

The leading sustainable housing finance institution
for residential happiness of the people

2021 PROFILE



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www.hf.go.kr



About HF



Korea Housing Finance Corporation (HF)

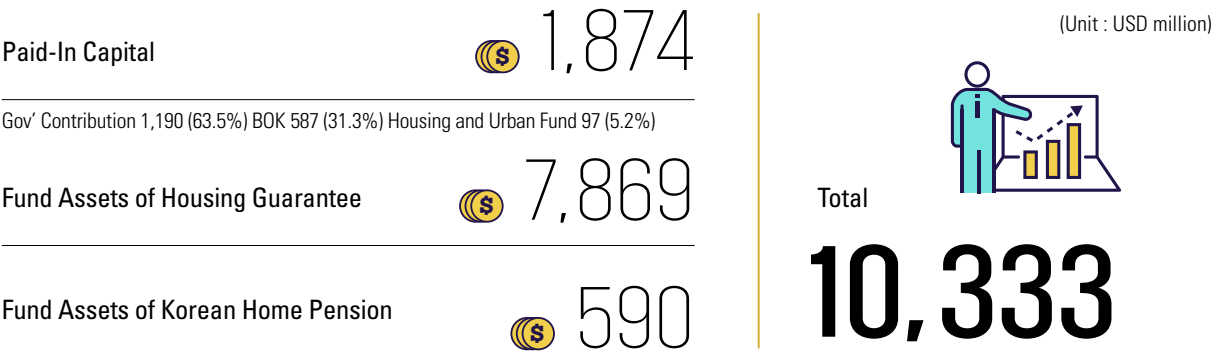
Corporate Overview

Established on March 1, 2004, pursuant to the Korea Housing Finance Corporation Act (Law No. 18131), HF aims to promote the long-term, stable supply of housing finance and thereby contribute to the welfare of the people and the development of the national economy.

Type of Organization	Competent Authority
Fund-management-based quasi-governmental institution	Financial Services Commission

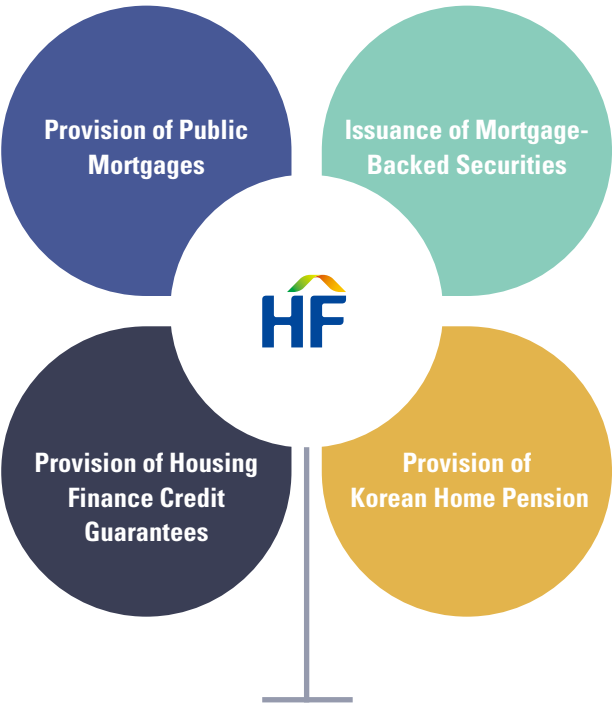
Capital and Fund

As of year-end 2021, HF retains USD 1,874 million in paid-in capital and USD 7,869 million in the Housing Finance Credit Guarantee Fund (the “Fund”).



Main Business Areas

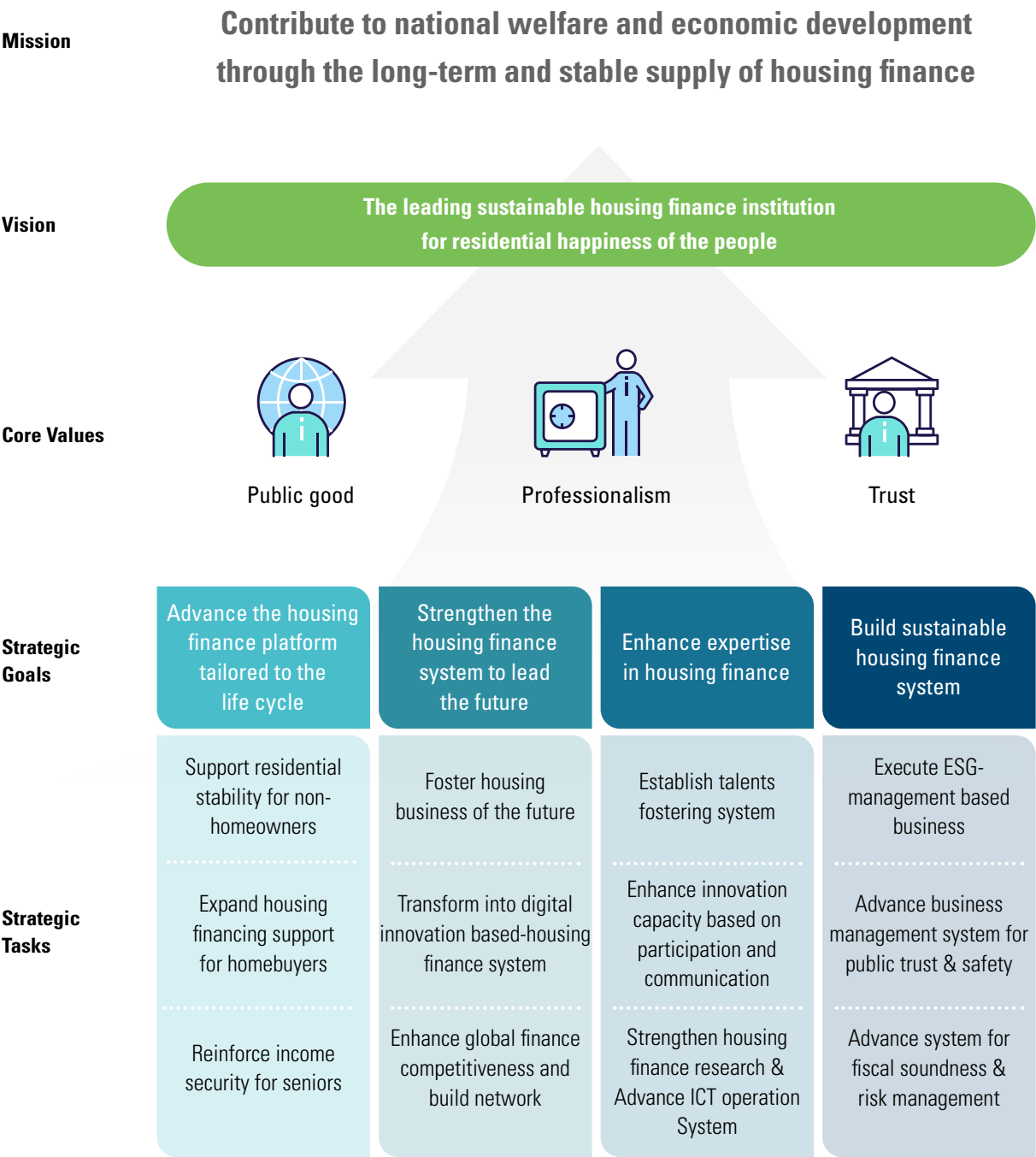
HF works in four main business areas to improve housing welfare for the public and reinforce the residential safety net for vulnerable social groups.



Provision of Public Mortgages	Issuance of Mortgage-Backed Securities	Provision of Housing Finance Credit Guarantees	Provision of Korean Home Pension
HF issues MBS and MBB with mortgages as underlying assets to finance its long-term, fixed-rate, amortized public mortgages, thereby contributing to promoting residential welfare of the people.	HF issues mortgage-backed securities(MBS and MBB) backed by home loans purchased from financial institutions as a stable means of raising funds from capital markets for long-term, fixed-rate, amortized public mortgage loans, thereby contributing to enhancement of housing welfare of the public.	HF offers credit guarantees to individual renters and homebuyers as well as property developers, thus improving their access to loans for Jeonse deposits, newly-built apartment installment payments, and rental home construction or purchases, respectively, thereby promoting residential stability.	HF provides senior citizens 55 years of age or older with guarantees for the Korean Home Pension, the HF reverse mortgages program which allows seniors to take out loans with their homes as collateral and receive the money in the form of annuity to cover their monthly living expenses while keep residing in the home for the lifetime.

