

Republic of Korea

Local currency (LCY) bonds outstanding in the Republic of Korea grew 2.6% quarter-on-quarter (q-o-q) and 7.8% year-on-year (y-o-y) in 4Q14, leveling off at KRW1,858 trillion (US\$1.7 trillion) at end-December. The outstanding amount of LCY government bonds expanded 7.5% q-o-q and 16.4% y-o-y in 4Q14 to reach KRW765 trillion at end-December. Meanwhile, outstanding LCY corporate bonds were down 0.5% q-o-q, but recorded positive y-o-y growth of 2.6% to reach KRW1,093 trillion at end-December.

Table 1: Size and Composition of the LCY Bond Market in the Republic of Korea

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	KRW	US\$	KRW	US\$	KRW	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,722,720	1,641	1,810,149	1,715	1,857,739	1,703	2.5	10.0	2.6	7.8
Government	657,309	626	711,726	674	765,008	701	1.9	7.9	7.5	16.4
Central Bank Bonds	163,670	156	180,580	171	178,000	163	(0.7)	0.4	(1.4)	8.8
Central Government Bonds	455,858	434	488,180	463	495,016	454	2.5	9.6	1.4	8.6
Industrial Finance Debentures	37,781	36	42,967	41	91,992	84	5.4	26.6	114.1	143.5
Corporate	1,065,411	1,015	1,098,423	1,041	1,092,731	1,002	2.9	11.4	(0.5)	2.6

(-) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.

2. Bloomberg LP end-of-period LCY-US\$ rates are used.

3. Growth rates are calculated from LCY base and do not include currency effects.

4. Central government bonds include Korea Treasury Bonds, National Housing Bonds, and Seoul Metro Bonds.

5. Industrial finance debentures include Korea Development Bank (KDB) bonds.

Sources: EDAILY *BondWeb* and The Bank of Korea.

LCY corporate bond issuance climbed 25.2% q-o-q and 12.9% y-o-y in 4Q14 to reach KRW117.6 trillion. The five largest corporate bond issues during the quarter were made by banks.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)
Industrial Bank of Korea		
1-year bond	2.14	600
1-year bond	2.14	470
10-year bond	3.10	800
Woori Bank		
1-year bond	2.15	550
NongHyup Bank		
10-year bond	3.40	500

LCY = local currency.

Note: Coupon rates for 1-year bonds of Industrial Bank of Korea and Woori Bank are indicative yields as of end-December 2014.

Source: Bloomberg LP.

The combined bonds outstanding of the top 30 corporate issuers in the Republic of Korea amounted to KRW673.9 trillion at the end of 2014, representing 61.7% of the total value of all LCY corporate bonds. Korea Land & Housing Corporation remained the largest LCY corporate issuer.

Table 3: Top 30 Issuers of LCY Corporate Bonds in the Republic of Korea

Issuers	Outstanding Amount		State-Owned	Listed on		Type of Industry
	LCY Bonds (KRW billion)	LCY Bonds (US\$ billion)		KOSPI	KOSDAQ	
1. Korea Land & Housing Corp.	57,171	52.4	Yes	No	No	Real Estate
2. Korea Housing Finance Corp.	56,385	51.7	Yes	No	No	Financial
3. KDB Daewoo Securities	45,062	41.3	Yes	Yes	No	Securities
4. Woori Investment and Securities	41,581	38.1	Yes	Yes	No	Securities
5. Korea Investment and Securities	41,318	37.9	No	No	No	Securities
6. Korea Deposit Insurance Corp.	40,650	37.3	Yes	No	No	Insurance
7. Industrial Bank of Korea	32,639	29.9	Yes	Yes	No	Bank
8. Hana Daetoo Securities	29,552	27.1	No	No	No	Securities
9. Mirae Asset Securities	29,501	27.0	No	Yes	No	Securities
10. Korea Electric Power Corp.	29,280	26.8	Yes	Yes	No	Utilities
11. Korea Expressway	21,250	19.5	Yes	No	No	Infrastructure
12. Hyundai Securities	18,747	17.2	No	Yes	No	Securities
13. Woori Bank	18,662	17.1	Yes	No	No	Bank
14. Kookmin Bank	18,460	16.9	No	No	No	Bank
15. Korea Rail Network Authority	18,030	16.5	Yes	No	No	Infrastructure
16. Korea Gas Corp.	15,634	14.3	Yes	Yes	No	Utilities
17. Shinhan Bank	14,724	13.5	No	No	No	Bank
18. Small & Medium Business Corp.	14,695	13.5	Yes	No	No	Financial
19. Shinhan Investment	13,708	12.6	No	No	No	Securities
20. Samsung Securities	12,188	11.2	No	Yes	No	Securities
21. Daishin Securities	12,031	11.0	No	Yes	No	Securities
22. Standard Chartered First Bank Korea	11,540	10.6	No	No	No	Bank
23. Korea Railroad Corp.	11,350	10.4	Yes	No	No	Infrastructure
24. Korea Student Aid Foundation	10,710	9.8	Yes	No	No	Financial
25. Korea Water Resources Corp.	10,600	9.7	Yes	Yes	No	Utilities
26. Hana Bank	10,302	9.4	No	No	No	Bank
27. Yuanta Securities Korea	10,133	9.3	No	Yes	No	Securities
28. Shinhan Card	9,360	8.6	No	No	No	Financial
29. Korea Eximbank	9,350	8.6	Yes	No	No	Bank
30. Hyundai Capital Services	9,251	8.5	No	No	No	Financial
Total Top 30 LCY Corporate Issuers	673,863.8	617.7				
Total LCY Corporate Bonds	1,092,731.0	1,001.6				
Top 30 as % of Total LCY Corporate Bonds	61.7%	61.7%				

KOSDAQ = Korean Securities Dealers Automated Quotations, KOSPI = Korea Composite Stock Price Index, LCY = local currency.

Notes:

1. Data as of end-December 2014.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Sources: *AsianBondsOnline* calculations based on Bloomberg and EDAILY *BondWeb* data.