



Credit Guarantee &  
Investment Facility

An Asian Bond Markets Initiative



# CORPORATE BOND MARKET REPORT

# Republic of Korea





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## Abbreviations

|         |  |
|---------|--|
| ABS     | asset-backed securities  |
| ADB     | Asian Development Bank   |
| ASEAN   | Association of Southeast Asian Nations   |
| ASEAN+3 | Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea |
| BOK     | Bank of Korea  |
| CD      | certificate of deposit   |
| CGIF    | Credit Guarantee and Investment Facility   |
| CRA     | credit rating agency   |
| ESG     | environmental, social, and governance  |
| ETF     | exchange-traded fund   |
| FCY     | foreign currency   |
| FI      | financial institution  |
| FSC     | Financial Services Commission  |
| FSS     | Financial Supervisory Service  |
| IBRD    | International Bank for Reconstruction and Development  |
| KODIT   | Korea Credit Guarantee Fund  |
| KOFIA   | Korea Financial Investment Association   |
| KOTEC   | Korea Technology Finance Corporation   |
| KRX     | Korea Exchange   |
| KTB     | Korea Treasury Bond  |
| LCY     | local currency   |
| NPS     | National Pension Service (Korea)   |
| PRC     | People's Republic of China   |
| QIB     | qualified institutional buyers   |
| SME     | small and medium-sized enterprise  |
| SPV     | special purpose vehicles   |
| SRI     | socially responsible investment  |
| SRO     | self-regulatory organization   |

### Currencies

|     |                    |
|-----|--------------------|
| AUD | Australian dollar  |
| CNY | Chinese yuan       |
| EUR | euro               |
| JPY | Japanese yen       |
| KRW | South Korean won   |
| SEK | Swedish krona      |
| SGD | Singaporean dollar |
| TWD | New Taiwan dollar  |
| USD | US dollar          |

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This paper centers on the corporate bond market of the Republic of Korea (referred to as “Korea” throughout the entire report), such as the key characteristics, investor groups, issuers, and other market participants. This paper also contains information on recent developments and initiatives for increased activity in the entire Korea’s bond market, as well as highlights the persistent challenges facing the country’s corporate bond market.

Led by Dong Woo Rhee, Chief Financial Officer, with assistance from Soleil Corpuz, Research Analyst, this research effort aims to show the characteristics of corporate bond markets in ASEAN+3. For any questions or comments on the contents of this report, please contact [research@cgif-abmi.org](mailto:research@cgif-abmi.org).

# Executive Summary

## Characteristics of the Korean Corporate Bond Market

- Through effective policy changes and active participation of the domestic market players, Korea was able to grow its corporate bond market as the second largest in ASEAN+3.<sup>1</sup> The maturity of its corporate bond market is reflected in its ratio to GDP, which stands at approximately 76%—the highest among ASEAN+3.
- Floating rate bonds account for only about 4% of the total corporate bond market in Korea. It is important to note that these bonds are benchmarked to the three-month KRW certificate of deposit (CD) rate. Korea's maturity distribution of outstanding corporate bonds is characterized by short-term maturities, with tenors of 3 years or less—the highest among ASEAN+3 economies.
- In terms of credit rating distribution, most rated corporate bonds in Korea have credit ratings of AA or higher, indicating the presence of a rating cliff in the market where bonds rated A or below are difficult to sell.

## Investors

- Key institutional investor groups in Korea's corporate bond market include banks, insurance companies, asset management companies, and pension funds. The market is predominantly composed of domestic investors as foreign investors have limited participation. In the same manner, individual investors hold only a small share of corporate bonds. Nevertheless, individuals have indirect holdings of corporate bonds through asset management funds or bank trust funds.
- Investment appetites of institutional investor groups vary. Banks and asset management companies prefer corporate bonds with tenors of up to three years. On the other hand, insurance companies tend to require longer-tenor bonds, while pension funds can invest across a wider range of maturities.
- Banks tend to primarily invest in KRW-denominated bonds, while other institutional investor groups invest in USD-denominated bonds for various reasons.
- In terms of credit ratings, asset management companies may consider bonds with a credit rating of at least A (based on the local credit rating scale), whereas other institutional investor groups would consider at least AA credit rating.

## Issuers

- Financial companies in Korea, such as banks, consumer finance, commercial finance, and other financial services, are very active issuers in the country's corporate bond market. Issuers from other industries also actively participate, which reflects the maturity of Korea's corporate bond market.

## Other Market Participants

- Regulators, credit rating agencies, bond pricing agencies, and self-regulatory organizations (SROs) form the remaining market participants in Korea's corporate bond market. It is important to note that these

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<sup>1</sup> ASEAN+3 refers to the Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea.

market participants closely collaborate to provide a more conducive environment for the market's growth.

- The maturity of Korea's corporate bond market is also seen in the proactive efforts of its SROs, namely the Korea Exchange (KRX) and the Korea Financial Investment Association (KOFIA). Both agencies improve market transparency by regularly providing the public with trading information, bond prices, and other essential information

### **Credit Spreads**

- Given the available information from KOFIA, credit spreads of KRW-denominated corporate bonds can be separately analyzed for publicly-offered bonds and privately-placed bonds.
- For publicly-offered bonds, there is a significant jump in credit spreads between A- rated bonds and BBB+ rated bonds. This indicates that BBB+ and below rated bonds are perceived to have higher risks.
- For privately-offered bonds, there is already a substantial gap between AA and A+ rated bonds. For bonds with a 1-year tenor, the difference in credit spread is nearly 100%, and this gap widens as tenors lengthen. This indicates that investors are especially more cautious with privately placed bonds, perceiving even those A+ rated bonds as carrying twice as much risk as AA rated bonds.

### **Guaranteed Corporate Bonds**

- Korea has a very small guaranteed corporate bond market. Although guaranteed bonds have a long history in the country, their issuance has gradually declined over the years. Based on data from Bloomberg, as of end of 2024, only two bonds were identified as having guarantors, both of which are the parent companies of the issuers.
- The Korea Credit Guarantee Fund (KODIT) is a national guarantor that used to guarantee KRW-denominated corporate bonds and asset-backed securities (ABS). As of 31 December 2024, there are no outstanding KRW-denominated bonds or ABS guaranteed by KODIT. However, KODIT currently guarantees four outstanding USD ABS to help small and medium-sized enterprises (SMEs) issue KRW-denominated bonds.

### **Cross-border Corporate Bonds**

- Korea has a fairly open financial market, which allows for the presence of cross-border bonds. In fact, cross-border corporate bonds in Korea are locally recognized by distinct names. "Arirang bonds" refer to KRW-denominated bonds issued by foreign companies, while "Kimchi bonds" refer to foreign currency-denominated bonds issued in the Korean domestic market.
- There are 63 Arirang bonds issued by non-government entities since 1995 up to the end of December 2024. The first Arirang bond was issued by the Asian Development Bank in 1995, amounting to the KRW equivalent of USD103 million. This was followed by a USD80 million-equivalent issuance by the International Bank for Reconstruction and Development in 1997. As of 31 December 2024, there are 12 outstanding Arirang bonds in the market.
- Foreign currency-denominated bonds issued by Korean companies (which are considered as "outbound bonds") are predominantly issued in USD. In terms of industry, key issuers of such bonds are companies from the banking and finance and industrial sector. While guaranteed bonds are rare among KRW-



denominated corporate bonds, a significant share of outbound bonds is guaranteed, primarily by major Korean commercial banks. This indicates the active role of these banks as guarantors for these outbound bonds.

### **Thematic Corporate Bonds**

- Thematic bonds—commonly referred to as sustainable bonds—are becoming prominent in Korea’s corporate bond market. It was in 2013 that Korea marked its first entry into the thematic bond market, with the issuance of a USD500 million green bond by the Export-Import Bank of Korea. Since then, Korean corporates have gradually expanded their presence in this market. Among the different types of thematic bonds, social and green bonds are the most prevalent in the market, accounting for about 38% and 36% of the outstanding thematic bonds in Korea, respectively.

### **Outlook for Korea’s Corporate Bond Market**

- Continuous advancements in technology and systems provided Korea with the competitive edge in developing its corporate bond market. Market participants such as KRX and KOFIA continue to capitalize on improving IT infrastructure to allow a wider range of market players to actively invest in and trade KRW-denominated corporate bonds in the country.
- Efforts to advance sustainability practices are expected to further benefit Korea’s corporate bond market in the near term. Korea’s initiatives to promote sustainability include encouraging sustainability reporting among corporates, enhancing transparency about sustainable finance products, and continuing market awareness programs on sustainable bonds. All these efforts contribute to Korea positioning itself as a regional hub for sustainable bond issuance.

# 1 Overview of Korea's Corporate Bond Market

## 1.1 Overall Characteristics

The development of Korea's corporate bond market has come a long way. By sheer size alone, it is currently the second largest in ASEAN+3, following only the corporate bond market of the People's Republic of China (PRC). Since the Asian Financial Crisis of 1997-1998, Korea has revitalized the domestic financial market through a series of policy reforms.

Today, Korea's corporate bond market takes the lead for newer and investor-responsive products as well as for stable IT infrastructure for financial market services. It can be said that Korea is positioning itself as a "sustainable bond hub" in ASEAN+3, as more initiatives are geared towards welcoming sustainable or thematic bonds in the market. The changes in regulatory policies and the new guidance notes from other market participants hint to Korea's attempt to take a significant size in the growing sustainable bond market.

## 1.2 Corporate Bond Market Size

Compared to other countries in ASEAN+3, Korea's corporate bond market is considered highly active and comparable with other economic indicators. Its ratio to GDP is the highest among ASEAN+3, at approximately 76%, which indicates a mature corporate bond market. Korea's corporate bond market is even comparable with the market capitalization of listed domestic companies in the country, with the ratio of outstanding corporate bonds to market capitalization reaching 84%—the highest among ASEAN+3 countries.

**Table 1.1 ASEAN+3 Corporate Bond Market, Market Capitalization, and GDP, 2024**

| Country      | LCY Corporate Bond Market (A) | GDP (B)         | Market Capitalization (C) | A/B (%)      | A/C (%)      |
|--------------|-------------------------------|-----------------|---------------------------|--------------|--------------|
| PRC          | 6,810.12                      | 18,482.47       | 11,755.76                 | 36.85        | 57.93        |
| Japan        | 678.40                        | 3,876.79        | 6,310.68                  | 17.50        | 10.75        |
| <b>Korea</b> | <b>1,315.06</b>               | <b>1,737.05</b> | <b>1,557.49</b>           | <b>75.71</b> | <b>84.43</b> |
| Cambodia     | 0.14                          | 46.35           | 2.73                      | 0.30         | 5.13         |
| Indonesia    | 29.27                         | 1,374.92        | 758.30                    | 2.13         | 3.86         |
| Malaysia     | 195.37                        | 369.01          | 449.47                    | 52.94        | 43.47        |
| Philippines  | 23.44                         | 457.21          | 251.83                    | 5.13         | 9.31         |
| Singapore    | 147.75                        | 535.58          | 637.63                    | 27.59        | 23.17        |
| Thailand     | 135.54                        | 545.03          | 519.67                    | 24.87        | 26.08        |
| Viet Nam     | 42.14                         | 451.71          | 204.62                    | 9.33         | 20.59        |

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, GDP = gross domestic product, LCY = local currency, USD = US dollar.

Notes and Sources:

1. Values in columns A to C are in USD billions.
2. Values for LCY corporate bond market size and GDP as of December 2024 are sourced from Asian Bonds Online.
3. Values for Viet Nam's LCY corporate bond market are from the Ministry of Finance, Viet Nam, as sourced from Asian Bonds Online.
4. Market capitalization figures are as of end of 2024, sourced from World Bank Open Data (market capitalization of listed domestic companies). Date for Cambodia is unavailable at the time of writing.

Korean corporates are also more active in issuing bonds than the Korean government. The ratio of KRW-denominated bonds issued by Korean corporates to the KRW-denominated government bonds is higher than 100%. It is even the highest among all countries in ASEAN+3.

**Table 1.2: ASEAN+3 Corporate Bond Market, Government Bond Market, and Corporate Loan Market, 2024**

| Country      | LCY Corporate Bond Market (A) | LCY Government Bond Market (B) | Corporate Loan Market (C) | A/B (%)       | A/C (%)      |
|--------------|-------------------------------|--------------------------------|---------------------------|---------------|--------------|
| PRC          | 6,810.12                      | 14,440.31                      | 23,403.07                 | 47.16         | 29.10        |
| Japan        | 678.40                        | 8,154.42                       | 3,747.01                  | 8.32          | 18.11        |
| <b>Korea</b> | <b>1,315.06</b>               | <b>847.29</b>                  | <b>1,328.79</b>           | <b>155.21</b> | <b>98.97</b> |
| Cambodia     | 0.14                          | 0.11                           | n/a                       | 127.27        | -            |
| Indonesia    | 29.27                         | 386.76                         | 282.89                    | 7.57          | 10.35        |
| Malaysia     | 195.37                        | 272.72                         | 202.99                    | 71.64         | 96.25        |
| Philippines  | 23.44                         | 186.52                         | 202.83                    | 12.57         | 11.56        |
| Singapore    | 147.75                        | 225.14                         | 375.90                    | 65.63         | 39.31        |
| Thailand     | 135.54                        | 296.59                         | 375.01                    | 45.70         | 36.14        |
| Viet Nam     | 42.14                         | 98.97                          | n/a                       | 42.58         | -            |

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, CNY = Chinese yuan, LCY = local currency, USD = US dollar; n/a = not available.