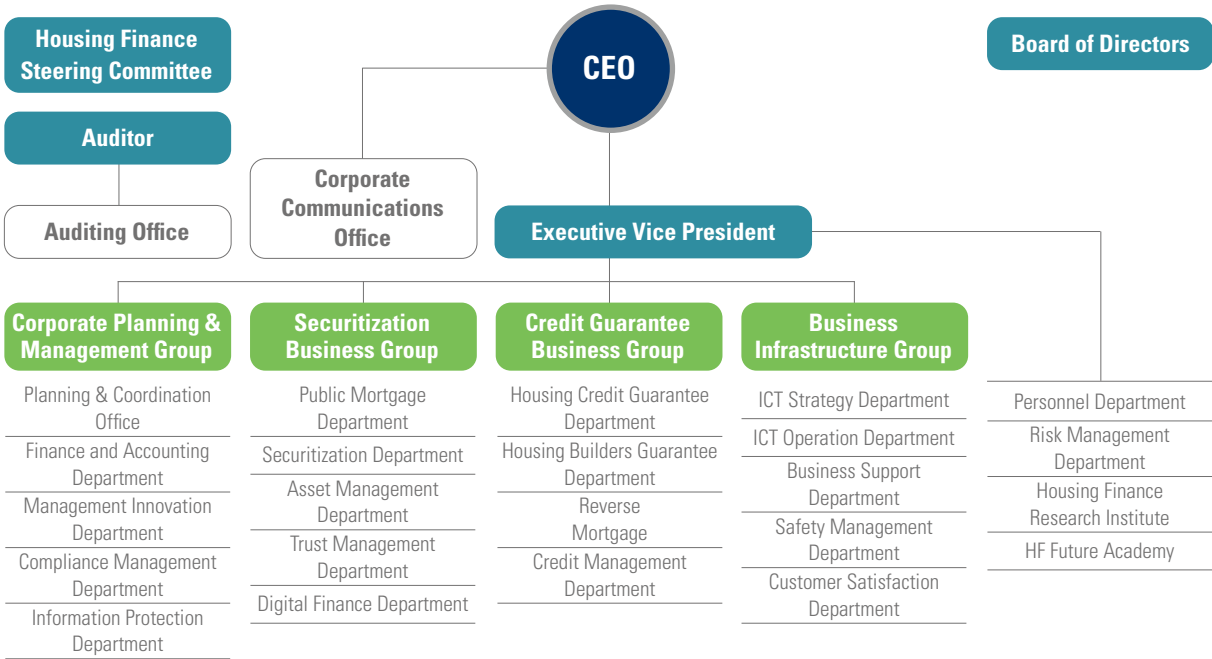
Vision and Core Values

With the highest priority on the housing welfare of low-to-moderate income households, HF is committed to becoming the best housing finance institution that can promote the quality of life and happiness of the people.



Organization & Staff

HF consists of four groups, 25 departments, four regional headquarters, and 28 branches. HF head office is located in the Busan International Finance Center (BIFC) in Munhyeon-dong, Nam-gu, Busan.



Branches ※ As of Jan, 2022

(Eastern Seoul Metropolitan Area)	Seoul Jungbu / Seoul Nambu / Seoul Bukbu / Seoul Dongbu / Gyeonggi Bukbu / Gangwon Dongbu / Gangwon Seobu
(Western Seoul Metropolitan Area)	Seoul Seobu / Incheon / Gyeonggi Nambu / Gyeonggi Jungbu / Gyeonggi Dongbu Branch/ NPL Center
(Southeastern Area)	Busan / Busan Seobu / Daegu / Ulsan / Gyeongbuk / Gyeongnam Dongbu / Gyeongnam Seobu / Jeju
(Southwestern Area)	Gwangju / Daejeon / Sejong / Chungbuk / Chungnam / Jeonbuk / Jeonnam

HF has recently undertaken organizational restructuring to reinforce our core expertise and organizational capacity and eliminate blind spots in our public financial services. We newly established Information Protection Department for better customer information protection by strengthening independence and expertise of information protection work, and opened Gyenggi Bukbu, Gyenggi Dongbu branches to enhance customer accessibility.

Workforce

HF has a total of 830 employees, including seven executives and 823 full-time permanent employees. (Unit : Persons)

Employees by Job Grade

Job Grade	1 st Grade	2 nd Grade	3 rd Grade	4 th Grade	5 th Grade and Below	Other Positions	Total
Number	15	52	134	233	374	15	823

※ The table above is based upon HF permanent employee information filed on the All Public Information In-One (ALIO) system (as of Q4 2021).

History



- 2016. Apr. 25** Launched three types of NaeJibYeonKeum
- 2016. Nov. 25** Issued 1st Pass-Through MBS
- 2017. Apr. 17** Supply of conforming Loans reached KRW 100 trillion (USD 90.9 billion) milestone
- 2017. May 11** Launched Non-Recourse Didimdol Loan
- 2017. Dec. 06** Ranked first (1st grade) in the integrity assessment of public institutions and selected for excellence in anti-corruption efforts for the eighth consecutive year
- 2018. Feb. 13** Selected for excellence in anti-corruption efforts by Anti-Corruption & Civil Rights Commission
- 2018. Feb. 27** Won Presidential Prize for anti-corruption efforts
- 2018. Apr. 24** Released Bogeumjari Loans for newlywed couples and families with multiple children
- 2018. May 31** Launched Deonaen Bogeumjari Loan and Non-Recourse Bogeumjari Loan
- 2018. Oct. 30** Issued Asia's 1st Euro Social Covered Bond
- 2018. Dec 26** Released Jeonse loan Guarantee for social values
- 2019. May 27** Honored as an exemplary case of gender equality employment practices (Minister of Employment and Labor's Award)
- 2019. May 27** Launched guarantees for Jeonse and Monthly Rental loans for Young People
- 2019. Sep. 03** Hosted^{6th} AFIS Conference and ASMMMA General Assembly
- 2019. Sep. 11** Received Excellence Award at the Board of Audit and Inspection's Internal Audit Matters Contest
- 2019. Sep. 16** Launched New Relief Conversion Loan for low-to-moderate income households
- 2019. Nov. 07** Awarded KOSTAT Commissioner's prize for the best statistical data dissemination and application practices
- 2019. Nov. 19** New Relief Conversion Loan for low-to-moderate income groups selected as exemplary case of proactive administrative service (Encouragement Prize)
- 2019. Dec. 12** Selected as an exemplary case of blind hiring (Minister of Economy and Finance's Prize)

- 2004. Mar. 01** Korea Housing Finance Corporation established
- 2004. Mar. 25** Launched Bogeumjari Loan
- 2005. Oct. 31** Unveiled the preferred-rate Bogeumjari Loan program for low-income non-homeowners
- 2006. Jun. 29** Launched e-Mortgage Loan
- 2007. Jul. 12** Launched reverse mortgage scheme, Korean Home Pension
- 2008. Sep. 30** Reached 1,000 Korean Home Pension subscribers
- 2009. Sep. 30** Unveiled a mortgage-MBS swap program to offer greater liquidity for financial institutions
- 2009. Nov. 16** Acquired ratings from global credit rating agencies (A2 by Moody's and A by S&P)
- 2010. Jun. 21** Launched u-Bogeumjari Loan
- 2010. Jul. 15** Issued 1st US dollar-denominated covered bond (USD 500 million)

