

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

Republic of Korea (security code: -)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	AA-
Outlook:	Stable
Local Currency Long-term Issuer Rating:	AA
Outlook:	Stable

Rationale

- (1) The ratings mainly reflect the country's highly developed industrial base centering on export industries, resilience to external shocks, the government's sound fiscal position and the stability of the financial system. The country was hit by COVID-19 at the beginning of 2020, but the number of new cases subsided after peaking in early March thanks to the appropriate preventive measures taken by the Moon Jae-in administration which had learned lessons from the spread of Middle East Respiratory Syndrome (MERS). This has paved the way for an early resumption of economic activity. The administration's prompt support for households and companies, coupled with its financial stabilization measures, has kept the negative impact of the pandemic on the economy rather limited as compared with other countries. JCR holds that given the government's solid fiscal base, any deterioration of its fiscal position resulting from the additional spending can be kept within a manageable range. For this reason, JCR has affirmed its ratings with a Stable outlook. It has also kept its country ceiling unchanged at "AA+".
- (2) Korea has achieved a high economic growth as its chaebol conglomerates played a pivotal role in building highly competitive export industries such as IT, automobile and steel. Faced with the COVID-19 pandemic at the beginning of 2020, the Moon administration has succeeded in bringing an early resumption of economic activity by taking effective preventive measures based on the lessons learned from the MERS epidemic in 2015. It has launched a comprehensive economic package aimed to facilitate a prompt recovery of economic activity, which included corporate support with public loans and guarantees, the maintenance of financial market stability through liquidity supply from the Bond Stabilization Fund, direct cash payments to households and what it called a "South Korean New Deal" totaling KRW 76 trillion. The total value of the stimulus package reached KRW 270 trillion (about 14% of GDP). While the economy may moderately contract in 2020 due to the impact of the pandemic, JCR believes that it will return to a sustainable growth trajectory in the medium term, backed by the swift policy responses and the highly developed economic base. The country's financial system is solid enough to absorb the economic losses resulting from the COVID-19 crisis. With regard to the country's financial system, commercial banks' capital adequacy ratio stood sound at 14.7% and their NPL ratio stayed low at 0.8% at the end of March 2020.
- (3) As for the North Korea issue, military tensions in the past have been alleviated since the realization in 2018 of direct dialogue among the leaders of the related countries, such as the North-South summit and the US-North Korea summit. However, the moves toward improving the relations have stagnated since the beginning of 2019 due to differences among the countries over how to proceed with denuclearization of the Korean Peninsula. The future outlook of the North Korean situation has again become uncertain as Pyongyang stepped up its test launch of projectiles in the latter half of 2019. JCR will continue to pay close attention to future progress of dialogue among the related countries toward stabilization of the situation.
- (4) The country's consolidated fiscal balance, which includes the social security funds, has been constantly in surplus since 2000 except for short periods thanks to the government's conservative fiscal management. The operational fiscal balance, which excludes the funds, has been generally in a modest deficit equivalent to less than 3% of GDP. Since its inauguration in 2017, the Moon administration has been focusing on public demand-driven expansive fiscal policies, and the consolidated fiscal balance recorded a deficit of 0.6% of GDP in 2019 for the first deficit since 2015. The government compiled a third supplementary budget in June 2020 to finance its stimulus package. However, as the package will be mostly financed with public loans and through a

reshuffle of the spending items, the amount of additional government bond issuances to make up for the fiscal deficit is expected to be about 1.4% of GDP. The government, therefore, estimates that the 2020 consolidated fiscal deficit after the third supplementary budget will only deteriorate to 4% of GDP with its debt standing at 43.5% of GDP. The government is aiming to restore fiscal discipline in the medium term, and JCR believes that its solid fiscal base will continue to be maintained.