Notes and Sources:

1. Values in columns A to C are in USD billions.
2. For Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam: Corporate bond market size and government bond market size data are sourced from Asian Bonds Online, as of December 2024. Corporate loan market size data are sourced from the central bank of each respective country, as of December 2024.
3. For Cambodia: Corporate bonds data is sourced from the Cambodia Securities Exchange.
4. Brunei Darussalam, Lao PDR, and Myanmar are excluded from the list due to the absence of outstanding LCY corporate bonds in these countries.
5. Exchange rates used are as of end of December 2024, reported by Bloomberg.

Based on these ratios alone, it can be concluded that Korea has the most mature corporate bond market in ASEAN+3. This level of maturity is attained through a combination of responsive regulatory policies aimed at improvement and a market openness from a wide range of issuers.

## 2 Specific Characteristics of Korea's Corporate Bond Market

This chapter discusses the specific characteristics of Korea's corporate bond market in comparison with other countries in ASEAN+3. It also contains industry-level information, which will provide insights into the current state of Korea's corporate bond market.

### 2.1 Issue Size

Korea's corporate bond market can accommodate both small and large issuances, as shown in Table 2.1. Based on data on outstanding corporate bonds in 2024, the average issuance size is USD38.89 million. The maximum issuance size is USD1,130 million, which is comparable with that of the Philippines and Singapore.

**Table 2.1: Comparison of Issue Sizes of Outstanding Corporate Bonds in ASEAN+3, 2024**

(in USD million)

| Country      | Minimum          | Average      | Maximum         |
|--------------|------------------|--------------|-----------------|
| PRC          | 0.35             | 156.17       | 12,000.00       |
| Japan        | 0.27             | 169.31       | 4,770.00        |
| <b>Korea</b> | <b>&lt; 0.01</b> | <b>38.89</b> | <b>1,130.00</b> |
| Indonesia    | < 0.01           | 30.77        | 269.66          |
| Malaysia     | 0.00             | 46.94        | 3,430.00        |
| Philippines  | 8.65             | 134.68       | 1,120.00        |
| Singapore    | 0.07             | 103.65       | 1,100.00        |
| Thailand     | 0.02             | 65.22        | 846.83          |
| Viet Nam     | 0.05             | 46.23        | 174.25          |

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China, USD = US dollar.

Note: Values are based on USD-equivalent of issue sizes.

Sources: Bloomberg, Cambodia Stock Exchange, and Author's calculations.

### 2.2 Issuance Type

Table 2.2 describes private placements and public offerings across ASEAN+3 countries. In Korea, both public offerings and private placements are allowed, which is a shared characteristic among countries in the region. Private placements are typically offered to qualified institutional buyers (QIBs), who are considered sophisticated investors with an excellent understanding of the market and the ability to make informed bond investment decisions.

**Table 2.2: Private Placement and Public Offering in ASEAN**

| Country | Private Placement  | Public Offering                                  |
|---------|--|--|
| PRC     | Defined as the issuance of debt financing instruments by nonfinancial enterprises with | Offerings to a wider institutional investor base |



|             |   |  |
|-------------|---|--|
|             | legal qualifications (i.e., enterprises) to “designated institutional investors”  |  |
| Japan       | No specific limitation on the number of investors, but is limited to particular types of investors, such as the qualified institutional investors                             | No specific limitation on the number and type of investors; Has specific guidelines for issuances with small amounts (less than JPY100 million)  |
| Korea       | An invitation to acquire newly issued securities without placing them for public offering   | An invitation to at least 50 investors to acquire newly issued securities  |
| Cambodia    | Allowed in the market, in which the issuer must file the relevant documents   | More prevalent in the market, as the regulations focus on the public offering issuance method, in which the issuer must seek approval from the Securities and Exchange Regulator of Cambodia |
| Indonesia   | Offerings under private placement must be for professional investors only; New regulations specify the need for registering the offering documents and continuous disclosures | A bond offering made to 100 persons or resulting in sales to more than 50 persons  |
| Malaysia    | No distinct feature compared with other ASEAN markets, but the practice is allowed and is more common in wholesale bonds targeting sophisticated investors                    | Public offering is not mentioned as an issuance type in Malaysia. In fact, same as “private placement”, public offering is only a method of issuance in the country.                         |
| Philippines | Allowed in the market as “exempt transactions” and offerings to professional investors  | Offerings made to more than 19 investors   |
| Singapore   | Allowed, in which bonds are offered to up to 50 investors   | Allowed, wherein bonds are sold to a broader market  |
| Thailand    | Allowed, in which bonds are offered to Accredited Investors   | Allowed, and can be offered to and bought by any type of investors. Publicly offered bonds are more actively traded  |
| Viet Nam    | Allowed, in which bonds are offered to less than 100 investors  | Allowed, in which bonds are offered via mass media to 100 or more investors  |

Sources: ADB Bond Market Guides for each ASEAN+3 country.

## 2.3 Maturity Distribution

Table 2.3 shows the maturity distribution of corporate bonds based on their year of maturity.<sup>2</sup> As of the end of 2024, Korea has the highest share of bonds maturing from 2025 to 2027. This is largely due to the prevalence of 3-year bonds, which are the most common in terms of the original tenor in Korea’s corporate bond market. As a result, corporate bonds with maturities of 3 years or less dominate the market. Nonetheless, Korea also shows moderate proportions for the corporate bonds in the longest maturity class, including perpetual bonds.

**Table 2.3: Comparison of Maturity Distribution of Outstanding Corporate Bonds in ASEAN+3, 2024**

(in %)

| Country      | 2025–2027    | 2028–2030    | 2031–2035   | Beyond 2035 | Perpetual   |
|--------------|--------------|--------------|-------------|-------------|-------------|
| PRC          | 68.11        | 12.48        | 7.06        | 2.36        | 10.00       |
| Japan        | 32.78        | 25.65        | 16.04       | 18.83       | 6.65        |
| <b>Korea</b> | <b>74.78</b> | <b>13.10</b> | <b>3.97</b> | <b>4.29</b> | <b>3.90</b> |
| Indonesia    | 74.02        | 18.66        | 4.94        | 2.07        | 0.29        |
| Malaysia     | 29.97        | 24.20        | 24.66       | 18.15       | 3.01        |
| Philippines  | 64.18        | 24.25        | 11.57       | -           | -           |
| Singapore    | 31.97        | 21.95        | 11.83       | 9.03        | 25.22       |

<sup>2</sup> The Maturity Distribution analyses in this report are different from the previous corporate bond market research papers, as the year of maturity is used instead of the original tenors.

|          |       |       |       |      |      |
|----------|-------|-------|-------|------|------|
| Thailand | 55.85 | 22.33 | 14.83 | 1.62 | 5.37 |
| Viet Nam | 39.37 | 46.75 | 13.88 | -    | -    |

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.

Note: Rows may not total 100% because of rounding.

Sources: Bloomberg and Author's calculations.

Table 2.4 shows the original maturity distribution of corporate bonds issued in 2024 by issuer category, based on data from Infomax, a local bond market data provider in Korea. Issuers are classified into three categories: public corporations, financial institutions, and non-financial private corporations.

The table presents the following implications. First, most corporate bonds in Korea are issued with maturities of up to 3 years. Second, financial institutions prefer short-term bond issuances more than non-financial private corporations. Although not shown in the table, further analysis of the dataset indicates that financial institutions most frequently issue 1-year bonds, while non-financial private corporations favor 3-year bonds.

Lastly, public corporations are more likely to issue bonds with maturities longer than 3 years, more than private corporations. While private corporations issue bonds with maturities exceeding 10 years more often than public corporations, these are mostly callable bonds and are likely redeemed at their call dates. Therefore, public corporations tend to issue longer tenor bonds than private corporations and financial institutions.

**Table 2.4: Original Maturity Distribution of KRW-denominated Corporate Bonds by Organization Type, 2024**

|                                    | <i>(in %)</i> |              |               |                |
|------------------------------------|---------------|--------------|---------------|----------------|
| Categories                         | Up to 3 years | 3 to 5 years | 5 to 10 years | Above 10 years |
| Public Corporations                | 61.03         | 23.58        | 8.11          | 7.28           |
| Financial Institutions             | 90.17         | 7.26         | 0.99          | 1.59           |
| Non-financial Private Corporations | 69.22         | 12.23        | 7.19          | 11.37          |
| <b>Total</b>                       | <b>79.99</b>  | <b>11.21</b> | <b>3.75</b>   | <b>5.05</b>    |

Rows may not total 100% due to rounding.

Sources: Infomax and Author's calculations.

## 2.4 Maturity Type

Table 2.5 compares the maturity types of outstanding corporate bonds in ASEAN+3. Compared with other countries in the region, Korea has a moderate share of callable bonds. Like most countries in ASEAN+3, Korea follows the general trend of hosting more straight bonds than any other maturity type.

**Table 2.5: Comparison of Maturity Type of Outstanding Corporate Bonds in ASEAN+3, 2024**

|              | <i>(in %)</i> |             |             |             |          |             |
|--------------|---------------|-------------|-------------|-------------|----------|-------------|
| Country      | Straight      | Callable    | Convertible | Putable     | Sinkable | Others      |
| PRC          | 69.27         | 6.83        | 1.34        | 9.90        | 1.28     | 11.38       |
| Japan        | 77.34         | 19.66       | 1.38        | -           | 0.31     | 1.31        |
| <b>Korea</b> | <b>89.06</b>  | <b>8.48</b> | <b>0.35</b> | <b>0.13</b> | <b>-</b> | <b>1.98</b> |
| Indonesia    | 98.39         | 0.97        | 0.48        | -           | 0.17     | -           |
| Malaysia     | 86.97         | 10.82       | 0.46        | -           | 0.34     | 1.41        |
| Philippines  | 30.57         | 66.30       | -           | -           | -        | 3.14        |
| Singapore    | 64.04         | 33.60       | 1.34        | -           | 0.22     | 0.80        |
| Thailand     | 84.25         | 14.84       | -           | 0.4         | 0.28     | 0.23        |

|          |       |      |      |   |      |      |
|----------|-------|------|------|---|------|------|
| Viet Nam | 87.29 | 6.80 | 2.66 | - | 1.37 | 1.89 |
|----------|-------|------|------|---|------|------|

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.

Notes:

1. Rows may not total 100% because of rounding.

2. Perpetual callable bonds are included in the callable category.

3. "Others" refers to the maturity types with two or more features, such as callable/sinkable, callable/putable, and extendible.

Sources: Bloomberg and Author's calculations.

The Industrials sector has more convertible bonds compared to other sectors in Korea's corporate bond market (see Table 2.6). On the other hand, the Utilities and Energy industries are primarily characterized by straight bond issuances. Meanwhile, the Financials industry has a significant amount of callable bonds.

**Table 2.6: Maturity Type of KRW-denominated Corporate Bonds by industry, 2024**

(in %)

| Industries             | Straight | Callable | Convertible | Putable | Others |
|------------------------|----------|----------|-------------|---------|--------|
| Financials             | 87.51    | 12.00    | -           | 0.05    | 0.43   |
| Consumer Discretionary | 89.94    | 1.24     | 0.07        | 0.56    | 8.20   |
| Energy                 | 99.32    | 0.56     | -           | 0.12    | -      |
| Industrials            | 71.53    | 0.34     | 11.30       | 0.26    | 16.57  |
| Materials              | 96.38    | -        | 0.03        | 0.31    | 3.28   |
| Utilities              | 99.10    | 0.90     | -           | -       | -      |
| Others                 | 93.89    | 0.90     | 0.17        | 0.32    | 4.72   |

Sources: Bloomberg and Author's calculations.

## 2.5 Coupon Type

Outstanding corporate bonds in Korea are predominantly fixed coupon types. In fact, Korea ranks third in ASEAN+3 in terms of the proportion of fixed coupon bonds. On the other hand, there is a small ratio of floating-rate corporate bonds and zero-coupon bonds.

**Table 2.7: Comparison of Coupon Type of Outstanding Corporate Bonds in ASEAN+3, 2024**

(in %)

| Country      | Fixed        | Floating    | Step        | Variable    | Zero        | Others   |
|--------------|--------------|-------------|-------------|-------------|-------------|----------|
| PRC          | 47.30        | -           | 1.79        | 21.89       | 28.99       | 0.02     |
| Japan        | 77.23        | 0.47        | 0.03        | 20.25       | 2.02        | -        |
| <b>Korea</b> | <b>93.14</b> | <b>3.85</b> | <b>0.09</b> | <b>1.23</b> | <b>1.69</b> | <b>-</b> |
| Indonesia    | 99.29        | -           | 0.49        | 0.21        | -           | -        |
| Malaysia     | 82.66        | 7.56        | 1.09        | 1.59        | 6.51        | 0.60     |
| Philippines  | 98.90        | -           | 0.52        | 0.58        | -           | -        |
| Singapore    | 70.88        | 0.64        | 0.30        | 28.18       | 0.01        | -        |
| Thailand     | 89.56        | 0.03        | 0.84        | 5.19        | 4.38        | -        |
| Viet Nam     | 39.76        | 57.59       | -           | 2.66        | -           | -        |

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.

Notes:

1. Rows may not total 100% because of rounding.

2. "Others" include flat trading and when-issued transactions.

Sources: Bloomberg and Author's calculations.