2004▶2010

2020▶



- 2020. Jan. 17** Received Asia's Best Issuer for Sustainable Finance & the Best Covered Bond Awards (The Asset)
- 2020. Mar. 13** Attracted foreign investment (Singapore UOB, USD 273million), for the first time as a MBS issuer in Korea
- 2020. Apr. 01** Alleviated the eligibility criteria for Korean Home Pension by lowering the age threshold to 55
- 2020. Jul. 06** Released Jeonse Jikim Guarantee (for return of the Jeonse Deposit)
- 2020. Oct. 13** Issued MBS with 30 years of maturity, the first of its kind
- 2020. Oct. 29** Released Jeonse Guarantee with partial installment payment
- 2020. Dec. 04** Selected as an exemplary case of fair & blind hiring (Minister of Education's Prize)
- 2020. Dec. 08** Alleviated the eligibility criteria for Korean Home Pension by increasing the house price cap and allowing residence studio flats as collateral
- 2020. Dec. 09** Received the Advancement Award at the Board of Audit and Inspection
- 2020. Dec. 10** Selected as institute of merit in protecting vulnerable elderly (Recognition from the Minister of Health & Welfare)
- 2020. Dec. 14** Won a grand award at the 15th Korea Social Contribution(Recognition from the vice-chairman of the National Assembly)
- 2020. Dec. 22** Received Asia's Best Social Value Bond Award for three consecutive years (The Asset)
- 2020. Dec. 30** Selected as an institute of merit in job creation for the elderly in the year of 2020 (Recognition from the Mayor of Busan Metropolitan city)
- 2021. Jan. 04** Selected as 2020 institute of merit in job creation (Recognition from Minister of Employment and Labor)
- 2021. Jun. 08** Released Trust-type Korean Home Pension
- 2021. Jul. 20** Launched Hi-ON, the next generation IT system of HF
- 2021. Jul. 28** Adopted new product types in Korean Home Pension (High-Low Payment, Periodic Increase Type)
- 2021. Sep.10** Opened Gyenggi Bukbu branch
- 2021. Sep.17** Issued the first Straight MBS (bullet payment term with no Call Option)
- 2021. Oct.21** Issued Social Covered Bond with 7-year maturity, for the first time in Korea
- 2021. Nov.26** Selected as the institution for best record management in the public domain
- 2021. Dec.02** Obtained ISO 37001 Anti-Bribery Management System
- 2021. Dec.16** Opened Gyenggi Dongbu branch
- 2021. Dec.17** Opened the KHFC Singapore Branch, its first overseas branch
- 2021. Dec.17** Selected as an exemplary case of fair & blind hiring (Minister of Employment and Labor's Award)
- 2021. Dec.27** Lifted the rent deposit cap for HF Jeonse Guarantee to USD 636,000(USD 455,000 in local areas)
- 2021. Dec.30** Selected as an institute of merit in job creation for the elderly (Recognition from the Mayor of Busan Metropolitan City Government)

- 2011. Aug. 23** Granted a patent for the u-Bogeumjari Loan underwriting system 2012
- 2011. Mar. 09** Launched Conforming Loan to support a soft landing for household debt
- 2011. Aug. 07** Surpassed 10,000 Korean Home Pension subscribers
- 2013. Jun. 01** Implemented a prior subscription system for the Korean Home Pension
- 2013. Nov. 18** Issued electronic short-term bonds, the first for a public corporation
- 2014. Jan. 02** Launched Didimdol Loan for first-time home buyers
- 2014. Dec. 19** Relocated the head office to BIFC in Busan
- 2015. Jan. 02** Launched guarantees for monthly rental loans
- 2015. Mar. 05** Reached KRW 100 trillion (USD 90.9 billion) in MBS issuance
- 2015. Mar. 24** Released Relief Conversion Loan



2021 Highlights

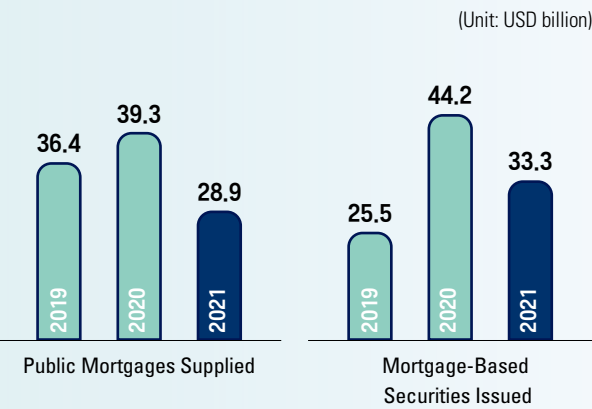
Facts and Figures

Securitization

Provided USD 28.9 billion of public mortgages with release of with the launch of New Relief Conversion Loan for low-to-moderate income households and issued MBS & MBB worth of USD 33.3 billion

Public Mortgages Supplied  28.9 billion

Mortgage-Based Securities Issued  33.3 billion

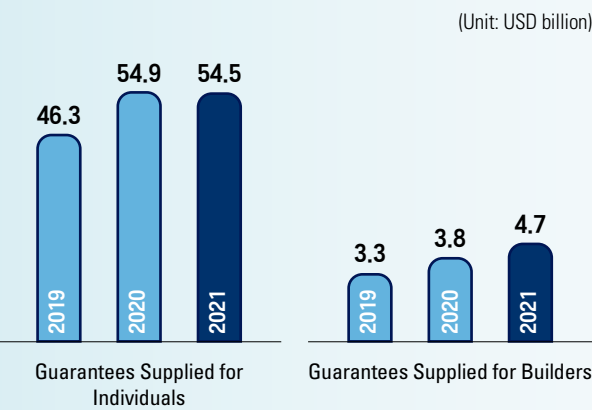


Housing Finance Credit Guarantees

Provided credit guarantees worth of USD 59.2 billion, a record level since the launch of the guarantee, resulting in accumulated credit guarantee provision reaching USD 521.5 billion in total.

Guarantees Supplied for Individuals  54.5 billion

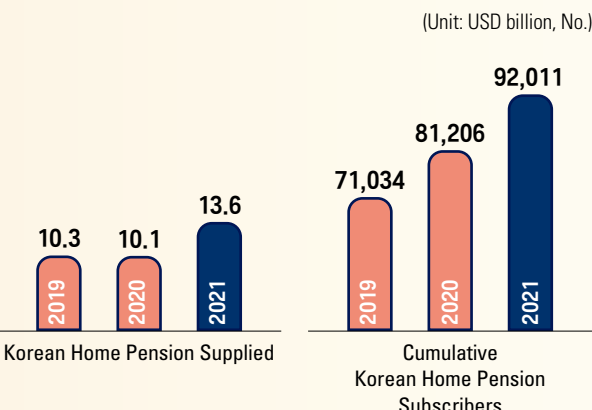
Guarantees Supplied for Builders  4.7 billion



Reverse Mortgage Guarantees

90,000 in cumulative Korean Home Pension subscriptions Became a reliable funding option for a happy and secure retirement for the elderly.

Guarantees Supplied for Builders  92,011



01

Securitization

Korea Housing Finance Corporation promotes homeownership with the Bogeumjari Loans, its long-term, fixed-rate, and amortized mortgage loans, and Conforming Loans and raises funds from capital markets for public mortgage loans by issuing MBS and MBB, contributing to enhanced housing welfare for the people.

Public Mortgages Supplied in 2021

Bogeumjari Loans and Didimdol Loans USD 24.8 billion

Conforming Loans USD 4.1 billion

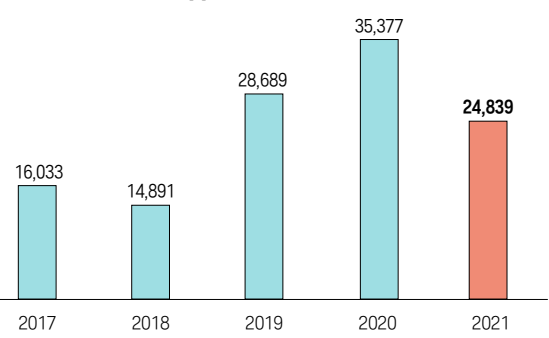
Provision of Bogeumjari Loans and Didimdol Loans

The Bogeumjari Loan is the nation's first long-term, fixed-rate, and amortized mortgage loan to help low-to-moderate income households realize their dream of owning a home. The cumulative amount of Bogeumjari Loans (including Didimdol Loans) supplied since the scheme's launch has reached USD 214.5 billion, supporting a total of some 2.03 million households to purchase their home and, thereby, contributing significantly to promoting homeownership among low-to-moderate income households and end users.