- (5) Korea has been posting an annual current account surplus since 1998 thanks primarily to the development of its export industries. The surplus narrowed in 2019 due mainly to reduced exports but still remained high at 3.7% of GDP. Exports are expected to fall again in 2020 amid the worsening global economy. However, JCR holds that the current account balance will remain in surplus on reduced imports in addition to increased exports of IT products such as semiconductors. Meanwhile, Korea has been accumulating its external assets mainly in the form of direct investment and portfolio investment. Its outstanding balance of net external assets rose to a record 30.5% of the GDP at the end of 2019. The foreign currency reserves also remained high at 3.0 times of short-term foreign debt at the end of 2019. In addition, as the worldwide spread of COVID-19 infections adds to the cost of foreign currency procurement in the international financial markets, the Bank of Korea concluded a liquidity swap agreement with the United States in March 2020 to provide foreign currency to domestic banks from time to time, maintaining their sound liquidity position.

Yoshihiko Tamura, Shinichi Endo

Rating

Issuer: Republic of Korea

<Affirmation>

Foreign Currency Long-term Issuer Rating:	AA-	Outlook: Stable
Local Currency Long-term Issuer Rating:	AA	Outlook: Stable

Rating Assignment Date: June 11, 2020

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "Sovereign and Public Sector Entities" (November 7, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The aforementioned credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was obtained from the rating stakeholder.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Republic of Korea
Rating Publication Date:	June 16, 2020

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base

The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base

The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions

The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy

The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
- A) Informational and explanatory materials presented by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government
- B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer or some independent media, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR does not receive payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) External Positions

The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/ deterioration of its liquidity positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

13

Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Economic Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's economy or financial systems, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's fiscal conditions in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) External Positions

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions reflecting

improvement or deterioration of the international balance of payments and the international investment position. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in the country's economic/ fiscal conditions and financing activities, etc.

D) Social and Political Bases and Economic Policies

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's social and political bases and economic/ monetary policies. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

E) International Economics

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Republic of Korea	Issuer(Long-term)(FC)	November 17, 1999	BBB+	
Republic of Korea	Issuer(Long-term)(FC)	February 8, 2001	BBB+	
Republic of Korea	Issuer(Long-term)(FC)	January 23, 2002	BBB+	Positive
Republic of Korea	Issuer(Long-term)(FC)	April 17, 2002	A-	Stable
Republic of Korea	Issuer(Long-term)(FC)	October 11, 2002	A	Stable
Republic of Korea	Issuer(Long-term)(FC)	February 10, 2004	A	Stable
Republic of Korea	Issuer(Long-term)(FC)	November 4, 2004	A	Stable
Republic of Korea	Issuer(Long-term)(FC)	December 19, 2005	A	Positive
Republic of Korea	Issuer(Long-term)(FC)	November 8, 2006	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	November 28, 2007	A+	Positive
Republic of Korea	Issuer(Long-term)(FC)	October 20, 2008	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	February 27, 2009	A+	Negative
Republic of Korea	Issuer(Long-term)(FC)	October 21, 2009	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	February 2, 2011	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	February 2, 2012	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	January 24, 2013	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	March 12, 2014	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	February 25, 2015	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	March 31, 2016	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	March 23, 2017	A+	Stable
Republic of Korea	Issuer(Long-term)(FC)	April 12, 2018	AA-	Stable
Republic of Korea	Issuer(Long-term)(FC)	June 21, 2019	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	January 23, 2002	A+	Stable
Republic of Korea	Issuer(Long-term)(LC)	April 17, 2002	A+	Stable
Republic of Korea	Issuer(Long-term)(LC)	October 11, 2002	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	February 10, 2004	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	November 4, 2004	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	December 19, 2005	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	November 8, 2006	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	November 28, 2007	AA-	Positive
Republic of Korea	Issuer(Long-term)(LC)	October 20, 2008	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	February 27, 2009	AA-	Negative
Republic of Korea	Issuer(Long-term)(LC)	October 21, 2009	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	February 2, 2011	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	February 2, 2012	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	January 24, 2013	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	March 12, 2014	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	February 25, 2015	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	March 31, 2016	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	March 23, 2017	AA-	Stable
Republic of Korea	Issuer(Long-term)(LC)	April 12, 2018	AA	Stable
Republic of Korea	Issuer(Long-term)(LC)	June 21, 2019	AA	Stable

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



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