The Consumer Discretionary industry has a significant amount of floating rate bonds among all industries in Korea. This is followed by the Financials industry, where 4.69% of its outstanding corporate bonds have a floating coupon type. In Korea, floating rate bonds have coupon rates linked to the 3-month KRW certificate of deposit (CD) rate. Depending on the issuers, additional spreads are added to the CD rate. In contrast, other sectors are dominated by fixed coupon bonds.

**Table 2.8: Coupon Type of KRW-denominated Corporate Bonds by Industry, 2024**

*(in %)*

| Industries             | Fixed  | Floating | Step | Variable | Zero |
|------------------------|--------|----------|------|----------|------|
| Financials             | 91.91  | 4.69     | 0.08 | 1.51     | 1.81 |
| Consumer Discretionary | 88.65  | 8.29     | 0.16 | 1.30     | 1.61 |
| Energy                 | 100.00 | -        | -    | -        | -    |
| Industrials            | 98.29  | -        | -    | 0.73     | 0.98 |
| Materials              | 98.24  | 0.10     | -    | 1.09     | 0.57 |
| Utilities              | 99.61  | -        | 0.39 | -        | -    |
| Others                 | 96.74  | -        | 0.10 | 0.31     | 2.85 |

Sources: Bloomberg and Author's calculations.

## 2.6 Payment Rank

Approximately 85% of Korea's outstanding corporate bonds are unsecured, while around 10% are subordinated and 5% are secured. In terms of payment rank composition, these proportions place Korea roughly in the middle range compared to other ASEAN+3 countries.

**Table 2.9: Comparison of Payment of Outstanding Corporate Bonds in ASEAN+3, 2024**

*(in %)*

| Country      | Secured     | Subordinated | Unsecured    |
|--------------|-------------|--------------|--------------|
| PRC          | 0.31        | 14.67        | 85.02        |
| Japan        | 18.70       | 23.35        | 57.94        |
| <b>Korea</b> | <b>5.14</b> | <b>10.23</b> | <b>84.63</b> |
| Indonesia    | 4.83        | 2.75         | 92.43        |
| Malaysia     | 23.95       | 10.40        | 65.65        |
| Philippines  | -           | 1.08         | 98.92        |
| Singapore    | 2.00        | 29.52        | 68.49        |
| Thailand     | 6.81        | 6.29         | 86.90        |
| Viet Nam     | 10.88       | -            | 89.12        |

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.

Notes:

1. Rows may not total 100% because of rounding.

2. Secured bonds include first, second, and third liens, and asset-backed securities.

Sources: Bloomberg and Author's calculations.

Among the industries, only the Financials industry records a significant divergence. While most industries have a strong preference for unsecured payment rank (from 96% to 99%), the Financials industry only has approximately 78% of its outstanding corporate bonds with unsecured payment rank. About 14% of its outstanding corporate bonds have subordinated payment rank.



**Table 2.10: Payment Rank of KRW-denominated Corporate Bonds by Industry, 2024***(in %)*

| <b>Industries</b>      | <b>Secured</b> | <b>Subordinated</b> | <b>Unsecured</b> |
|------------------------|----------------|---------------------|------------------|
| Financials             | 7.46           | 14.29               | 78.25            |
| Consumer Discretionary | 0.21           | 2.80                | 96.99            |
| Energy                 | -              | 0.56                | 99.44            |
| Industrials            | 0.08           | 0.62                | 99.29            |
| Materials              | -              | 1.26                | 98.74            |
| Utilities              | -              | 0.39                | 99.61            |
| Others                 | -              | 1.10                | 98.90            |

Note: Secured bonds include asset-backed securities.

Sources: Bloomberg and Author's calculations.

## 2.7 Credit Ratings

Table 2.11 shows the distribution of rated corporate bonds in each country in ASEAN+3.<sup>3</sup> The ratings are based on select local credit rating agencies in each market. In Korea, the majority of rated corporate bonds have credit ratings of AA or higher, indicating the presence of a rating cliff in the market, where bonds rated A or below are more difficult to sell.

**Table 2.11: Comparison of Payment of Outstanding Corporate Bonds in ASEAN+3, 2024***(in %)*

| <b>Country</b> | <b>AAA</b>   | <b>AA</b>    | <b>A</b>    | <b>BBB</b>  | <b>Below BBB</b> |
|----------------|--------------|--------------|-------------|-------------|------------------|
| PRC            | 92.40        | 6.90         | 0.68        | -           | -                |
| Japan          | 1.56         | 49.03        | 45.95       | 3.47        | -                |
| <b>Korea</b>   | <b>36.28</b> | <b>54.92</b> | <b>8.22</b> | <b>0.36</b> | <b>0.23</b>      |
| Indonesia      | 46.71        | 15.04        | 32.77       | 1.06        | 4.42             |
| Malaysia       | 52.70        | 41.51        | 5.29        | 0.19        | 0.31             |
| Philippines    | 87.35        | 12.65        | -           | -           | -                |
| Singapore      | 37.80        | 8.49         | 18.09       | 35.62       | -                |
| Thailand       | 5.28         | 21.69        | 56.60       | 14.38       | 2.04             |

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; PRC = The People's Republic of China.

Notes:

1. Credit rating distributions are based on the most recent credit ratings as of July 2025, sourced from Bloomberg.
2. Bonds whose credit ratings are unavailable or withdrawn as of July 2025 are excluded in the calculation of the percentages.
3. The following domestic credit rating agencies (CRAs) are used for each market: China Chengxin Credit Ratings Company for the PRC, Rating & Investment Information Inc. (R&I) for Japan, Korea Ratings Corporation for Korea, Rating Agency of Cambodia (RAC) for Cambodia, PEFINDO Rating for Indonesia, RAM Ratings for Malaysia, PhilRatings for the Philippines, Moody's for Singapore, and TRIS Rating for Thailand. The table reflects equivalent rating scales across these domestic CRAs. Short-term ratings are excluded from the computation of the credit rating distribution.
4. Despite having three domestic CRAs, Viet Nam is excluded from the table due to the lack of published information on rated corporate bonds. It was only in Q4 2024 that Viet Nam's credit rating agencies have actively rated corporate bond issuances in the country.

Sources: Bloomberg and Author's calculations.

As shown in Table 2.12, certain industries, such as Consumer Discretionary and Materials, have a significant share of A-rated bonds, and to some extent, BBB-rated bonds. This distribution contrasts with the overall credit rating

<sup>3</sup> Notably, the credit ratings in this section refer to the current issue ratings as of July 2025. This section does not include the issuer ratings on the analysis.

distribution of the Korean corporate bond market, where bonds rated A or below are limited. In fact, the overall distribution is heavily influenced by the Financials industry, which accounts for nearly 70% of the total outstanding corporate bonds in Korea.

**Table 2.12: Distribution of Credit Ratings of Rated KRW-denominated Corporate Bonds by Industry, 2024**  
(in %)

| Industries             | AAA   | AA    | A     | BBB   | Below BBB |
|------------------------|-------|-------|-------|-------|-----------|
| Financials             | 40.49 | 53.82 | 5.52  | -     | 0.10      |
| Consumer Discretionary | 10.26 | 70.73 | 17.31 | 36.31 | 0.80      |
| Energy                 | -     | 84.14 | 15.72 | 0.00  | 0.15      |
| Industrials            | -     | 56.46 | 35.05 | 5.28  | 0.31      |
| Materials              | -     | 79.21 | 20.73 | 8.18  | 0.06      |
| Utilities              | 64.66 | 23.35 | 11.99 | 2.03  | -         |
| Others                 | 55.16 | 39.11 | 4.47  | 0.91  | 0.35      |

Sources: Bloomberg and Author's calculations.

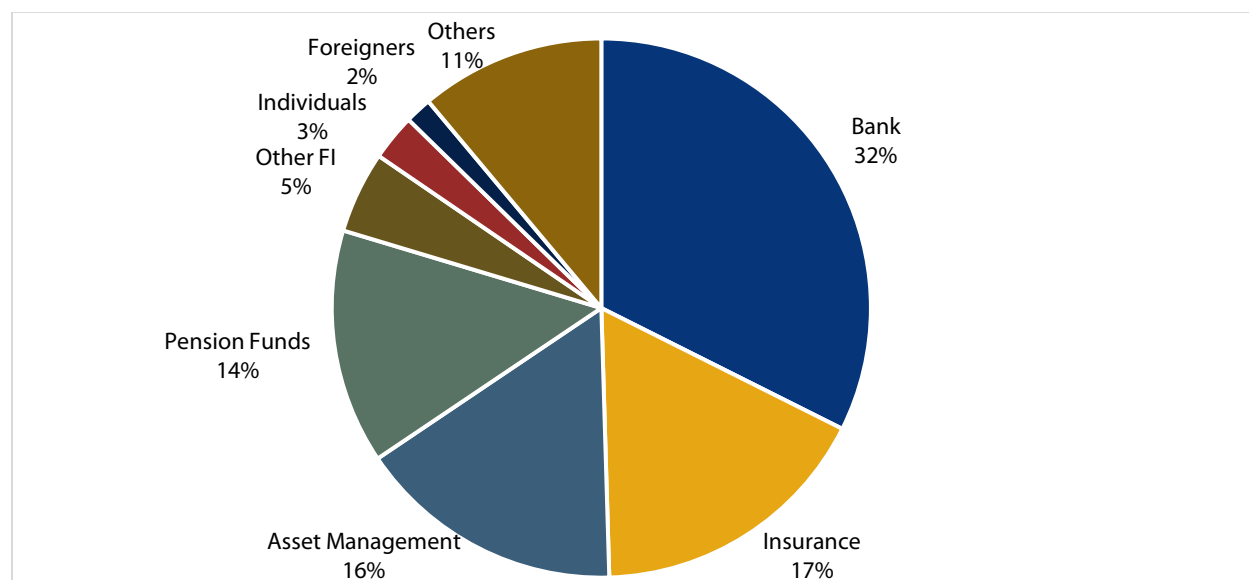
## 3 Investors

### 3.1 Investor Compositions

In this section, the investor composition in Korea's corporate bond market is analyzed. Figure 3.1 shows the distribution of corporate bond holdings by investor group. As of the end of 2024, banks are the largest investor group in Korea, holding 32% of total outstanding corporate bonds. They are followed by insurance companies (17%), asset management companies (16%), and pension funds (14%).

Foreign investors also participate in the market, but their holdings are insignificant. Individual investors are holding only 3% of corporate bonds. However, they also invest indirectly through asset management funds or bank trust funds.

**Figure 3.1: Corporate Bonds Holding by Investor Type, as of end of 2024**



FI = financial institution

Source: Infomax.

## 3.2 Investment Appetite per Domestic Investor Group

Table 3.1 characterizes the investment appetites of the top four investor groups, categorized by three key dimensions: tenor, currency, and credit rating.

**Table 3.1: Summary of Investment Appetite per Domestic Investor Group**

| Investment Decision Factor | Banks         | Insurance Companies | Asset Management Companies | Pension Fund |
|----------------------------|---------------|---------------------|----------------------------|--------------|
| Tenor                      | Up to 3 years | 5 years or longer   | Up to 3 years              | All tenors   |
| Credit Ratings             | AA or higher  | AA or higher        | A or higher                | AA or higher |
| Currency                   | Mostly KRW    | KRW and USD         | KRW and USD                | KRW and USD  |

KRW = Korean won, USD = US dollar.

Source: Market interviews, 2025.

### Banks

Banks are the largest investor group for corporate bonds in Korea. Due to the short-term nature of their liabilities, banks generally invest in corporate bonds with maturities of up to 3 years. In addition, banks generally look for corporate bonds with credit ratings of at least AA. There is no significant difference in credit appetite between corporate bonds held for their own accounts and those on behalf of clients.

Although banks do invest in foreign currency-denominated (FCY-denominated) bonds, these represent only a small portion of their overall bond portfolios, which are predominantly composed of KRW-denominated bonds. Among their foreign currency holdings, USD-denominated bonds are dominant.

### Insurance Companies

Insurance companies prefer to invest in corporate bonds with maturities of 5 years or longer, reflecting the long-term nature of their liabilities. They are conservative in terms of credit risk, hence, they invest in corporate bonds with credit ratings of at least AA. Insurance companies also invest in FCY-denominated bonds, primarily USD-denominated bonds. To hedge foreign exchange risk, they typically engage in asset swap transactions when investing in FCY-denominated bonds.

### Asset Management

Asset management companies in Korea invest in corporate bonds primarily through three ways. First, they manage the fixed income portfolios that track specific bond market indices selected by their clients, such as pension funds and insurance companies. In these portfolios, they actively trade corporate and government bonds to outperform the benchmark index.

Second, they buy and hold corporate bonds to provide fixed returns to their clients, which include pension funds, insurance companies, banks and government departments.

Lastly, asset management companies in Korea offer a variety of fixed income Exchange Traded Funds (ETFs), which are popular among both institutional and individual investors. These fixed income ETFs include domestic corporate bond Active ETF and US Bond SRI Active ETF.<sup>4</sup>

<sup>4</sup> SRI means socially responsible investment.

Table 3.2 shows some of the fixed income ETFs offered by Samsung Asset Management, one of the largest asset management companies in Korea. As of 25 July 2025, Samsung Asset Management provides a total of 217 ETFs, 28 of which are fixed income ETFs.