In 2021 alone, HF provided USD 24.8 billion in mortgage loans(Bogeumjari Loans 85.4%, Didimdol Loans 14.6%) to about 164,000 homebuyers.

To support residential stability of low-to-moderate income households, end-users and vulnerable group under heavier residential costs burden due to the prolonged pandemic and the rate increase trend, HF adopted 'Affordability Support Program' in 2021. Since the launch in September, 2021, the program supported 6,548 households with the worth of USD 904 million provision, reducing the residential costs for the users.

Amount of Bogeumjari Loans and Didimdol Loans Supplied(2010~2021)



In 2021, the average age of Bogeumjari and Didimdol Loan borrowers was 39 years old with the average annual income of around USD 40,900. The average price of homes was USD 281,800 with 93.0% of house size of 85m² or less. These indicate that the loans are mostly used by low-to-moderate income groups and end users.

Affordability Support Program

Income Criteria	• Low income households with annual combined couple income of USD 40,900 or less
Eligible House	• Houses priced USD 454,500 or less in Seoul and Metropolitan areas, USD 281,800 or less in other areas.
Benefits	• 10bp of additional preferential rate discount for the eligible borrowers

Bogeumjari Loan Borrowers and Their Housing Characteristics in 2021

Borrower Information	Age	39 years old
	Annual Income	USD 40,900
Loan Information	LTV	58.9%
	DTI	26.0%
Collateral Information	House Type	Apartment 91.1%
	House Size	85m ² or less : 93.0%
	House Price	USD 281,800

Provision of Conforming Loans

Until 2012, most mortgages were floating-rate and bullet payment loans, meaning that any rate moves would put a greater burden on borrowers and potentially could destabilize the financial market . To address this issue, HF unveiled the Conforming Loan, a long-term, fixed-rate mortgage loan designed to resolve the structural problem of the nation’s mortgage market. Since its launch in March 2012, the Conforming Loan scheme has contributed significantly to improving the structure of the Korean mortgage market.

The Conforming Loan is a long-term, fixed-rate, and amortized mortgage loan that conforms to a certain set of criteria set by HF for purchase and securitization. Lending institutions may freely determine the product name, interest rate, and other terms of the loans and sell them to the extent that they satisfy the criteria. Borrowers can take out a loan of up to USD 454,500 for houses

worth USD 818,200 or less. With provision of USD 4.1 billion of conforming loans to 2.2million households in 2021, the total conforming loans accumulated reached USD 120.4 billion for around 1.216 million households since the launch.

In 2021, the loans were provided mainly to middle-class, end-user borrowers in their 40s, with the average age of 42 and the average home value of USD 490,900.

Conforming Loan Borrowers and Their Housing Characteristics in 202

Borrower Information	Age	42 years old
Loan Information	LTV	47.1%
	DTI	26.9%
Collateral Information	House Price	USD 490,900
	House Type	Apartment 96.5%

Non-Recourse Public Mortgages

In May, 2017, HF launched ‘The Limited Recourse Didimdol Loan’ to prevent the financial collapse of low-income households and support them to get back on their feet at times of housing price downturn due to economic crises. A limited recourse loan is a type of loan, often dubbed a non-recourse loan, that limits the borrower’s liability for the home being mortgaged and does not allow the lender to seek payment beyond the collateral in the event of default due to a decline in home prices.

Recourse Loan	Non-Recourse Loan
Further claim beyond collateral and for other assets of the borrowers	Claim restricted only to collateral

At the time of its launch, the non-recourse loan was available only to couples with a combined annual income of USD 27,300 or less. Soon after the launch, HF alleviated the criteria, making the

loan available for borrowers of all income bracket(USD 63,600). At the same time, HF expanded the non-recourse scheme which had been confined to Didimdol loans to include the Bogeumjari Loans and Conforming Loans in 2018, subsequently extending it to all public mortgage products. In 2020, the terms were further alleviated to include owners of two houses, under condition that they will dispose one of the houses within certain period.

In 2021, HF took a further step to expand the non-recourse Bogeumjari loans which had been available only for house purchase to be allowed for redemption as well. In 2021 alone, HF offered USD 11.7 billion of non-recourse public mortgages for about 73,000 households, contributing to the better protection of financial consumers and serving as the safety net in the financial market.

Non-Recourse Public Mortgages Supply Volume

Bogeumjari Loans	USD 10,214million
Didimdol Loans	USD 1,435million
Conforming Loans	USD 13million
Total	USD 11,662million



Launch of Super-long Term Public Mortgage

In July, 2021, HF introduced ‘The Super Long-Term Public Mortgages(Bogeumjari and Conforming Loans)’ with 40-year maturity for the first time in the country. With the release of the product, HF broadened maturity options for young adults and newlywed couples who are struggling to have a homeownership with the surge in housing prices and low disposable income, while alleviating their P&I repayment burden. Since the launch, HF provided about USD 1.8 billion of the product, supporting 8,662 households of young adults and newlywed couples to be a homeowner and effectively implemented financial inclusion.

Issuance of Mortgage-Backed Securities (MBS)

he principal purpose of HF’s securitization business is to fund the long-term, fixed-rate, and amortized mortgages from the capital markets by issuing mortgage-backed securities, thus enhancing the housing welfare of low-to-moderate income households and middle classes. Under its securitization structure, HF takes over mortgage loans originated by financial institutions, transfers them to the Trust for perfection against third parties, and bundles them into beneficiary securities. Given that MBS yields vary depending on their performance under the Trust Act, HF guarantees principal and interest payments to ensure stability in mortgage payments to MBS holders and attract more investors.

HF issued MBS in nine tranches with maturities of one year to 30 years. Considering the nature of the cash flow of mortgage loans, securities with a maturity of five years or longer are embedded with call options. This MBS is recognized as a very safe investment option thanks to HF’s payment guarantee and the indemnity clause of the Korea Housing Finance Corporation Act. In 2021, HF regularly issued MBS 26 times in the combined amount of about USD 31.3 billion. As the government took more stringent measures against rising household debts, eligibility requirements for home loans were tightened. However, in order

Overview of MBS Issuance

Underlying Assets	- Mortgage loans (Bogeumjari, Didimdol, and Conforming Loans)
Amount Issued	- About USD 1.1 billion per issuance
Issuer	- HF Trust (Trustee : HF)
Issuance Structure	- HF guarantees full principal and interest payments for senior MBS. - Multiple maturity tranching • Tranches of 1, 2, and 3 years: lump-sum repayment at maturity • Tranches of 5, 7, 10, 15, 20 and 30 years: Partial call option for every three months sequentially from the shortest maturity tranches; grace period offered to each tranche
Issuance Conditions	- Fixed-rate (interest rate on Korea Treasury Bonds + spread) - AAA credit rating, public offering, and listing on Korea Exchange (KRX)
Mortgage Servicers	- Financial institutions and HF

to fund the supply of public mortgages for financially-vulnerable groups, HF maintained stable issuance volume of the MBS. As of the end of 2021, HF MBS saw its cumulative issuance amount and outstanding balance reach approx. USD 317 billion and USD

134.1 billion, respectively, becoming top domestic bonds next to the Treasury Bonds.

HF determines the MBS issuing rate by adding a spread to the benchmark treasury bond yield. In 2021, with strategic issuance plan and execution, HF managed the annual average range of the spread within around 40 bp year, as in the last year, despite the rate upward trend due to concerns on the inflation and the instable supply and demand of the bond market ensued by the massive issuance of the government bonds(USD 155.5 billion).

