

PRESS RELEASE

February 13, 2015

KOFIA Releases the OTC Bond Market Trend Analysis for January 2015

91.2% of bond market experts projected that base interest rates will stay frozen during February

1. The BMSI (Bond Market Survey Index) for February 2015

Type	Point
Comprehensive BMSI	99.4 (1.3p decrease, MoM)
Key rate BMSI	108.8 (5.2p increase, MoM)
Interest rate BMSI	114.0 (1.4p increase, MoM)
Prices BMSI	97.4 (7.1p decrease, MoM)
FX rate BMSI	93.0 (5.2p decrease, MoM)

A. (Comprehensive BMSI) The BMSI fell by 1.3p from the previous month to reach 99.4, indicating that the sentiment in the bond market will remain largely unchanged during February.

B. (Key rate BMSI) The index recorded 108.8, which is a slight increase compared to the previous month. 91.2% of the respondents expected that the Bank of Korea will freeze the key rates in February.

Although there are continued expectations for the reduction of base interest rates as major economies around the world pursue monetary easing policies, the rates will likely be frozen during February because further cuts may lead to increased household debts and risks of a capital flight.

C. (Interest rate BMSI) There was an increase of 1.4p for the index to reach 114.0, as the bond market sentiment related to interest rates remained similar to the previous month.

Despite the recovery of the US employment market and high expectations that the BOK will freeze base rates, the interest rates for the domestic bond market is expected to remain steady amid the financial instabilities in emerging markets and concerns over a contracted economy.

61.4% of the respondents replied that the rates will stay steady, while 26.3% replied that rates will fall, which is a 2.9%p increase compared to the month before.

D. (Prices BMSI) There was a decrease of 7.1p for the index to reach 97.4, as the bond market sentiment related to prices got worse compared to the previous month.

86.8% of the respondents in the prices BMSI survey expected prices to stay steady while only 5.3% replied that prices will drop.

E. (FX rate BMSI) The index decreased by 5.2p to record 93, with the contraction of the bond market sentiment for foreign exchange.

89.5% of the respondents in the survey expected prices to stay steady while 8.8% replied that the foreign exchange rate will rise.

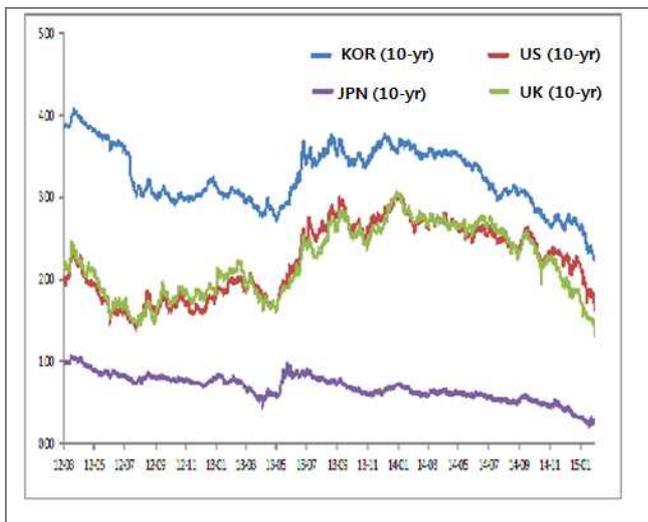
2. Overview of the Bond Market in January 2015

A. (Interest rates) The rates of longer term products continued to decline as a result of investors' preference for safer assets amid falling prices of products including crude oil and concerns of Greece's exit from the Eurozone.

A slight shift from the decline seemed to occur during mid-January but the rates went back to a decline after the ECB announced plans for quantitative easing, and reached a record low.