**Table 3.2: Samples of Fixed income ETFs from Samsung Asset Management, 25 July 2025**

| <b>Name of ETF</b>                            | <b>Net Assets<br/>(in KRW100<br/>million)</b> | <b>Description</b>   |
|---|---|--|
| Kodex Active Bond                             | 35,425  | To track the daily performance of the KAP Korea Total Market Bond Index (AA- or higher) consisting of 4,000 bonds representing the Korean bond market. |
| Kodex 27-12 Corporate Bond (AAA) Active       | 9,962   | To track the daily performance of the KAP27-12 Corporate Bond TR Index (AAA) by investing mainly in Korean bonds.                                      |
| Kodex ESG Korea Total Bond Market (A-) Active | 2,910   | To track the daily performance of the KAP ESG Total Market Bond Index (A- or higher) by investing mainly in Korean bonds.                              |
| Kodex US Bond SRI Active                      | 2,874   | To track the daily performance of the Bloomberg MSCI US Aggregate 2bn ex Securitized SRI Capped Index by investing mainly in US bonds.                 |
| Kodex Asia USD Bond SRI Plus Active           | 621   | To track the daily performance of the Bloomberg MSCI EM Asia Investment Grade Credit SRI Index by investing mainly in Asian bonds.                     |

Source: Samsung Asset Management.

As shown in the table above, asset management companies invest in both KRW- and USD-denominated corporate bonds as part of their ETF products. While they may invest in long-term corporate bonds for clients such as insurance companies, they generally focus on corporate bonds with maturities of up to 3 years. Asset management companies can invest in A-rated corporate bonds, but they generally invest in corporate bonds rated AA or higher, reflecting the risk appetites of their clients.

### Pension Funds

Pension funds are also significant investors in corporate bonds in Korea due to their substantial funds. In particular, the National Pension Service (NPS) is the largest investor in the country, with over USD932.43 billion in assets as of June 2025, making it the third largest pension fund in the world.<sup>5</sup>

Pension funds in Korea manage their bond portfolios by tracking market bond indices. This implies that they invest in corporate bonds across various maturities, not just long-term bonds, despite the long-term nature of their liabilities.

Pension funds can invest in investment-grade corporate bonds based on their investment guidelines. However, they generally invest in corporate bonds whose credit ratings are AA or higher not only because they are cautious toward corporate bonds rated A or lower, but also because such lower-rated corporate bonds are limited in the market.

In addition to KRW-denominated bonds, pension funds also invest in FCY-denominated bonds. They generally do not hedge the foreign exchange risk from the FCY-denominated bond investments because these are considered part of their broader currency allocation strategy.

<sup>5</sup> National Pension Service Investment Management Korea. *Fund Status*. <https://fund.nps.or.kr/eng/main.do>.



## Individuals

Individuals are not significant investors in Korea's corporate bond market. However, they are relatively active in specific segments, such as BBB-rated corporate bonds and subordinated bonds issued by banks. While institutional investors tend to avoid these bonds due to higher risk, individuals consider them because of their higher yields.

As shown in Figure 3.1, individuals hold only 3% of corporate bonds. However, they actually hold more than this percentage because they indirectly invest in corporate bonds through fixed income ETFs or corporate bonds in trust funds managed by banks.

## 4 Issuers

Compared to other countries in ASEAN+3, the Financials industry of Korea is an active issuer of corporate bonds. Table 4.1 shows the distribution of issuer groups in ASEAN+3. In this table, Financials industry includes corporates from the Real Estate industry.<sup>6</sup>

In addition, Korea's financial sector is very active in issuing corporate bonds, which is marked by the diversity of issuers across the sub-industries.

**Table 4.1: Issuer Groups in Korea's Corporate Bond Market by Outstanding KRW-denominated Bond Value, 2024**

| Industries                    | (in %)    |           |           |           |           |           |           |           |           |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                               | KR        | CN        | JP        | ID        | MY        | PH        | SG        | TH        | VN        |
| <b>Financials</b>             | <b>69</b> | <b>65</b> | <b>34</b> | <b>43</b> | <b>52</b> | <b>60</b> | <b>66</b> | <b>26</b> | <b>71</b> |
| Banks                         | 23        | 46        | 6         | 14        | 15        | 24        | 9         | 7         | 53        |
| Consumer Finance              | 14        | 1         | 4         | 15        | 5         | -         | -         | 7         | -         |
| Commercial Finance            | 10        | -         | 2         | 9         | 11        | -         | -         | -         | -         |
| Diversified Banks             | 3         | -         | 9         | -         | -         | -         | -         | -         | -         |
| Financial Services            | 15        | 11        | 4         | 2         | 13        | -         | 13        | 8         | 2         |
| Property & Casualty Insurance | 2         | -         | 3         | 1         | -         | -         | -         | -         | -         |
| Life Insurance                | 1         | -         | 2         | 1         | -         | -         | -         | -         | -         |
| Real Estate                   | 1         | 5         | 5         | 1         | 8         | 35        | 40        | 3         | 16        |
| <b>Consumer Discretionary</b> | <b>8</b>  | <b>6</b>  | <b>15</b> | <b>4</b>  | <b>6</b>  | -         | <b>12</b> | <b>13</b> | <b>6</b>  |
| <b>Energy</b>                 | <b>4</b>  | <b>2</b>  | <b>1</b>  | <b>4</b>  | <b>8</b>  | <b>13</b> | -         | <b>13</b> | <b>2</b>  |
| <b>Industrials</b>            | <b>3</b>  | <b>19</b> | <b>11</b> | <b>13</b> | <b>12</b> | <b>4</b>  | <b>0</b>  | <b>16</b> | <b>7</b>  |
| <b>Materials</b>              | <b>4</b>  | <b>3</b>  | <b>6</b>  | <b>23</b> | <b>1</b>  | -         | <b>2</b>  | <b>10</b> | <b>1</b>  |
| <b>Utilities</b>              | <b>4</b>  | <b>4</b>  | <b>14</b> | <b>6</b>  | <b>14</b> | <b>17</b> | <b>4</b>  | <b>9</b>  | <b>3</b>  |
| <b>Others</b>                 | <b>8</b>  | <b>1</b>  | <b>19</b> | <b>7</b>  | <b>7</b>  | <b>6</b>  | <b>16</b> | <b>13</b> | <b>10</b> |

CN = The People's Republic of China, ID = Indonesia, JP = Japan, KR = The Republic of Korea, MY = Malaysia, PH = Philippines, SG = Singapore, TH = Thailand, VN = Viet Nam

Note: The percentages are computed based on the value of outstanding corporate bonds as of end of 2024, per industry.

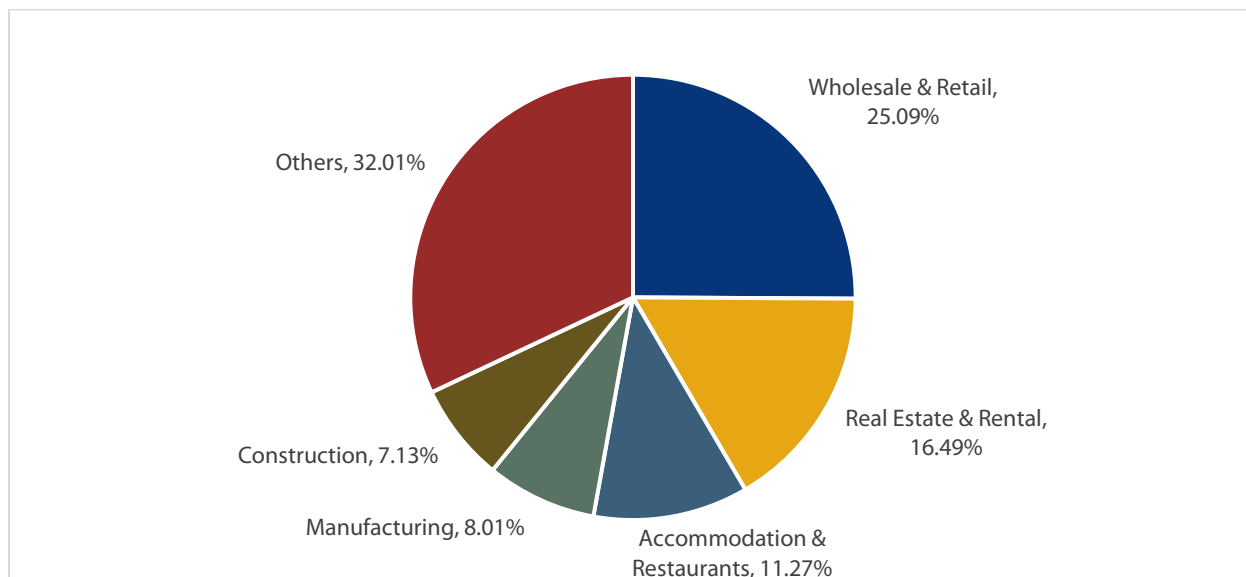
Sources: Bloomberg and Author's calculations.

From Table 4.1, it is noteworthy to look at the composition of the Financials industry. Compared to other ASEAN+3 countries, various financial companies in Korea—from banks, consumer finance companies, to financial services firms—are actively tapping Korea's corporate bond market for funding. This means that the entire financial sector in the country is receptive to the bond market concept.

<sup>6</sup> This is based on Bloomberg Industry Classification Standard Levels 1 and 2.

To further expand the Korean corporate bond market, the small and medium-sized enterprises (SMEs) can be encouraged to explore the bond market as a financing option. Many SMEs face challenges in accessing funding through the domestic market. In Korea, most of the SMEs operate in the wholesale and retail sector, real estate and rental services, as well as accommodation and restaurants.

**Figure 4.1: Distribution of Korean SMEs by Industry, 2021**



Sources: Ministry of SMEs and Startups and Author's calculations.

## 5 Other Market Participants

Similar to other ASEAN+3 countries, other market participants in Korea include regulators, credit rating agencies, bond pricing agencies, and self-regulatory organizations.

### 5.1 Regulators

The Financial Supervisory Service (FSS) is Korea's integrated financial regulator, responsible for supervising and inspecting financial institutions and markets. It operates under the Financial Services Commission (FSC) and aims to promote financial stability, protect consumers, and ensure fair and transparent financial practices. The FSS plays a critical supervisory and regulatory role to ensure the soundness, fairness, and transparency of the corporate bond market. Its main functions include the following:

- **Review of issuer disclosures:** The FSS examines securities registration statements, annual reports, and quarterly/semi-annual filings submitted by issuers to ensure investors are provided with accurate and sufficient information.
- **Monitoring credit rating agencies:** The FSS supervises rating agencies to ensure fair and appropriate credit assessments in corporate bond issuance.
- **Oversight of audit quality:** It ensures the reliability of financial statements by monitoring external auditors, thereby safeguarding investor interests.
- **Monitoring market stability:** The FSS closely monitors market volatility and coordinates with the FSC to implement stabilization measures when necessary.

- **Surveillance of unfair trading practices:** The FSS monitors and investigates insider trading, market manipulation, and dissemination of false information in the bond market, and takes enforcement actions where violations are identified.

## 5.2 Credit Rating Agencies

Credit rating agencies (CRAs) play a vital role in the Korean corporate bond market by assessing the creditworthiness and default risk of issuers. These ratings help investors make informed decisions and influence the key aspects of bond issuance, such as interest rates, investor demand, and market liquidity. All CRAs that issue ratings for public offerings must be registered with the FSC and are subject to ongoing supervision by the FSS. Three agencies in Table 5.1 are officially registered CRAs authorized to issue ratings for publicly offered corporate bonds in Korea.

**Table 5.1: Credit Rating Agencies in Korea**

| Credit Rating Agency            | Brief Description  |
|---------------------------------|--|
| Korea Investors Service Inc.    | <ul style="list-style-type: none"> <li>Established in 1985.</li> <li>A subsidiary of Moody's Investors Service.</li> <li>Offers a full suite of credit rating services, such as issuer ratings, structured finance ratings, fund ratings, commercial paper ratings, and corporate bond ratings.</li> </ul>   |
| NICE Investors Service Co. Ltd. | <ul style="list-style-type: none"> <li>Established in 1987.</li> <li>Part of the NICE group, a major Korean financial information services provider.</li> <li>Provides differentiated credit ratings for various financial products, such as commercial papers, corporate bonds, structured finance instruments, as well as issuer and guarantor ratings.</li> </ul> |
| Korea Ratings Corporation       | <ul style="list-style-type: none"> <li>Established in 1991.</li> <li>A subsidiary of S&amp;P Global.</li> <li>Credit rating agency listed at KOSDAQ.</li> <li>As of 1 January 2025, Korea Ratings had rated 229 entities, 99% of which have investment-grade ratings.</li> </ul>   |

Source: Company profiles of each bond pricing agency.

In addition to the three CRAs mentioned above, Seoul Credit Rating & Information (SCRI) and FnPricing are also recognized as credit-related institutions in Korea. SCRI specializes in rating SMEs, unlisted firms, and technology firms, rather than public corporate bonds. On the other hand, FnPricing is a valuation and risk assessment provider for derivatives, structured products, and alternative assets.

