

## Republic of Korea

The Republic of Korea's local currency (LCY) bond market expanded in the fourth quarter (Q4) of 2015 as the outstanding amount of Korean LCY bonds rose 1.1% quarter-on-quarter (q-o-q) and 8.8% year-on-year (y-o-y) to reach KRW2,021 trillion (USD1.7 trillion) at the end of December. The stock of LCY government bonds climbed 1.0% q-o-q and 7.4% y-o-y, leveling off at KRW822 trillion, while that of LCY corporate bonds increased 1.1% q-o-q and 9.7% y-o-y to reach KRW1,199 trillion.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q4 2014		Q3 2015		Q4 2015		Q4 2014		Q4 2015	
	KRW	USD	KRW	USD	KRW	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>1,857,739</b>	<b>1,703</b>	<b>1,999,322</b>	<b>1,687</b>	<b>2,020,522</b>	<b>1,720</b>	<b>2.6</b>	<b>7.8</b>	<b>1.1</b>	<b>8.8</b>
Government	765,008	701	813,604	686	821,993	700	7.5	16.4	1.0	7.4
Central Bank Bonds	178,000	163	186,350	157	180,930	154	(1.4)	8.8	(2.9)	1.6
Central Government Bonds	495,016	454	536,884	453	548,724	467	1.4	8.6	2.2	10.8
Industrial Finance Debentures	91,992	84	90,370	76	92,340	79	114.1	143.5	2.2	0.4
Corporate	1,092,731	1,002	1,185,718	1,000	1,198,529	1,020	(0.5)	2.6	1.1	9.7

(-) = negative, LCY = local currency, q-o-q = quarter-on-quarter, Q3 = third quarter, Q4 = fourth quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY-USD 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.

In Q4 2015, issuance of LCY government bonds was up marginally on a q-o-q basis, while rising 8.8% y-o-y. At the same time, LCY corporate bond issuance rose 3.8% q-o-q but fell 11.3% y-o-y. The five largest corporate bonds sold in Q4 2015 were all issued by domestic banks.

Table 2: Notable LCY Corporate Bond Issuance in Q4 2015

Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)
NongHyup Bank		
0.5-year bond	1.66	400
1-year bond	1.71	400
1.5-year bond	1.77	360
Shinhan Bank		
1.5-year bond	1.90	450
Woori Bank		
2-year bond	1.93	400

LCY = local currency, Q4 = fourth quarter.

Note: Coupon rates for 0.5-year and 1-year bonds of NongHyup Bank are indicative yields as of end-December 2015.

Source: Bloomberg LP.

The combined bonds outstanding of the top 30 corporate issuers in the Republic of Korea amounted to KRW764 trillion at the end of 2015, accounting for about 64% of the total LCY corporate bond stock. Korea Housing Finance stood as the largest LCY corporate bond issuer in the Republic of Korea.

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 (USD billion)		KOSPI	KOSDAQ	
1. Korea Housing Finance	89,424	75.4	Yes	No	No	Finance
2. NH Investment & Securities	57,361	48.4	Yes	Yes	Yes	Securities
3. KDB Daewoo Securities	56,471	47.6	Yes	Yes	No	Securities
4. Korea Land & Housing	53,586	45.2	Yes	No	No	Real Estate
5. Korea Investment and Securities	48,690	41.1	No	No	No	Securities
6. Mirae Asset Securities	39,845	33.6	No	Yes	No	Securities
7. Industrial Bank of Korea	36,790	31.0	Yes	Yes	No	Banking
8. Hana Financial Investment	34,993	29.5	No	No	No	Securities
9. Korea Deposit Insurance	33,010	27.8	Yes	No	No	Insurance
10. Korea Electric Power	26,170	22.1	Yes	Yes	No	Utilities
11. Hyundai Securities	24,032	20.3	No	Yes	No	Securities
12. Korea Expressway	22,620	19.1	Yes	No	No	Infrastructure
13. Korea Rail Network Authority	19,030	16.1	Yes	No	No	Infrastructure
14. Kookmin Bank	18,658	15.7	No	No	No	Banking
15. Shinhan Bank	18,633	15.7	No	No	No	Banking
16. Samsung Securities	16,867	14.2	No	Yes	No	Securities
17. Woori Bank	16,835	14.2	Yes	No	No	Banking
18. Daishin Securities	16,349	13.8	No	Yes	No	Securities
19. Korea Gas	15,499	13.1	Yes	Yes	No	Utilities
20. Small & Medium Business Corp.	13,690	11.5	Yes	No	No	Finance
21. Standard Chartered First Bank Korea	12,110	10.2	No	No	No	Banking
22. Korea Student Aid Foundation	11,770	9.9	Yes	No	No	Finance
23. Shinhan Investment	11,043	9.3	No	No	No	Securities
24. Hyundai Capital Services	10,454	8.8	No	No	No	Finance
25. Korea Water Resources	10,436	8.8	Yes	Yes	No	Utilities
26. Korea Eximbank	10,380	8.8	Yes	No	No	Banking
27. Shinyoung Securities	9,991	8.4	No	Yes	Yes	Securities
28. Korea Railroad	9,720	8.2	Yes	No	No	Infrastructure
29. Shinhan Card	9,686	8.2	No	No	No	Finance
30. NongHyup Bank	9,540	8.0	Yes	No	No	Banking
<b>Total Top 30 LCY Corporate Issuers</b>	<b>763,683.2</b>	<b>644.2</b>				
<b>Total LCY Corporate Bonds</b>	<b>1,198,529.0</b>	<b>1,011.1</b>				
<b>Top 30 as % of Total LCY Corporate Bonds</b>	<b>63.7%</b>	<b>63.7%</b>				

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

Notes:

1. Data as of end-December 2015.

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

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