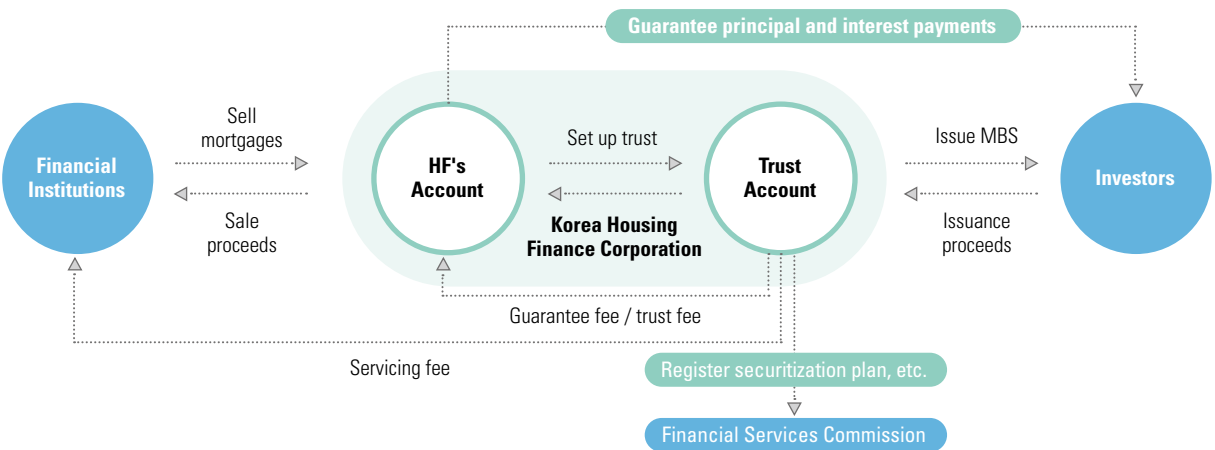
(MBS Weighted Spread: 43.9bp in 2020, 44.6bp in 2021)

In addition, in order to address the issue of limited negotiability of general MBS due to call options, HF issued straight MBS not embedded call options for all tranches for the first time since its establishment. Through these market-friendly efforts for MBS issuance structure diversification, HF could newly absorb investment demand from foreign investors and asset management firms. As the Straight MBS were issued with the spread 27bp lower than that of general MBS, the issuance also contributed to lower the costs of funding public mortgages.

*The spread of previous MBS(2021-20) : +38bp, Straight MBS spread (2021-21) : 11.1bp

In particular, 67.7%, or USD 21.1 billion, of the MBS issued for the year were mid-to long-term securities with maturities of

MBS Issuance Structure

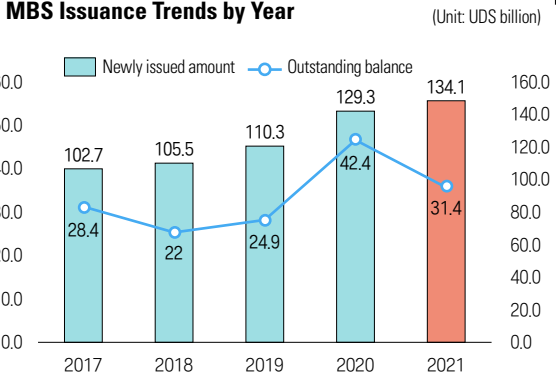


five years or longer, satisfying the investment appetite of banks, pension funds, and mutual finance businesses and, thereby, revitalizing the domestic long-term bond market. Among them, the issuance of super-long term MBS with 30-year maturity, first introduced in 2020, were worth of USD 200 million, 450% of year-on-year increase, providing stable funding for the newly introduced super-long term public mortgages with 40-year maturity.

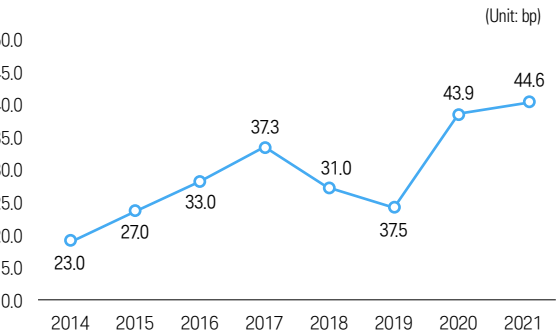
In addition, the amount of pass-through MBS issuance, first introduced in 2016, recorded USD 3,440 million in 2021.

The pass-through MBS employs a structure through which HF collects monthly principal and interest payments from a pool of underlying mortgages and passes on the collected payments to investors. More specifically, investors receive their proportionate share of all cash flow from the collateral pool. With this pass-through structure, HF hands off the risk of early repayment of the underlying mortgage loans to investors, whereas investors earn increased returns depending on their prepayment assumptions.

MBS Issuance Trends by Year



Trends in the Weighted Average Spread of MBS



2021 MBS Investment by Maturity and Investors

(Unit: USD million, %)				
Category	Short-Term MBS (1 to 3 yrs)	Medium-Term MBS (5 to 7 yrs)	Long-Term MBS (10 to 20 yrs)	Total
Insurers	327	1,005	2,682	4,014 (12.9%)
Mutual Finance	82	973	91	1,145 (3.7%)
Pension Funds	1,308	2,518	1,591	5,418 (17.4%)
Banks	4,378	7,805	1,473	13,655 (43.9%)
Investment Trusts	807	136	609	1,553 (5.0%)
Securities Firms	2,236	1,582	618	4,436 (14.2%)
Overseas	914	-	-	914 (2.9%)
Total	10,052 (32.3%)	14,019 (45.0%)	7,064 (22.7%)	31,135 (100%)

Note: 1) Figures in () represent the percentage of the total.

2) Banks' insurance accounts are classified as an insurer.

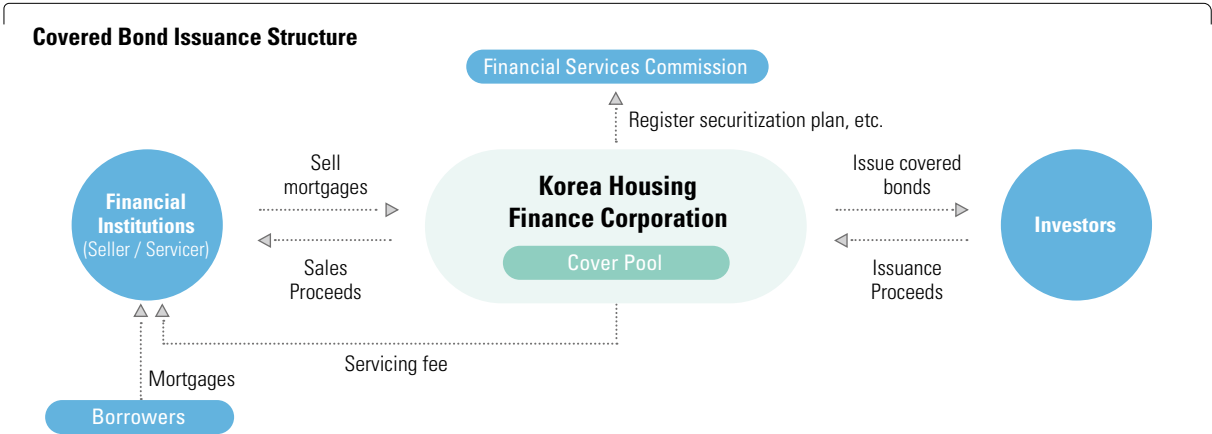
3) Subordinated tranches and mortgage-MBS swap transactions are not included.



Covered Bond Issuance

Covered bonds, common in Europe, are bonds issued by financial institutions with prime assets such as mortgages or loans to public sector as collateral. Embedded with a preferential claim over the collateral and a right of recourse to the issuer, MBB gives investors double protection(dual-recourse), which enables a steady flow of financing at low interest rate. Since 2010, HF has raised a total of USD 7.9 billion by issuing 12 rounds of foreign currency-denominated covered bonds, thus diversifying its funding sources. In particular, it successfully

issued the covered bonds worth the record level of 1.55 billion euro, becoming the top euro-denominated bonds issuer in Asia*.
* Based on the accumulated bond issuance volume between 2018 and 2021.
In addition, with the qualitative growth evidenced by the issuance at the record low rate (-0.075%, June 2021) and successful issuance of euro covered bonds with 7-year maturity for the first time in Korea, HF is leading the foreign currency-denominated covered bonds issuance of domestic financial institutions.