## 5.3 Bond Pricing Agencies

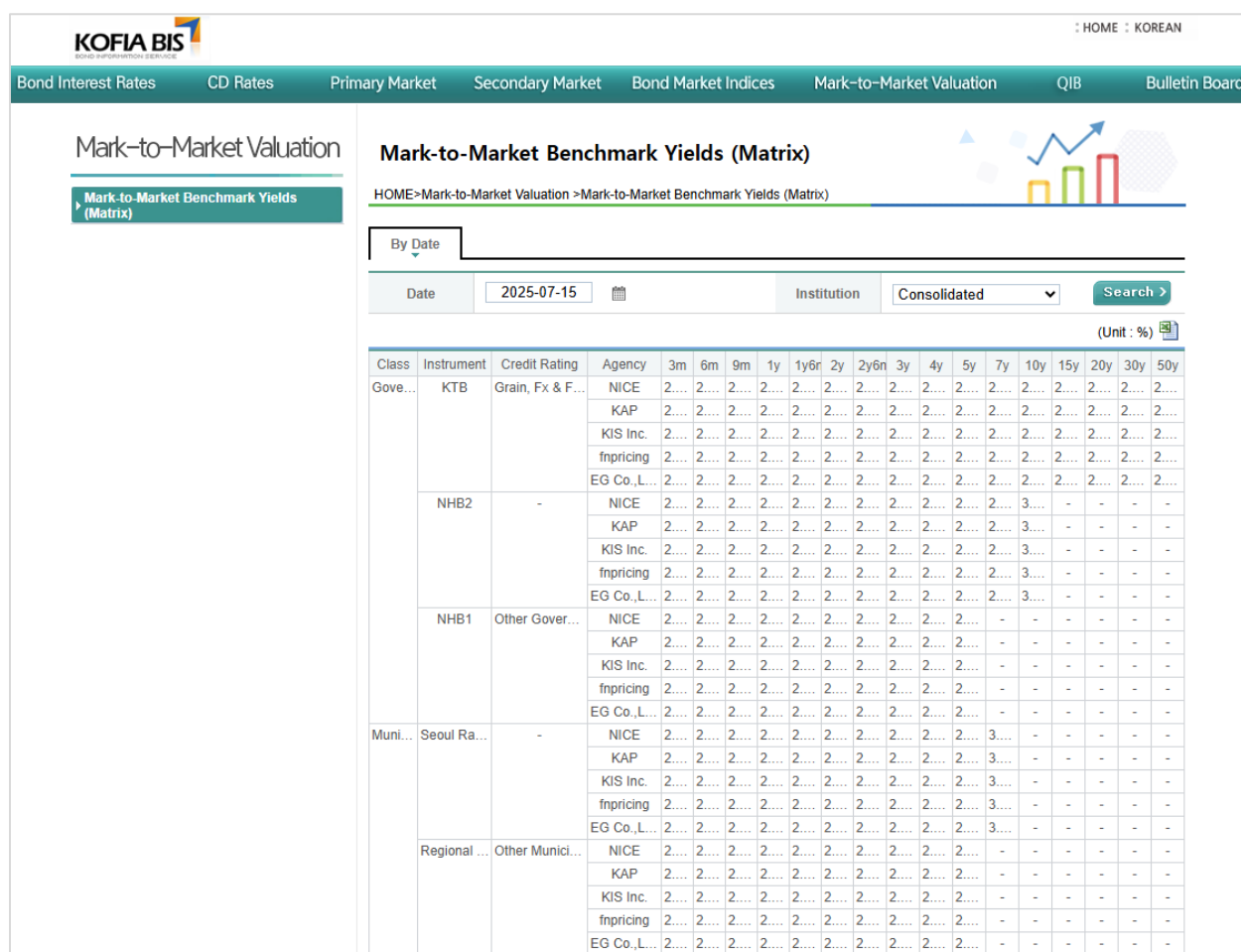
Bond pricing agencies are specialized institutions that provide fair value estimates for bonds, including illiquid, unlisted, or privately placed corporate bonds. When market prices are not readily available, such as for rarely traded bonds, these agencies use quantitative models and market inputs to calculate indicative daily prices. Their pricing enables financial institutions to accurately reflect the value of their bond holdings, promoting transparency and discipline in investment and accounting practices.

Bond pricing agencies in Korea consist of self-regulatory organizations and independent companies. As discussed in the next sections, the Korea Financial Investment Association (KOFIA) and Korea Exchange (KRX) provide data

and information on bond prices. Independent companies include Korea Asset Pricing, KIS Pricing, NICE P&I, FnPricing and EG Asset Pricing & Data Platform.

Through its Business Information Service platform, KOFIA is able to gather market data and reports bond statistics such as yields of benchmark bonds and mark-to-market benchmark yields.<sup>7</sup> These figures are sourced from dedicated bond pricing agencies in Korea. Figure 5.1 provides a snapshot of KOFIA's information on mark-to-market benchmark yields. Further details on this information are discussed in Chapter 6, Credit Spreads.

**Figure 5.1: Sample Webpage of KOFIA Business Information Service for Bond Information**



Note: Figure 5.1 shows the English version of the website. The Korean version of the website has a different interface and details. Source: KOFIA Business Information Service. (accessed on 15 July 2025)

Being the financial market exchange operator in Korea, the KRX also discloses bond pricing information. Figure 5.2 shows the interface of the KRX website reporting the bond prices in KRX BondsAll, the exchange market for fixed income securities.<sup>8</sup>

<sup>7</sup> For more information on KOFIA's Business Information Service, see <https://www.kofiabond.or.kr/>.

<sup>8</sup> For information about the KRX's Market Data System, see <http://data.krx.co.kr/contents/MDC/MAIN/main/index.cmd?locale=en>.

**Figure 5.2: Sample KRX Webpage for Bond Information**

The screenshot shows the KRX website interface for bond pricing. The main table displays the following data:

| Issue code   | Issue name         | Price    | Change  | Return  | Price-Open | Price-High | Price-Low | Trading volume | Trading value |
|--------------|--------------------|----------|---------|---------|------------|------------|-----------|----------------|---------------|
| KR101501D481 | KNHB (Q20-08)      | 10,471.7 | 0.4     | 2.188   | 10,471.7   | 10,471.7   | 10,471.7  | 1              | 1             |
| KR101501D490 | KNHB (Q20-09)      | 10,446.0 | -       | 2.457   | 10,446.0   | 10,446.0   | 10,446.0  | 1              | 1             |
| KR101501D4C3 | KNHB (Q20-12)      | 10,385.0 | 15.9    | 2.400   | 10,385.0   | 10,385.0   | 10,385.0  | 100,000        | 103,850       |
| KR101501D831 | KNHB (Q21-03)      | 10,297.0 | 13.0    | 2.705   | 10,297.0   | 10,297.0   | 10,297.0  | 5,115          | 5,267         |
| KR101501D898 | KNHB (Q21-09)      | 10,241.8 | 57.8    | 2.087   | 10,241.8   | 10,241.8   | 10,241.8  | 4,000          | 4,097         |
| KR101501DC22 | KNHB (Q22-02)      | 10,086.3 | 112.4   | 2.501   | 10,086.3   | 10,102.7   | 10,086.3  | 103,096        | 104,150       |
| KR101501DC71 | KNHB (Q22-07)      | 9,919.0  | -       | 2.817   | 9,919.0    | 9,919.0    | 9,919.0   | 3,600          | 3,571         |
| KR101501DC89 | KNHB (Q22-08)      | 9,910.0  | -       | 2.747   | 9,886.0    | 9,910.0    | 9,886.0   | 23,638         | 23,397        |
| KR101501DD47 | KNHB (Q23-04)      | 9,870.0  | -       | 2.779   | 9,840.5    | 9,870.0    | 9,840.5   | 18,540         | 18,272        |
| KR101501DD54 | KNHB (Q23-05)      | 9,840.0  | -       | 2.805   | 9,803.5    | 9,840.0    | 9,803.5   | 4,900          | 4,763         |
| KR101501DDA1 | KNHB (Q23-10)      | 9,770.0  | 5.0     | 2.651   | 9,750.0    | 9,770.0    | 9,750.0   | 116,370        | 113,461       |
| KR101501D0B9 | KNHB (Q23-11)      | 9,727.0  | -       | 2.734   | 9,727.0    | 9,727.0    | 9,727.0   | 2,734          | 3,439         |
| KR101501DDC7 | KNHB (Q23-12)      | 9,710.0  | 10.0    | 2.718   | 9,710.0    | 9,710.0    | 9,710.0   | 1              | 1             |
| KR101501DE46 | KNHB (Q24-04)      | 9,626.0  | -       | 2.715   | 9,626.0    | 9,626.0    | 9,626.0   | 10,000         | 9,626         |
| KR101501DE79 | KNHB (Q24-07)      | 9,557.0  | -       | 2.727   | 9,557.0    | 9,557.0    | 9,557.0   | 13,300         | 12,711        |
| KR101501DE87 | KNHB (Q24-08)      | 9,500.0  | 10.0    | 2.688   | 9,500.0    | 9,500.0    | 9,500.0   | 27,923         | 26,666        |
| KR101501DE95 | KNHB (Q24-09)      | 9,504.0  | -       | 2.732   | 9,504.0    | 9,504.0    | 9,504.0   | 42,855         | 40,824        |
| KR101501DFP2 | KNHB (Q24-09)      | 9,210.0  | -       | 2.722   | 9,210.0    | 9,210.0    | 9,210.0   | 19,712         | 18,080        |
| KR10350172C8 | KTBO3500-421213-5b | 10,334.0 | -       | 2.776   | 10,334.0   | 10,334.0   | 10,334.0  | 1              | 1             |
| KR1035017338 | KTBO3500-360306-1b | 11,700.0 | 1,283.8 | -14,421 | 11,700.0   | -14,421    | 11,700.0  | 12             | 13            |
| KR103501GA82 | KTBO1125-250920-6b | 10,007.0 | 0.0     | 2.550   | 10,007.0   | 10,011.0   | 10,007.0  | 62,075         | 62,117        |

Source: KRX. (accessed on 15 July 2025)

Table 5.2 summarizes information on five independent bond pricing agencies. Among them, Korea Asset Pricing, KIS Pricing and NICE P&I provide not only bond pricing services but also related financial market services, as they are part of company groups that offer credit rating services in Korea.

**Table 5.2: Independent Bond Pricing Agencies in Korea**

| Bond Pricing Agency        | Description of Key Services   |
|----------------------------|---|
| Korea Asset Pricing        | <ul style="list-style-type: none"> <li>Established in 2000 and hailed as the first bond pricing agency in Korea.</li> <li>Provides valuation for bonds, asset-backed securities, and mortgage-backed securities issued in the domestic market by the Korean government and corporates, as well as for foreign currency bonds managed by domestic or foreign banks, securities companies, insurance companies, pension funds, and asset management companies, or owned by domestic and foreign companies.</li> </ul> |
| KIS Pricing                | <ul style="list-style-type: none"> <li>Established in 2000.</li> <li>Provides pricing services for bonds (both KRW-denominated and foreign currency bonds), derivatives and alternative investments.</li> <li>Leverages “real-time collection of bid prices” and “accurate reflation of transaction prices” for bond pricing of KTBs and MSBs.</li> </ul>   |
| NICE Pricing & Information | <ul style="list-style-type: none"> <li>Established in 2000 and a subsidiary of the NICE Group of Korea.</li> <li>Provides pricing for bonds and OTC derivatives, including those denominated in KRW, foreign currencies, and hybrid securities.</li> </ul>  |
| FnPricing                  | <ul style="list-style-type: none"> <li>Established in 2011.</li> <li>Provides daily bond pricing, YTM curves, valuations for derivatives &amp; structured products, alternative investment valuation, and ESG &amp; Digital Asset pricing.</li> <li>Widely used by mutual funds, pension funds, insurers, and brokerage firms.</li> </ul>   |
| EG Asset Pricing           | <ul style="list-style-type: none"> <li>Established in 2020 and began pricing and data distribution services in 2023.</li> <li>Provides bond pricing, structured product valuations, and ESG asset pricing.</li> <li>Offers pricing support for tokenized securities.</li> </ul>   |

ESG = environmental, social, and governance, KRW = Korean won, KTB = Korean treasury bond, MSB = monetary stability bond, OTC = over-the-counter, YTM = yield-to-maturity.

Source: Company profiles of each bond pricing agency.

One of the notable advances in the services offered by these bond pricing agencies is the inclusion of pricing and valuation services for ESG financial products, which aligns with the overall trend in Korea pushing for more ESG services.

## 5.4 Self-regulatory Organizations

A self-regulatory organization (SRO) in the bond market serves as an effective catalyst for market development. Generally, an SRO aims to maintain market order and uphold reputable business practices among market players. An SRO also promotes broader investor protection and oversees different industry-related affairs.

### Korea Financial Investment Association

The Korean bond market is supported by the Korea Financial Investment Association (KOFIA) as one of its SROs. Hailed as the “key financial investment partner” in the financial market of Korea, KOFIA’s mission centers on advancing the country’s capital market by ensuring a sustainable growth ecosystem. With a rich history, KOFIA brings together market players, such as securities companies, asset management companies, futures companies, and real estate trust companies.<sup>9</sup>

In addition to its role as an SRO, KOFIA embodies the following roles and functions in Korea’s capital market:<sup>10</sup>

1. *Advocacy for the Financial Investment Industry.* KOFIA spearheads talks with policymakers and business leaders to identify issuers’ needs and provide expert advice for enhancing existing regulations and policies. In 2024, KOFIA’s initiatives on policy advocacy include:
  - Participated in the “Investment Banking Business Strategy Report” for redefining the role of securities firms.
  - Provided detailed principles for assessing project viability and classifying the financial soundness of project finance into the best practice standards.
  - Expanded the permitted legal entity identifier (LEI) levels for foreign corporate account openings.
  - Obtained approval for a financial regulatory sandbox to introduce listed trading of mutual funds.
2. *Market Operation.* KOFIA promotes transparency and efficiency of the over-the-counter (OTC) bond market in Korea. Launched in 2010 as FreeBond, K-Bond is Korea’s electronic trading platform for bonds. With the enhancements done in 2017, K-Bond now supports 10,000 users simultaneously.
3. *Education.* KOFIA ensures market education for its members and market professionals through its education arm, the Korea Institute of Financial Investment (KIFIN). KIFIN offers Industry-based education and training programs that include general courses, professional courses, qualification courses, and global programs. As of the end of 2023, KIFIN offered 210 training courses across 10 financial market fields, with 85 of these training courses available online.