Domestic & Foreign Gov't Bond Rates (10-yr)

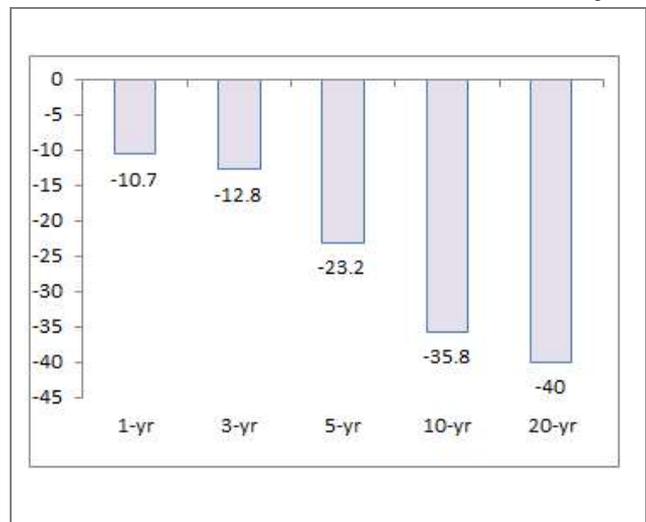
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Source: KOFIA, KOSCOM

Monthly KTB Interest Rate Changes

<Unit: bps>



Source: KOFIA

B. (Issuance) While the issuance volume of government bonds increased by KRW 2.8tn to reach KRW 10.2tn and financial bonds fell by KRW 2.3tn to reach KRW 9.2tn, the total issuance volume of bonds increased by KRW 0.9tn, MoM, to record KRW 47.1tn.

Issuance by Bond Type

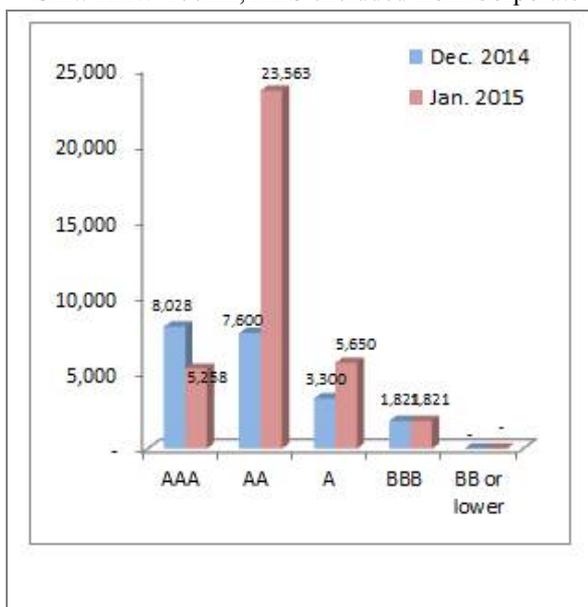
<Unit: KRW 100mn >

Bond Type	New Issuance		MoM	Out-standing	%
	Dec. 2014	Jan. 2015			
Gov't	74,113	101,801	27,688	5,008,921	31.3
Municipal	6,607	7,146	539	198,002	1.2
Special	53,456	52,759	-697	3,072,472	19.2
MSB	150,000	163,300	13,300	1,811,200	11.3
Financial	114,445	91,501	-22,944	3,258,519	20.3
Corporate	38,678	37,427	-1,251	2,260,706	14.1
ABS	24,971	17,496	-7,475	412,851	2.6
Total	462,270	471,430	9,160	16,022,671	100.0

Source: KOSCOM

Corporate Bond Issuance By Credit Rating

<Unit: KRW 100mn, ABS excluded from Corporate>



Source: KOSCOM

The issuance volume of corporate bonds decreased by KRW 125.1bn compared to the previous month to record KRW 3.7tn.

The book building ratio was 217.5%, a 44.1%p increase compared to the month before, on the back of increasing supply of higher graded bonds.

C. (Distribution) The OTC trading volume fell by KRW 20.2tn to record KRW 440.3tn, while the average daily trading volume fell by KRW 22bn to record KRW 21tn.

OTC trading took up 75% of the total trading volume of bonds during January, while OTC trading of Treasury Bonds took up 35.4% among benchmark bonds, and 95.5% among non-benchmark bonds.

D. (Trading of Foreign Investors) Foreign investors net purchased KRW 0.7tn in government bonds and KRW 1.2tn in MSBs, which resulted in net purchases of KRW 1.9tn.