Reporting

ESG bonds issuers are obligated to disclose the post management of ESG investing every year in the form of Allocation Reporting(mandatory) and Impact Reporting(optional). Main contents of Allocation Reporting is as follows. HF discloses the reports on the K-MBS website every year.

- 1) Entire Projects List used the proceeds and description on each project
- 2) The amount of fund used in each project and management details
- 3) Ratio of funds used for previous and new projects
- 4) The projects' contribution to Social Values

Use of Proceeds

The entire proceeds funded through issuance of social MBS and social covered bonds were used to finance public mortgages on the very day of the issuance to support homeownership of low-to-moderate income households and end-users for their residential stability.

Reference : K-MBS(www.kmbs.hf.go.kr)>Disclose Information> Social Financing>Delivery of Social Values

2021 Social MBS-CB Post Effects Report



2021 Use of Proceeds from Social MBS & Covered Bonds

(Unit : No., USD million)

Bogeumjari Loans	203,025	22,700
Didimdol Loans	28,056	3,500
Conforming Loans	72,356	9,200
Total	252,437	35,400

02

Housing Finance Credit Guarantees

Korea Housing Finance Corporation provides credit guarantees to individuals and home builders, improving their access to loans for Jeonse deposits and newly-built apartment installment payments and construction loans, respectively, and, in turn, promoting the housing welfare of the people and revitalizing the housing finance market, while ensuring return of deposits to low-to-moderate income tenants with Guarantees for Jeonse Deposit Return.

Operating Multiplier	13.4times
Amount of Guarantees for Individuals	USD 54.5billion
Amount of Guarantees for Home Builders	USD 4.7billion

Supply of Housing Finance Credit Guarantees

HF operates the Housing Finance Credit Guarantee Fund (the “Fund”), stimulating the flow of credit for home financing and, thereby, promoting the residential welfare of the public. This Fund provides credit guarantees mainly to the demand and supply sides of the housing market: individual households seeking loans to finance Jeonse deposits and new homes and home builders seeking loans for rental home construction and purchases.

In 2021, HF provided USD 59.2 billion of guarantees in total,

faithfully carrying out its mission to support seamless funding for individual homebuyers with residential purpose and home builders. As a result, from its establishment in 1988 to the end of 2021, HF has provided USD 521.5 billion of guarantees for 14.1 million households in total. (USD 473 billion for 11.5 million households in individual guarantees and USD 48.6 million for 2.63 million households in home builder guarantees.)

Credit Guarantee Supply by Year since HF Establishment										
(Unit: USD billion)										
Classification	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Individuals	24.4	23.2	28.1	32.2	34.3	31.3	39.2	46.3	54.9	54.5
Builders	0.7	1.0	0.9	1.9	2.2	2.0	2.2	3.3	3.8	4.7
Total	25.1	24.2	29.0	34.1	36.5	33.3	41.4	49.6	58.7	59.2

Credit Guarantees for Individuals

In 2021, HF rolled out multi-faceted its guarantee product improvements to support non-homeowners and vulnerable groups exposed to residential instability due to prolonged Covid-19 crisis and expanded volatility of the housing market. First, reflecting the recent housing market development with rising house prices and hike in Jeonse prices, HF alleviated the rent deposit requirement for its Joense Deposit Guarantee and expanded the guarantee limit for its Jeonse Deposit Return Guarantee, greatly lowering the threshold of its guarantee product application. Second, HF enhanced targeted support for young adults and newlywed couples with non-homeownership. By increasing the guarantee limit per capital for Jeonse and Monthly Rent Guarantee products for Young Adults (released in May, 2019) from USD 63,340 to USD 90,900, young adults who have difficulties in proving their income source can access to the Jeonse and monthly loans at low interest rate.

As a result, HF supplied the record volume of guarantee supply of USD 5.4 billion to about 100,000 young adults in 2021 alone.

Credit Guarantees for Home Builders

As parts of its efforts to strengthen its role as a public institution to support young adults, newlyweds and other groups with residential vulnerability, HF expanded combined construction loan guarantees and support for community housing for young adults and other disadvantaged groups, facilitating construction of rented housings and pre-lot sales of home builders, enabling provision of affordable housings for many end users. In addition, HF newly included rent business in its PF guarantee product category to broaden funding options for private rent business owners, while reducing excessive corporate debt burden on individuals, and inducing construction companies to reduce contingent liabilities of construction companies.

As a public guarantee institution, HF worked to promote social values such as ESG, and support government policies along

the way. It stipulated a rise of guarantee limit for the buildings long abandoned, with an aim to improve residential conditions for dilapidated areas and for residents thereof, providing a ground for support for the buildings of which construction had been suspended. In addition, by commissioning research for urban regeneration methods, it explored ways to enter urban regeneration business.

HF induced advancement of supplier finance market and adopted digital underwriting system, advancing checklist-based underwriting system for loans of USD 1.36 million or less, which all expedited decision-making process. In addition, it revamped standards for jurisdiction categorization and expanded dedicated branches to 10, where customers can enjoy professional, efficient, high quality service.

Thanks to these efforts, HF supplied USD 4.7 billion of home builders guarantees, the record high amount, facilitating housing construction and residential stability of the people.

Supply of Housing Finance Credit Guarantees by Product in 2021			
(Unit: USD billion, %)			
Classification	Volume of Guarantees Provided	Share	
Guarantees for Individuals	Jeonse	44.9	82.3
	Intermediate Payments	6.7	12.2
	Purchases	1.9	3.5
	Deposit return	1	1.8
	Others*	0.1	0.2
Subtotal		54.5	100.0
Guarantees for Builders	Construction	2.6	55.9
	PF	2.1	44.1
	Subtotal	4.7	100.0
Total		59.2	-

* Including construction & renovation funds, indemnity recovery, and monthly rent guarantees.

In 2021, guarantees for individuals were mainly offered to low income people with a home size of 85m² or below, and with an annual income of USD 36,400 or less, while the main customer group of guarantees for builders was small-and-medium-sized construction companies with relatively less financial resources.

Fund Status

Various sources contribute to the Housing Finance Credit Guarantee Fund. These include the government and financial institutions, guarantee fees from customers, recoveries on indemnities, and revenues from fund operation. In 2021, the Fund raised a total of USD 3.3 billion, which breaks down to USD 800 million of contributions from financial institutions, USD 120 million of guarantee fees, USD 106 million of recoveries on indemnities, and USD 67 million of fund operation revenue. For more than a decade since 2008, it has been financially

independent from the government.

Regarding contributions from financial institutions, HF extends preferential rates to financial institutions that have exceeded their goals or shown better year-on-year performance in the provision of fixed-rate and amortized loans. This encourages them to join in the effort for qualitative structural improvement in household debts, thus increasing stability in the home financing market.

As for guarantee fee revenues, based on the stable guarantee fund, HF substantially reduced guarantee fees for Jeonse Guarantee and Jeonse Deposit Return Guarantee products to ease residential costs burden on low income tenants. In particular, it lowered the minimum guarantee fees of Jeonse Guarantee from previous 0.05% to 0.02%, whose customers are mostly low income households and other vulnerable groups, such as young adults, newlywed couples and single parent households and operate the guarantee fees system for low-to-moderate income households with non-homeownership.

Funding Sources of Housing Finance Credit Guarantee Fund										
(Unit : USD million)										
Category	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Government Contributions	-	-	-	-	-	-	-	-	-	-
Contributions from Financial Institutions	5,646	6,131	6,411	7,067	6,150	5,726	7,236	7,911	7,704	8,818
Guarantee Fee Revenues	1,031	1,168	1,114	1,120	1,338	1,150	1,194	1,361	1,479	1,325
Recoveries on Indemnities	1,335	1,829	1,679	1,969	1,908	1,405	1,179	1,207	1,475	1,171
Fund Operating Revenues	1,079	1,043	979	806	719	949	680	1,166	1,378	734
Others*	12,412	15,762	23,199	15,721	22,320	37,665	27,442	41,790	46,472	24,042
Amount of Funding Raised	21,503	25,933	33,382	26,683	32,435	46,895	37,731	53,435	58,508	36,090

* Collection of surplus fund, etc.