### Korea Exchange

With a long history in the financial market dating back to the 1950s, Korea Exchange (KRX) serves as the main financial exchange operator of Korea. KRX offers a plethora of services, such as trading and market data services, central counterparty services, market surveillance, clearing and settlement services, as well as listing and disclosure. Other business areas of KRX include the development and operation of an IT system for the capital market, the export of these systems, and the provision of consultancy services to overseas exchanges. With these

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<sup>9</sup> KOFIA was established in 2009 as a non-profit organization under the Financial Investment Services and Capital Markets Act (FSCMA), through the merger of three capital markets association in the country, namely the Korea Securities Dealers Association, Asset Management Association of Korea, and Korea Futures Association.

<sup>10</sup> Korea Financial Investment Association. 2025 KOFIA Annual Report. [https://eng.kofia.or.kr/brd/m\\_19/list.do](https://eng.kofia.or.kr/brd/m_19/list.do).



additional business areas, KRX has expanded its presence internationally and established international cooperation with different foreign exchanges.

KRX summarizes its wide range of business areas into nine sectors.<sup>11</sup> Among these, the KOSPI Market Division is of particular interest, as it covers the KOSPI market, exchange-traded bonds (including government, municipal, and corporate), and securitized products, such as ETFs, exchange-traded notes (ETNs), and equity-linked warrants (ELWs).

**Table 5.3: Recent Developments in KRX's KOSPI Market Division, 2023**

| <b>Specific Areas in KOSPI Market Division</b> | <b>Descriptions</b>  |
|--|--|
| ESG Disclosures                                | <ul style="list-style-type: none"> <li>The KRX is preparing to mandate ESG disclosures starting 2026. In relation to this, it has participated in several meetings with various organizations to align with the ESG disclosure standards set by the International Sustainability Standards Board (ISSB), as part of the efforts to establish a domestic ESG disclosure system.</li> </ul>                      |
| Promotion of ESG Bonds                         | <ul style="list-style-type: none"> <li>In the bond market, the KRX focused on promoting stable market operations, strengthening market management, and revitalizing the ESG bond market. For example, in May 2023, the KRX extended the exemption period for listing fees and annual dues on ESG bonds by an additional of 2 years to help companies reduce financing costs for ESG bond issuances.</li> </ul> |
| Diversification of Securitized Products        | <ul style="list-style-type: none"> <li>The KRX continued to promote the securitized market by diversifying investment products. It launched various types of exchange-traded funds and introduced new interest rate hedging products for the exchange-traded note market.</li> </ul>   |

ESG = environmental, social and governance, KRX = Korean Exchange.

Source: KRX Annual Report 2024.

## 6 Credit Spreads

A credit spread indicates the price of a credit risk. As government bonds are considered free of credit risk within each country, a credit spread is calculated as the difference between the yield on a corporate bond and the yield on a government bond with the same maturity.

This section examines the credit spreads of KRW-denominated corporate bonds. KOFIA reports daily yield prices across key tenors and different asset classes within Korea's bond market. In addition, KOFIA segments the yield prices of corporate bonds according to publicly-issued bonds and privately-placed bonds. For publicly-issued bonds, credit spread data is available for ratings from AAA to BBB-. For privately-placed bonds, KOFIA reports only bonds rated from AAA to A-.

For reference, Table 6.1 presents the yield matrix as of 15 July 2025 for selected credit ratings, based on data from Korea Asset Pricing.

<sup>11</sup> As reported in their annual report, KRX operates across nine business sectors: (1) KOSPI Market Division, (2) KOSDAQ, (3) Derivatives Market, (4) Clearing and Settlement, (5) Commodity Market, (6) Market Oversight, (7) Global Business, (8) Sustainable Management, and (9) Information Business and IT.

because these bonds are neither issued nor traded in the local bond market. However, bonds settled in foreign currencies are also included in Table 8.1 for reference.

Table 8.1 shows that Korea has a small ratio of inbound bonds. Focusing on inbound bonds settled in Korean won, the ratio has even become smaller. This is because the number of issuances of Arirang bonds have dwindled since 2020.

**Table 8.1: Inbound Bond Ratios in ASEAN+3, as of end of 2024**

| Country     | Ratio of LCY corporate bonds issued by foreign entities to total LCY corporate bonds |  |
|-------------|--|--|
|             | Including bonds settled in FCY   | Excluding bonds settled in FCY (Inbound Ratio) |
| PRC         | 1.41%  | 1.39%  |
| Japan       | 15.20%   | 15.15%   |
| Korea       | 0.21%  | 0.04%  |
| Brunei      | n/a  | n/a  |
| Cambodia    | 0%   | 0.00%  |
| Indonesia   | 23.66%   | 0.08%  |
| Lao PDR     | n/a  | n/a  |
| Malaysia    | 0.35%  | 0.33%  |
| Myanmar     | n/a  | n/a  |
| Philippines | 3.35%  | 0.35%  |
| Singapore   | 34.18%   | 34.18%   |
| Thailand    | 1.08%  | 0.91%  |
| Viet Nam    | 3.02%  | 0.00%  |

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, LCY = local currency, FCY = foreign currency, PRC = The People's Republic of China.

Note: The label "n/a" means not applicable, since there are no outstanding LCY-denominated corporate bonds in Brunei, Lao PDR, and Myanmar as of 31 December 2024.

Sources: Bloomberg and Author's calculations.

As of 31 December 2024, there were 64 outstanding KRW-denominated bonds issued by foreign entities, totaling KRW1.7 trillion. As shown in Table 8.2, issuers are mostly reputable foreign financial institutions, such as Goldman Sachs, Nomura, and Bank of America. Aside from these foreign financial institutions, only the International Finance Corporation (IFC) and LVMC Holdings are foreign issuers with outstanding KRW-denominated corporate bonds as of the same date. LVMC Holdings is an automotive company founded by a Korean businessman and listed on the Korea Exchange. It is incorporated in the Cayman Islands and operates in Southeast Asia. This company was originally founded in 1997 under the name KOLAO Holdings and rebranded as LVMC Holdings in March 2018.

Table 8.2 also shows that, out of 64 outstanding KRW-denominated bonds issued by foreign entities as of 31 December 2024, only 12 bonds are redeemed or settled in KRW. These 12 bonds are considered inbound bonds, also known as Arirang bonds. Among the 12 Arirang bonds, Nomura is the most active issuer, having issued eight. This is followed by BNP Paribas, which issued two bonds, while Merrill Lynch and LVMC Holdings have each issued one bond. Nomura is known to issue Arirang bonds to support its local operations in Korea.

**Table 8.2: KRW-denominated Bonds Issued by Foreign Entities, as of end of 2024**

| Issuer            | Number of KRW-denominated Bonds by Redemption Currency |     |     |       |
|-------------------|--|-----|-----|-------|
|                   | KRW  | USD | EUR | Total |
| Banco BTG Pactual |  | 1   |     | 1     |
| Bank of America   |  | 9   |     | 9     |
| Barclays          |  | 1   | 1   | 2     |
| BNP Paribas       | 2  |     | 1   | 3     |
| Citigroup         |  | 7   |     | 7     |

**Table 6.1: KOFIA's Yield Matrix, 15 July 2025**

| <b>Credit Rating</b>                | <b>1Y</b> | <b>3Y</b> | <b>5Y</b> | <b>7Y</b> | <b>10Y</b> |
|-------------------------------------|-----------|-----------|-----------|-----------|------------|
| Government (KTB)                    | 2.31      | 2.46      | 2.65      | 2.79      | 2.88       |
| <b>Corporate (Publicly-Offered)</b> |           |           |           |           |            |
| AAA                                 | 2.56      | 2.76      | 2.98      | 3.03      | 3.42       |
| AA+                                 | 2.59      | 2.85      | 3.05      | 3.14      | 3.70       |
| AA                                  | 2.63      | 2.89      | 3.13      | 3.24      | 4.04       |
| AA-                                 | 2.67      | 2.95      | 3.23      | 3.43      | 4.38       |
| A+                                  | 2.84      | 3.31      | 3.92      | 4.09      | 4.95       |
| A                                   | 3.01      | 3.61      | 4.37      | 4.56      | 5.44       |
| A-                                  | 3.29      | 4.07      | 4.91      | 5.07      | 5.92       |
| BBB+                                | 4.40      | 6.33      | 6.81      | 6.91      | 7.45       |
| BBB                                 | 5.08      | 7.37      | 7.86      | 7.96      | 8.56       |
| BBB-                                | 6.08      | 8.73      | 9.28      | 9.38      | 10.00      |
| <b>Corporate (Privately-Placed)</b> |           |           |           |           |            |
| AAA                                 | 2.66      | 2.88      | 3.11      | 3.18      | 3.58       |
| AA                                  | 2.79      | 3.07      | 3.32      | 3.47      | 4.23       |
| A+                                  | 3.12      | 3.68      | 4.29      | 4.50      | 5.38       |
| A                                   | 3.33      | 4.02      | 4.81      | 5.04      | 5.94       |
| A-                                  | 3.69      | 4.55      | 5.40      | 5.60      | 6.45       |

KTB = Korea treasury bond, Y = year.

Note: Only key tenors are shown in the table. Tenors of less than 1Y, 1.5Y, 2Y, and 2.5Y are not shown.

Source: KOFIA.

For publicly-placed corporate bonds, Table 6.2 shows the corresponding credit spreads. The table presents the following observations:

- There is a significant jump between credit spreads of A- and BBB+ rated bonds. This indicates the market perception of higher credit risk for bonds rated BBB+ and below.
- There is a sharp increase in credit spreads from 7-year to 10-year tenors. This increase is particularly prominent for bonds within the AA credit rating band.<sup>12</sup>
- The 5-year bonds rated with AA+ and AA show higher credit spreads than the 7-year bonds of the same credit rating band.

**Table 6.2: Credit Spreads for Publicly Offered Corporate Bonds, 15 July 2025**

| <b>Credit Rating</b> | <b>1Y</b> | <b>3Y</b> | <b>5Y</b> | <b>7Y</b> | <b>10Y</b> |
|----------------------|-----------|-----------|-----------|-----------|------------|
| AAA                  | 0.25      | 0.30      | 0.33      | 0.24      | 0.54       |
| AA+                  | 0.28      | 0.39      | 0.41      | 0.35      | 0.82       |
| AA                   | 0.32      | 0.43      | 0.48      | 0.45      | 1.16       |
| AA-                  | 0.36      | 0.49      | 0.59      | 0.64      | 1.50       |
| A+                   | 0.53      | 0.85      | 1.27      | 1.30      | 2.07       |
| A                    | 0.70      | 1.15      | 1.72      | 1.77      | 2.56       |
| A-                   | 0.98      | 1.61      | 2.27      | 2.28      | 3.04       |
| BBB+                 | 2.09      | 3.87      | 4.17      | 4.12      | 4.57       |
| BBB                  | 2.77      | 4.91      | 5.22      | 5.17      | 5.68       |
| BBB-                 | 3.77      | 6.27      | 6.64      | 6.59      | 7.12       |

Y = year

Note: Only key tenors are shown in the table. Tenors of less than 1Y, 1.5Y, 2Y, and 2.5Y are not shown.

Sources: KOFIA and Author's calculations.

<sup>12</sup> This includes AA+, AA, and AA-.

Table 6.3 shows the credit spreads for privately-placed bonds. The following key observations are drawn from this credit spread matrix:

- There is already a huge gap between AA and A+ rated bonds. For bonds with a 1-year tenor, the difference is nearly a 100% increase, which further widens as the tenors climb. This suggests that investors are more particular on the credit risk for privately placed bonds, that even those bearing an A+ rating are perceived to carry twice as much risk as the AA rated bond.
- Privately placed bonds with rating of A- appear to be the riskiest rating class in this category. Having a 10-year tenor means paying a higher credit spread to compensate for the risk perception among investors.

**Table 6.3: Credit Spreads for Privately Placed Corporate Bonds, 15 July 2025**

| Credit Rating | 1Y   | 3Y   | 5Y   | 7Y   | 10Y  |
|---------------|------|------|------|------|------|
| AAA           | 0.35 | 0.42 | 0.46 | 0.39 | 0.70 |
| AA            | 0.48 | 0.61 | 0.67 | 0.67 | 1.35 |
| A+            | 0.81 | 1.22 | 1.64 | 1.71 | 2.50 |
| A             | 1.02 | 1.56 | 2.16 | 2.24 | 3.06 |
| A-            | 1.38 | 2.09 | 2.75 | 2.80 | 3.57 |

Y = year

Note: Only key tenors are shown in the table. Tenors of less than 1Y, 1.5Y, 2Y, and 2.5Y are not shown.

Sources: KOFIA and Author's calculations.

## 7 Guaranteed Corporate Bonds

Korea has a long history on guaranteed bonds. Before the 1997-1998 Asian financial crisis, guarantors played an important role in the bond market because a substantial part of new corporate bond issues were guaranteed by financial institutions. The ability to conduct guarantee business is subject to regulatory approval. A financial investment company must obtain authorization from the Financial Supervisory Service (FSS) to provide such guarantees.

