is most simply an institutional bank, specifically focused on the inner workings and dealings of corporations among and between themselves, rather than individuals or small businesses. In Korea we have these kinds of banks, mostly divisions of the banks in the chart on the 1st page, but there is a new name in the game which could really be a future leader of this industry on an international scale...

Mirrae Asset, literally meaning “*The Future Asset*” in English, is a bank born out of the financial crisis in the late 1990's who play by their own rules. According to their [Global Network](#) webpage, Mirrae Asset is “focused on emerging markets [and is] globally minded”.

This outward looking firm, just thirteen years young, was founded by current Chairman Hyeon-Joo Park with the vision to make transparent investments with no ties to the government or large corporations, as most of the industry were doing at the time.

In just over ten years, the group has established physical offices in Brazil, China, Hong Kong, India, U.S., U.K., and Vietnam. Currently Mirrae actively manages global equity funds of emerging and developed corporations, however the transition into investment banking (IB) could be swift and well received.

The initial means to grow an IB division would stem from IPO's, Mergers, and Acquisitions involving Korean firms on a small scale. However, groups like Mirrae could begin to buck the trend of the conglomerate Korean firms with foreign offices, who are only interested in watching their major clients' backs, maintaining access to foreign currency, and providing a friendly face for Korean nationals living abroad to do their banking with.

The time has come for the gift wrap to come off of the Korean banking system and the teeth to be shown. Korea has an abundant supply of young graduates with extremely capable quantitative abilities and a maturing economy that will soon accelerate its outward expansion into Asia and beyond. Auto plants in the Baltic States and Thailand hint at this new wave of Korean expansion abroad, beckoning native investment banks into the open waters to broker the deals. Hanwha bank is one example of a Hungarian bank that expanded into the Korean IB market even after HSBC, Goldman Sachs, and the rest of the Western squad had set up shop. This is evidence that there is a lack of vision and drive into this arena by Korean firms. It will be up to groups like Mirrae Asset to find the deals, get on board, and start bringing profits back home. The wave of Korean International Investment Banking can continue gaining mass on the momentum of the smart recent-grad-twenty-something's, or falter without corporate leadership brave enough to venture into doing deals abroad.

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