Base Capital and Operating Multiplier

As of the end of 2021, the base capital of the Fund showed year-on-year increase to USD 7.9 billion, based on the stable stream of financial contribution after the overhaul of the contribution system. The financial soundness of credit guarantee operations is measured by the operating multiple, which is computed by

dividing the balance of guaranteed loans outstanding by the value of the Fund's assets (its net base capital). As of the end of 2021, the Fund's operating multiple stood at 13.4 times, a stable level given that the statutory operating multiple is 30 times.

Operating Multiple by Year										
(Unit : USD billion, times)										
Category	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Base Capital (A)	2.9	3.5	4.1	4.6	5.2	5.6	6.5	7.4	7.2	7.9
IBRD Loans (B)	0.01	-	-	-	-	-	-	-	-	-
Guarantee Fund (C=A+B)	2.9	3.5	4.1	4.6	5.2	5.6	6.5	7.4	7.2	7.9
Guarantee Balance (D)	35.2	36.7	39.4	49.4	60.9	65.1	70.5	81.7	96.0	106.4
Operating Multiplier (E=D/C)	12.0	10.6	9.7	10.6	11.8	11.7	10.9	11.0	13.3	13.4

* Based on the provisional settlement account at the end of Oct, 2021. Overlapping guarantees for Jeonse and deposit return are excluded.

Default Risk Management

HF operates a default risk management system to maintain fiscal soundness of the fund and secure the base for stable guarantee provision. First, for timely management of the loans with default risk, HF operation its own CSS(Credit Scoring System), thereby enhancing the soundness of guaranteed loans. In addition, since the introduction of fraudulent loan prevention system in 2013, HF has selected ‘groups with high risk of fraudulent loans’ which has high default probabilities for in-depth screening, thereby further preventing defaults and mitigating the risk of loss.

As part of its efforts to enhance its default prevention capacity, since the second half of 2017, HF has bolstered its default preventative procedures with semi-annual default analysis. In preparation for increase of default and delinquency rate due to economic downturn triggered by Covid-19 pandemic, HF has

conducted daily and weekly default statistics. Thanks to all of these measures, the Fund has seen a steady decline in its rate of default on guaranteed loans and the percentage of defaulted guarantee balance expected to be drawn and outstanding at default. As of the end of 2021, these two figures reached their record lows of 0.3% and 0.2%, respectively.

Management of Indemnity Rights

As for defaults on loans guaranteed by the Fund, HF maintains tight control of indemnity claims incurred as a result by thoroughly reviewing the claims made by mortgage lenders. In 2021, to alleviate the debt repayment burden on vulnerable

groups hit by prolonged pandemic and support their economic recovery, HF lowered the interest rate for arrears to the record low level among financial institutions, while introducing the ceiling for damage penalties for delays for the first time as a public financial institution. In addition, HF improved procedures of customary extension of statute of limitations and writing-off, introducing the limit on the contact for debt collection and request system for contact limitation, all of which to establish fair debt collection system.

Debt Settlements by Year					
(Unit: No.)					
Category	2017	2018	2019	2020	2021
Debt Settlement Cases (a)	5,714	5,556	4,837	3,921	3,367
Debtors under Debt Settlement Proceedings (b)	94,397	70,729	48,186	35,354	31,798
Debt Settlement Ratio (a/b)	6.1	7.9	10.0	11.1	10.6

* Debt Settlement : An agreement between a lender and a debtor to adjust(reduction) of parts of the debt and repay the debt in installments or at once.

Furthermore, HF bolstered its efforts to recover indemnities by newly collecting rent deposit information as of the fixed date and expanding the scope and depth of public records to identify hidden asset of debtors. HF also manages guarantee obligation performance period on a continuous basis to reduce the interest of creditor banks, all of which led to the enhanced soundness of the fund.

Recovery of Indemnity Rights by Year					
(Unit : USD million, %)					
Category	2017	2018	2019	2020	2021
Balance of Indemnity Rights (a)	2,875	2,783	2,493	2,205	1,984
Amount Subrogated (b)	195	170	162	226	208
Indemnity Rights Recovered (c)	128	107	110	134	106
Recovery Rate {c/(a+b)}	4.2	3.6	4.1	5.5	4.9



03

Korean Home Pension Guarantees

Korea Housing Finance Corporation provides its reverse mortgage program, Korean Home Pension, for the elderly aged 55 years or older, allowing them to reside in their homes for their lifetime while using the house as collateral to receive payments in the form of monthly annuities. As the cumulative number of its subscribers surpassed 90,000 as of the end of 2021, the Korean Home Pension has solidified its position as a reliable retirement financing solution for a happy retirement in the aging society.

Operating Multiplier

9.7 times

Amount of Guarantees Supplied

USD 13.6 billion

Number of New Subscriptions

10,805

Program Overview and Key Details

The Korean Home Pension is a HF-guaranteed reverse mortgage program under which senior citizens put up their home as collateral and receive monthly payments, ensuring both life-long housing and financial stability. Following the amendment of the Korea Housing Finance Corporation Act in January 2007, HF set up a reverse mortgage guarantee account within the Housing Finance Credit Guarantee Fund, which became the legal and financial grounds for the Korean Home Pension program launched in July of that year.

This reverse mortgage program is available to seniors (or their spouse) aged 55 years or older with a total declared house value of USD 818,200 or less. The program is also open to senior households owning two homes with a combined declared value of over USD 818,200 under the condition that they sell their non-residing house within three years. Under the program, Korean Home Pension subscribers and their spouses are guaranteed life-long residence in their homes and monthly payments from HF in return for providing their home as collateral.

The Korean Home Pension program comes with a floating rate. Korean Home Pension subscribers may choose between the 91-day CD rate plus a 1.1%p spread or the Cost of Funds Index (COFIX) rate plus a 0.85%p spread (based on the initial value) at the time they join the program. Both interest rate options are lower than market mortgage rates. Borrowers also enjoy a range of tax benefits: exemption from the special rural development tax and the obligation to buy national housing bonds at the time of subscription, a 25% discount on property tax and a 75% discount on registration tax and the local education tax, and a tax deduction for interest payments.

The Korean Home Pension program has two distinguishing features. First, it enables seniors or their spouse to receive a steady stream of monthly payments while remaining in their home during their retirement years. Second, it gives them the option of drawing a portion of the loan within certain limits at any time to pay for medical or other unexpected expenses.

Under the program, senior homeowners have various payment

options: the tenure type, the modified tenure type, and the term type. The tenure type allows them to receive fixed monthly payments without a cash withdrawal option for the rest of their life. The modified tenure type offers a combination of monthly payments and a line of credit. This type enables them to set aside a certain amount (up to 50% of the loan) for withdrawals at any time and receive a flow of monthly payments from the outstanding loan amount. Lastly, the term type offers monthly payments for a specified period of time (10 to 30 years on a five-year basis).

Korean Home Pension subscribers may receive monthly payments in a straight line, high-low payment, or periodic increase basis. Korean Home Pension subscribers with the straight line option receive equal monthly payments for life, while those with the high-low payment option receive higher monthly payments than those under the straight line option for certain period (3, 5, 7, or 10 years by subscriber's choice) before receiving approximately 70% of the initial amount afterward. When opting for periodic increase type, subscribers receive monthly payment less than the straight-line, but the payment increase by 4.5% for every three years. The straight line is available for all payment types, but the high-low payment option and period increase type are only available to those on the tenure type or the modified tenure type.