However, over time, the number of guaranteed corporate bonds in Korea has significantly declined. Based on data from Bloomberg as of the end of 2024, only two bonds were labeled to have guarantors, and in both cases, the guarantors were the parent companies of the issuers. Despite having a small share in corporate bonds, guarantors play an important role, especially in several asset-backed securities (ABS), where the underlying assets are financial instruments issued by SMEs.

Active guarantors in the Korean bond market include the Korea Credit Guarantee Fund (KODIT), the Korea Technology Finance Corporation (KOTEC), commercial banks, and financial investment companies. Table 7.1 provides the profiles of KODIT and KOTEC, which are considered as national guarantors in Korea.

**Table 7.1: Guarantors in Korea**

| Name of Guarantor                   | Description  |
|-------------------------------------|--|
| Korea Credit Guarantee Fund (KODIT) | <ul style="list-style-type: none"> <li>• Established in 1976 with the primary goal of providing guarantees to Korean corporates.</li> <li>• Although there are no limitations on the industries for receiving guarantees, KODIT's prioritizes sectors with strong industry linkages and those crucial to the national economy. <ul style="list-style-type: none"> <li>◦ Manufacturing and retail industries take up majority of KODIT's guarantee business in 2023.</li> </ul> </li> <li>• KODIT provides 11 types of guarantees, including those for (1) bank loans, (2) payment warrants of banks, (3) corporate bonds, (4) taxes</li> </ul> |

|  |  |
|--|--|
|  | <p>and duties, (5) commercial bills, (6) loans from non-banking financial institutions, (7) leases, (8) surety bonds, (9) transaction liabilities, (10) acceptance of trade bills, and (11) secured loans.</p> <ul style="list-style-type: none"> <li>○ As of 2023, only 6 of these guarantee products are active. About 93% of KODIT's guarantee business consists of bank loan guarantees, followed by 4% from guarantees related to transaction liability guarantees.</li> </ul>  |
| Korea Technology Finance Corporation (KOTEC) | <ul style="list-style-type: none"> <li>• Established in April 1989, KOTEC is a non-profit, government-affiliated quasi-government agency.</li> <li>• KOTEC's main role is to facilitate technology financing for innovative SMEs by providing major services such as credit guarantees, technology appraisals, guarantee-linked equity investments, and technology transfer and protection.</li> <li>• Its credit guarantee scheme targets innovative technological SMEs with limited access to capital due to lack of collateral. KOTEC can extend the credit guarantee condition based on the results of technology assessments.</li> <li>• As of 2023, KOTEC's total guarantee supply amounted to KRW28,723.4 billion.</li> </ul> |

Sources: Company profiles from websites and 2023 Annual Reports of the Guarantors.

As of 31 December 2024, KODIT has guaranteed four USD-denominated bonds with a total issue amount of USD1.1 billion. All issuers are special purpose vehicles (SPVs) established to securitize KRW-denominated bonds of SMEs, reflecting KODIT's support for bond issuances of SMEs.

In fact, Korean companies seek guarantees more frequently when issuing FCY-denominated bonds than for KRW-denominated bonds. Banks often serve as guarantors for these FCY-denominated bonds. Guaranteed FCY-denominated bonds are further discussed in the next chapter.

## 8 Cross-border Corporate Bonds

Korea has a fairly open financial market, such that there is a presence of cross-border corporate bonds in the market. In fact, these bonds have distinct names: "Arirang bonds" are KRW-denominated bonds issued by foreign companies, while "Kimchi bonds" are those foreign currency-denominated bonds issued by foreign companies within the Korean domestic market. It is important to note that in 2011, Bank of Korea (BOK) restricted the sale of Kimchi bonds. However, in June 2025, BOK lifted these restrictions to improve foreign exchange liquidity in the domestic market.<sup>13</sup> This chapter will cover these types of bonds in detail.

### 8.1 Inbound Bonds

Table 8.1 shows "inbound bonds" ratios in ASEAN+3. Inbound bonds refer to local currency bonds issued by foreign entities. The ratio of these bonds to the total local currency bonds shows how much foreign entities are participating in the local currency bond market. Local currency bonds settled in foreign currencies, such as USD, are excluded in the calculation of this ratio to focus on the actual local market participation of foreign issuers

<sup>13</sup> The Korea Herald. *BOK lifts 14-year restriction on kimchi bond investment*. June 2025. <https://www.koreaherald.com/article/10520646>.

|                                   |           |           |          |           |
|-----------------------------------|-----------|-----------|----------|-----------|
| Credit Agricole                   |           | 2         |          | 2         |
| Deutsche Bank                     |           | 1         |          | 1         |
| Goldman Sachs                     |           | 12        |          | 12        |
| International Finance Corporation |           | 5         |          | 5         |
| JP Morgan Chase                   |           | 1         | 1        | 2         |
| LVMC Holdings                     | 1         |           |          | 1         |
| Merrill Lynch                     | 1         | 1         |          | 2         |
| Morgan Stanley                    |           | 5         |          | 5         |
| Nomura                            | 8         | 2         |          | 10        |
| Societe Generale                  |           | 2         |          | 2         |
| <b>Total</b>                      | <b>12</b> | <b>49</b> | <b>3</b> | <b>64</b> |

EUR = euro, KRW = Korean won, USD = US dollar.

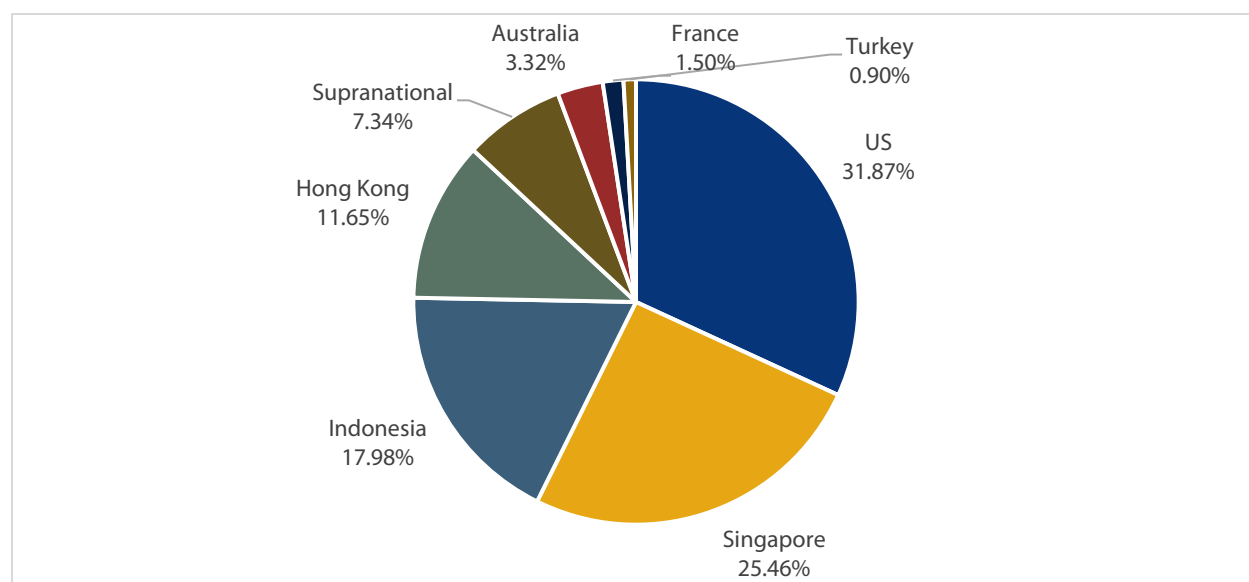
Note: Affiliates of the issuers are consolidated under the same group names.

Sources: Bloomberg and Author's calculations.

Based on available data from Bloomberg, there are 63 Arirang bonds issued by non-governments from 1995 until end of December 2024.<sup>14</sup> Figure 8.1 shows the distribution of these issuances, with companies incorporated in the United States accounting for nearly 32% of the total Arirang bond issuances, followed by Singapore at 25%. Nomura is categorized under Singapore, as its Singapore-based entity has issued its Arirang bonds.

The first Arirang bond was issued in 1995 by the Asian Development Bank (ADB), amounting to the KRW equivalent of USD103 million. This was followed by a USD80 million-equivalent issuance by the International Bank for Reconstruction and Development (IBRD) in 1997. It is also worth noting that Indonesian corporates, such as Indorama Ventures Indonesia PT and Indomiwon Citra Inti PT, were active in issuing Arirang bonds from 1997 to 2005. These bonds typically had tenors ranging from 1 to 3 years. In fact, these Indonesian corporates were subsidiaries of Korean parent companies, where some of the bonds were backed by guarantees from their Korean parent companies.

**Figure 8.1: Distribution of Issuers of Arirang Bonds (until 31 December 2024)**



Sources: Bloomberg and Author's calculations.

<sup>14</sup> This number is based on the result from "Arirang Bond" Search in Bloomberg. The number of KRW-denominated corporate bonds issued by foreign entities and settled in KRW is 164, including the matured bonds.



## 8.2 Outbound Bonds

“Outbound bonds” refer to FCY-denominated bonds issued by local entities. The ratio of these bonds to the total bonds issued by local entities reflects how much local entities rely on offshore markets for bond financing. Table 8.3 shows the outbound bond ratios in ASEAN+3.

Korea has approximately 14% outbound bond ratio, which is comparable to that of Malaysia and Thailand. This suggests that Korea’s domestic bond market can accommodate the funding needs of its Korean corporates.

**Table 8.3: Outbound Bond Ratio in ASEAN+3, 2024**

| Country     | Ratio of offshore bonds issued by local entities to total bonds issued by local entities (Outbound Ratio) |
|-------------|---|
| PRC         | 2.90%   |
| Japan       | 35.55%  |
| Korea       | 13.55%  |
| Brunei      | n/a   |
| Cambodia    | 36.07%  |
| Indonesia   | 59.90%  |
| Lao PDR     | 100.00%   |
| Malaysia    | 14.29%  |
| Myanmar     | 100.00%   |
| Philippines | 36.54%  |
| Singapore   | 77.99%  |
| Thailand    | 14.67%  |
| Viet Nam    | 20.30%  |

ASEAN+3 = Association of Southeast Asian Nations plus the People’s Republic of China, Japan, and the Republic of Korea, PRC = The People’s Republic of China.

Note: “n/a” means not applicable, since there are no outstanding local currency or foreign currency corporate bonds in Brunei, as of 31 December 2024.

Sources: Bloomberg and Author’s calculations.

Among outbound bonds issued by Korean companies, USD-denominated bonds are dominant. As of 31 December 2024, there were 574 outstanding outbound bonds, of which 492 bonds (86%) were US-denominated. This was followed by 24 bonds in Australian dollar (AUD), 17 in euros (EUR) and 16 in Japanese yen (JPY).

**Table 8.4: Outbound Bond Currencies of Korean Companies, 2024**

| Currency     | Number of bonds | Amount (USD million) |
|--------------|-----------------|----------------------|
| USD          | 492             | 77,295               |
| AUD          | 24              | 2,126                |
| EUR          | 17              | 4,914                |
| JPY          | 16              | 947                  |
| CNY          | 9               | 355                  |
| SGD          | 7               | 545                  |
| CHF          | 5               | 856                  |
| HKD          | 3               | 234                  |
| SEK          | 1               | 54                   |
| <b>Total</b> | <b>574</b>      | <b>87,325</b>        |

Sources: Bloomberg and Author’s calculations.

In terms of issuer industry, the top three industries issuing of FCY-denominated bonds are banking, industrial, and financial services. They account for 38%, 34%, and 20% of total outbound bonds, respectively.

Out of 574 outbound bonds, 109 bonds (19%) were guaranteed, which is an especially noteworthy ratio given that guaranteed bonds are rare among KRW-denominated bonds issued by Korean entities. As shown in Table 8.5, these 109 guaranteed bonds involved 11 different guarantors, including major Korean commercial banks such as Woori Bank, Shinhan Bank, Kookmin Bank, Hana Bank, and Nonghyup Bank. This indicates that commercial banks play an active role as guarantors for FCY-denominated bonds issued by Korean companies.

More importantly, most of these issuers are not subsidiaries of the guarantor banks, but rather independent third-party companies. In addition, two policy banks—Korea Development Bank and Korea Exim Bank— also provide foreign currency bond guarantees, although they are less active compared to commercial banks.

It is also notable that a Japanese commercial bank guaranteed a JPY-denominated bond issued by a Korean entity. Other guarantors include KODIT, CJ ENM Co. Ltd., and CGIF. KODIT guaranteed USD-denominated bonds issued by SPVs established to securitize bonds of SMEs. Through this mechanism, KODIT supported the funding needs of SMEs. CJ ENM Co. Ltd. guaranteed a bond issued by its subsidiary, while CGIF guaranteed an SGD-denominated bond issued by an unrelated third-party company.

**Table 8.5: Outbound Bond Guarantors**

| Guarantor               | Number of Bonds Guaranteed | Remarks  |
|-------------------------|----------------------------|--|
| Woori Bank              | 44 (USD)                   | Guaranteed third-party companies                                     |
| Shinhan Bank            | 30 (26 USD and 4 EUR)      | Guaranteed third-party companies                                     |
| Kookmin Bank            | 10 (USD)                   | Guaranteed third-party companies                                     |
| Hana Bank               | 9 (8 USD and 1 JPY)        | Guaranteed third-party companies and its group companies             |
| Korea Development Bank  | 5 (4 USD and 1 EUR)        | Guaranteed third-party companies                                     |
| KODIT                   | 4 (USD)                    | Guaranteed the SPVs which were established to securitize SMEs' bonds |
| Korea Exim Bank         | 3 (1 USD and 2 JPY)        | Guaranteed third-party companies                                     |
| Nonghyup Bank           | 1 (USD)                    | Guaranteed third-party companies                                     |
| CJ ENM Co. Ltd.         | 1 (USD)                    | Parent   |
| CGIF                    | 1 (SGD)                    | Guaranteed Daewoo E&C SGD Bond                                       |
| Sumitomo Mitsui Banking | 1 (JPY)                    | Parent is a Japanese bank  |

CGIF = Credit Guarantee and Investment Facility, EUR = euro, JPY = Japanese yen, KODIT = Korea Credit Guarantee Fund, USD = US dollar.

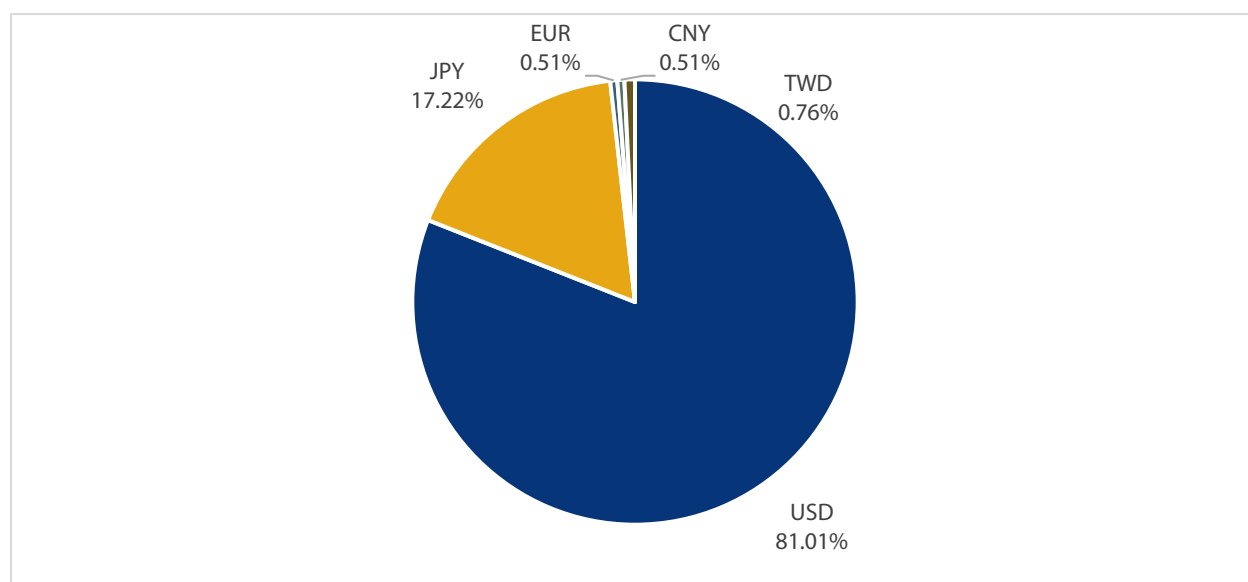
Sources: Bloomberg and Author's calculations.

A Kimchi bond refers to a non-KRW-denominated bond issued in the Korean domestic market. While the terminology was originally applied exclusively to bonds issued by foreign entities, in practice, the term is also used to refer to non-KRW-denominated bond issuance by domestic (Korean) entities.

According to available data from Bloomberg, from 1996 until the end of December 2024, there have been 395 Kimchi bond issuances. Of these, 383 were issued by Korean entities, indicating that the market for Kimchi bonds is overwhelmingly dominated by domestic issuers. This suggests that, in practice, Kimchi bonds function similarly as outbound bonds because both are FCY-denominated bonds issued by Korean entities. However, there is a fundamental distinction: outbound bonds are issued in offshore markets and primarily attracting foreign investors, whereas Kimchi bonds are issued onshore and are intended for domestic investors.

Kimchi bonds have been issued in five currencies: USD, JPY, EUR, CNY, and TWD, and are settled in their respective issuance currencies. Figure 8.2 shows the distribution of the 395 Kimchi bonds by currency, with the majority issued in USD.

**Figure 8.2: Distribution of Currency Issuances of Kimchi Bonds (issued until 31 December 2024)**



CNY = Chinese yuan, EUR = euro, JPY = Japanese yen, USD = US dollar, TWD = New Taiwan dollar.  
Sources: Bloomberg and Author's calculations.

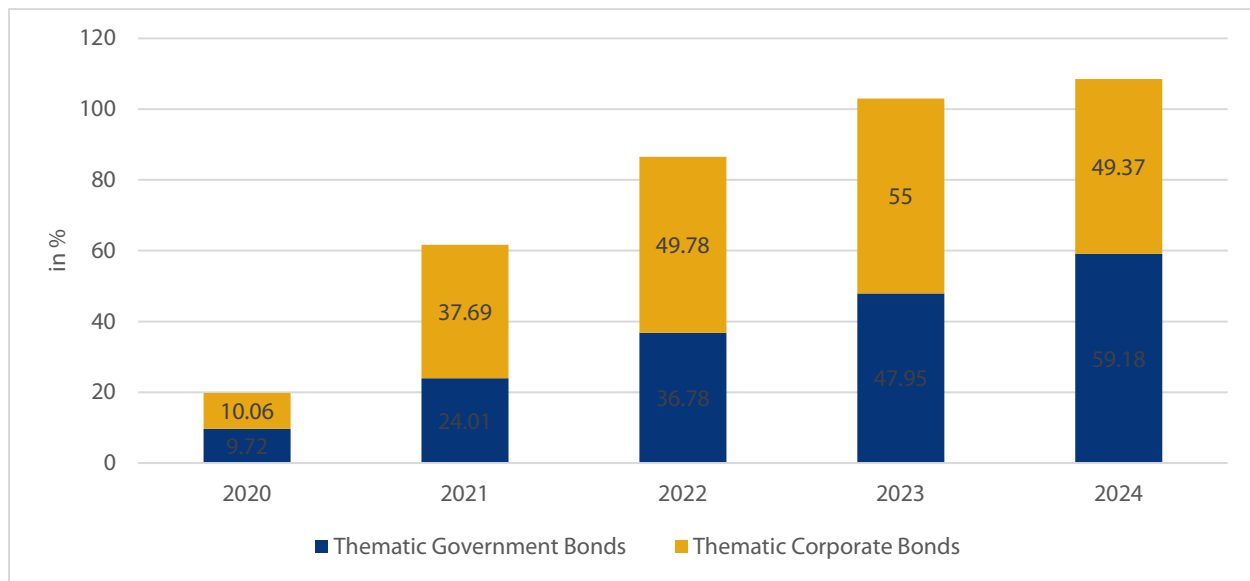
## 9 Thematic Corporate Bonds

Thematic bonds—more commonly referred to as sustainable bonds—are on the rise in the Korean corporate bond market. It was in 2013 that Korea marked its first entry in the thematic bond market, when the Export-Import Bank of Korea issued a USD500 million green bond. Since then, Korean corporates have gradually expanded their presence in the thematic bond market.

Figure 9.1 shows the growth of LCY-denominated thematic bonds in Korea from 2021 to 2025, measured in USD billions.<sup>15</sup> A significant increase is observed from 2020 to 2021, where the market expanded from USD19.78 billion to USD61.70 billion. While the thematic bond market in Korea has continued to grow in recent years, the pace of growth has slowed.

<sup>15</sup> It is notable that FCY-denominated thematic bonds are also issued by the Korean government and corporates. For purposes of this research, the discussion is confined to local currency-denominated bonds. For more statistics in AsianBondsOnline, see <https://asianbondsonline.adb.org/data-portal/>.

**Figure 9.1: Historical Values of Korea's Thematic Bond Market, 2020–2024**



Sources: AsianBondsOnline and Author's calculations.

The increase in thematic bond issuances among Korean corporates has been supported by positive initiatives from other stakeholders in the country, such as the establishment of principles and frameworks that facilitate more issuances of thematic bonds in the country. Some of the recent initiatives are stated in Table 9.1.

**Table 9.1: Thematic Bond Market Initiatives in Korea**

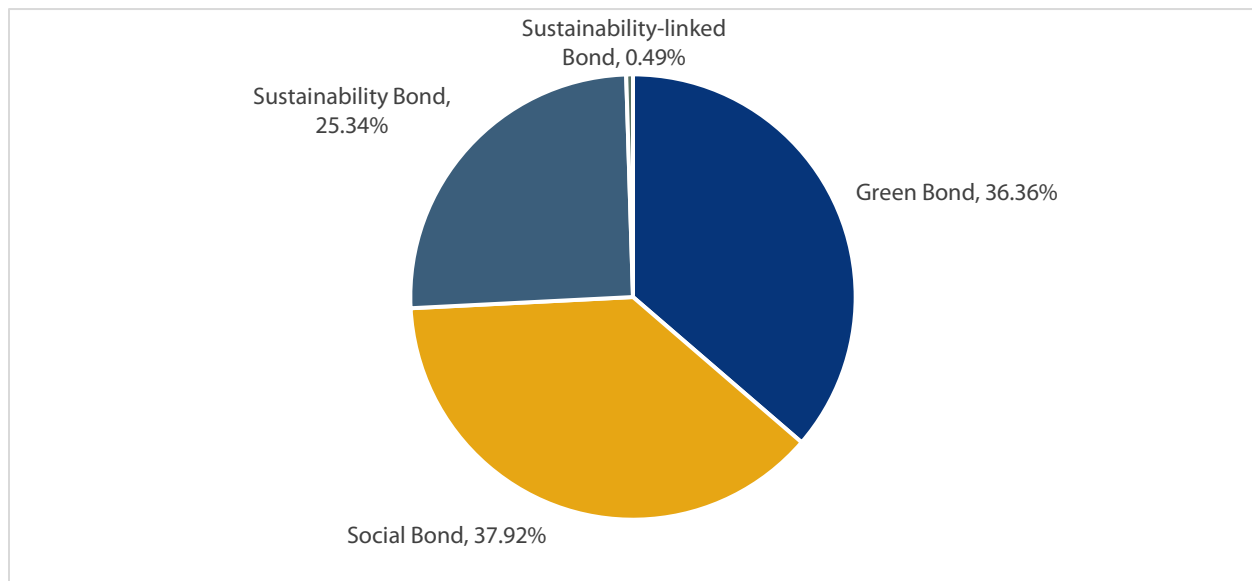
| Year | Description of Initiatives  |
|------|---|
| 2015 | The KRX's development of ESG-related products, such as ESG indices.   |
| 2019 | Announcement of the guidelines for managing the SRI bonds market, currently supported by the ESG data platform.   |
| 2020 | Launch of the SRI bonds market by the KRX.<br>Launch of the Green Finance Taskforce, a multi-stakeholder taskforce from government, policy financing institutions, private financial companies, and advisory groups.<br>Announcement of Korea's Green Bond Guideline. |
| 2021 | The KRX's program to exempt eligible SRI bonds from listing fees for 3 years.<br>Announcement from the Korean government of a plan to increase the ESG infrastructure.<br>Announcement of Korea's Green Taxonomy by the Ministry of Environment.                      |
| 2022 | Adoption of Sustainability-Linked Bond by KRX.  |
| 2023 | The KRX's extension of the exemption period for eligible SRO bonds from listing fees for another 2 years  |

ESG = environmental, social, and governance, KRX = Korea Exchange, SRI = socially responsible investment, SRO = self-regulatory organization

Source: KRX. <https://sribond.krx.co.kr/en/01/01010000/SRI01010000.jsp>.

Further breakdown of the composition of the thematic corporate bond market of Korea shows that social bonds and green bonds have a relatively equal share, followed by sustainability bonds. The sustainability-linked bond is still a new thematic bond product being introduced in Korea.

**Figure 9.2: Classification of Korea's Thematic Corporate Bonds, 2024**



Sources: AsianBondsOnline and Author's estimates.

## 10 Outlook for Korea Corporate Bond Market

"Continuous innovation" aptly describes Korea's corporate bond market. Market institutions continue to capitalize on technology to improve existing systems. For instance, the KRX has surpassed its primary role of facilitating the exchange and trading of corporate bonds in the domestic market. It now provides world-class IT infrastructure and services to different exchanges across Asia. Other market participants, such as bond pricing agencies and credit rating agencies, continue to enter the market, which helps ensure market transparency in the overall financial market of Korea.

A bright spot in Korea's corporate bond market is the sustainability bond market. Korea's initiatives to promote sustainability include encouraging sustainability reporting among corporates, increasing transparency around sustainable finance products, and continuing market awareness programs on sustainable bonds. These efforts contribute to Korea positing itself as a sustainable bond hub in the region.

Nevertheless, Korea's corporate bond market is still on its way to becoming a more internationalized financing hub within ASEAN+3. Korea's corporate bond market remains highly domestic, with most issuances denominated in local currency and primarily held by investors from local institutions. Unlike Singapore, Korea has yet to reach the status of a "regional financing hub". However, this also presents a window of opportunity to take Korea's corporate bond market to the next level.

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Credit Guarantee and Investment Facility  
Asian Development Bank Building  
6 ADB Avenue, Mandaluyong, 1550, Manila, Philippines  
Tel: +632 8683 1340  
Fax: +632 8683 1377  
[www.cgif-abmi.org](http://www.cgif-abmi.org)