Eligibility Requirements

Age	+	Seniors (or their spouse) aged 55 years or older
Number of Homes Owned	+	Senior households with either a single home or two or more homes with a combined declared value of USD 818,200 or less (Those with two homes of which combined declared value exceeds USD 818,200 only under the condition of the disposal of the non-residing home)
Eligible Property	+	Houses, senior welfare housing, or residential studio flats with a declared value of USD 818,200 or less

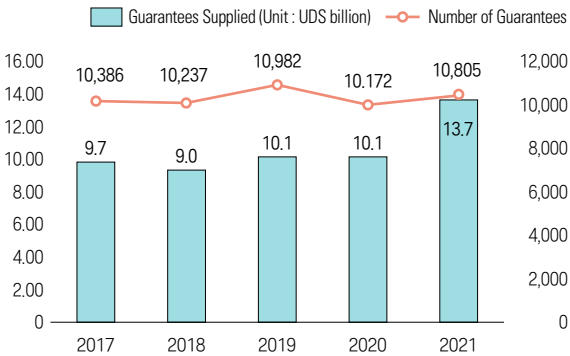
Advantages of the Korean Home Pension

Lifelong Residency and Lifelong Payments	+	Both borrowers and their spouse guaranteed with lifetime residence in their homes and lifetime monthly payment of annuities.
Public Guarantee	+	A government-guaranteed program with no risk of discontinuance of monthly payments
Low Interest Rate	+	Floating rates applied (3-month CD interest rate + 1.1%p or COFIX interest rate + 0.85%p); lower rates than market mortgage rates
Lower Initial Cost	+	Low initial cost with the exemption of the special rural development tax and the obligation to purchase national housing bonds
Tax Benefits	+	A 75% discount on the registration tax and the local education tax (available only to single-home households, as prescribed by the Enforcement Decree of the Restriction of Special Local Taxation Act, with a home of market value at USD 454,500 or less; otherwise, a 75% discount on USD 2,700 of the registration tax) A 25% discount on the property tax (available only to single-home households, as prescribed by the Enforcement Decree of the Restriction of Special Local Taxation Act; otherwise, a 25% discount on USD 454,500 of the home value for those with a home worth over USD 454,500) A tax deduction for up to USD 1,800 in annual interest payments

The Supply of the Korean Home Pension

In line with rapid aging of the society, HF pushed forward for improvement of the pension programs tailored to seniors and roll-out of strategic Ontact marketing plans. Thanks to these efforts, HF maintained annual supply over 10,000 reverse mortgage loans for six consecutive years. Notably, despite challenges presented by Covid-19, the number of Korean Home Pension subscribers totaled 10,805 and the amount of guarantees supplied recorded USD 13.7 billion in 2020.

Trends in Guarantee Supply for the Korean Home Pension by Year



Characteristics of Korean Home Pension Subscribers in 2020

User Information	Age	72.3 years old
Loan Information	Monthly Payment	USD 991
Collateral Information	House Type	Apartments, 83.1%
	House Area	85m ² or smaller 80.4%
	House Value	USD 301,800
	Region	Seoul metropolitan area, 67.9%, other regions, 32.1%



Sustainable Growth

Establishment of a Paradigm for Sustainable Growth

Fully recognizing the long-term value and significance of sustainable management, HF has set a new strategic goal of ‘securing an engine of sustainable growth for the future,’ embedding sustainability into its business operations. As part of its efforts to implement this goal in the context of open innovation, HF has carried out a range of sustainable activities, including improving and supporting access to the financial services (ex: New Relief Conversion). In addition, drawing on its financial know-how and expertise, it has provided financial education programs customized to the needs of different age groups: the JaeMitJiYe lecture for college students and the Retirement Financing Talk Concert for the elderly. HF plans to be committed to fostering its sustainable growth engine by continuing to strive to improve the residential welfare of the public.

UNGC Participation in Pursuit of Sustainable Growth

In October 2008, HF joined the United Nations Global Compact (UNGC), a UN pact to encourage companies worldwide to adopt the Sustainable Development Goals (SDGs) and align their corporate strategy with its ten principles for human rights, labor, environment, and anti-corruption. As a signatory to the global initiative, HF submits a Communication on Progress (COP) to the UNGC each year, reporting its progress in implementing the principles as well as its plans going forward. HF will continue to pursue sustainable growth objectives through UNGC participations and ensure human rights and anti-corruption are well integrated into its business management process.



Ethical Management

Under the belief that ethical management is instrumental to corporate sustainability, HF has made ceaseless efforts to create an ethical culture, providing ethics training for employees, integrating ethics into its private-sector partnerships, and enhancing its existing systems for the promotion of anti-corruption and integrity.

Establishment of Policies for Ethical Management

HF established the Code of Ethics, which outlines the fundamental principles and rules that its employees must adhere to in their behavior and decisions. For more practical guidance at the workplace, It has set out the Standards of Conduct, a set of detailed standards that guide employees towards ethical management.

HF has timely embraced ethical management guidelines issued by government ministries and agencies, including the Ministry of Economy and Finance (MOEF) and the Anti-Corruption and Civil Rights Commission (ACRC). In 2021, it implemented the MOEF Guideline for the Eradication of Gapjil (abuse of power) in the Public Sector after adaptation for application to its practices. It also carries out the Corruption Impact Assessment, first introduced by the ACRC, at the time of revising its bylaws, identifying potential corruption risks and recommending mitigation measures.

Moreover, it has newly realigned the Standards of Conduct and other internal regulations with the latest statutory ethical management recommendations (made on improvements to the operational systems of public organizations as the Improper Solicitation and Graft Act came into force), which demonstrates HF's efforts to enhance the ethical management monitoring after reflecting the government guidelines, and to prevent corruption risk on the working level.

HF operates various internal bodies devoted to ethical management. They range from the Ethical Management Consultative Group, which is the highest deliberative body chaired by the CEO in order to spread the management's strong message

for ethical management, to the Ethical Management Ombudsman, the HF Integrity Leader, the Integrity Advisory Committee.

With the operation of these departments, HF executives & staff have been carrying out ethical management policies through collaboration with external experts.

Ethical Management Training and Collaboration with the Private Sector

In a bid to cultivate ethical values in the workplace, HF has continued to strengthen its employee training programs, providing them with educational courses on general ethics principles and the Corruption Impact Assessment and keeping them up to date with the latest ethical issues that have arisen with respect to the recently enforced Improper Solicitation and Graft Act, other anti-corruption laws, and the recently revised Code of Conduct for Public Officials. It also offers different training courses customized to different stages in the life cycle of a public career, such as Anti-Corruption Expert Training for ethical management officers, Anti-Corruption Training for personnel working in corruption-prone areas, the HF Integrity Leader Workshop and HF Integrity Pitcher & Catcher Workshop for its departments and branches, and diverse leadership courses for new hires and different ranks.

To raise employees' awareness and generate their interest and participation in the integrity and anti-corruption initiatives, HF initiated events such as “Reverse Mentoring” and ‘Integrity Golden Bell Quiz’. It also publishes “Cheongbaji”, a periodic newsletter on integrity, seeking out and spreading good anti-corruption practices within its organization. In addition, HF runs the Integrity Mileage Program and uses the Common Key Performance Indicators for Ethical Management, offering greater incentives to employees with innovative ideas to fight corruption.

In the meantime, after joining in ‘Busan Public-Private Network for Transparent Society’ and ‘Public-Private Committee for Society of Integrity’ as an operation member, HF shared its knowledge and experiences in anti-corruption and integrity policies with 48 public

institutions and 87 civic groups in Busan, thereby contributing to governmental anti-corruption efforts.

HF will consistently explore ethics training programs to raise employees' awareness on ethics and expand exchanges and cooperation with other public institutions to enhance information exchange on the ethical management.



HF Integrity Leaders' Workshop



Integrity Workshop per Department

CSR Activities

Under the aim of fulfilling its corporate social responsibility (CSR) and creating sustainable value, HF has engaged in various social outreach activities led by the Bogeumjari Volunteer Corps, its employee volunteer group led by the CEO and the labor union president. In particular, in 2021, HF has developed not only volunteer programs relating to its main businesses, such as housing welfare and senior welfare promotion programs, but also new programs to address social issues, including job creation, social economy, environmental protection, and safety.

These efforts led to external recognition for HF's contribution to the society; HF won '2021 Korea Social Contribution Grand Award (Recognition from Land, Infrastructure and Transport Minister), and selected as institute of merit in 'The 7th Housing Welfare Exemplary Cases Competition' (Recognition from Chief Director of The Korea Housing Welfare Forum) and in job creation for the elderly in the year of 2021 (Recognition from the Mayor of Busan Metropolitan city.



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