

K o r e a H o u s i n g F i n a n c e C o r p o r a t i o n



2004

Annual Report

KHFC



KOREA HOUSING FINANCE CORPORATION

MESSAGE FROM THE CEO

The Korea Housing Finance Corporation was established on March 1, 2004 to improve the welfare of the Korean public and support the development of the national economy by providing reliable, long-term housing finance services.

Many challenges were overcome within its first year of incorporation, so it is an especially great pleasure to present our first annual report. Knowing that the Corporation would not have such a sound foundation without the unwavering support rendered by the National Assembly, the central government, related financial institutions, and the general public, our gratitude is all the greater.

Last year, KHFC effectively improved the creditability of housing finance clients using the Housing Finance Credit Guarantee Fund. Besides this, KHFC was the first in the Korean market to introduce long-term fixed-rate housing loans, for which mortgage backed securities (MBS) were issued. This alone did much to stabilize and further the development of the Korean housing and finance market. KHFC is assuming even more responsibilities. In 2005, KHFC was charged with new government directives of handling scholarship loans and their securitization, giving KHFC the important mission of covering basic living conditions, namely housing and education, of the general public.

We, nevertheless, understand that these developments represent only the beginning of a long effort. We will continue to make our best efforts with confidence and

determination to realize the goals of KHFC. Each member of the Korea Housing Finance Corporation will strive to promote housing welfare and expand educational opportunities for the general public, and will exert our best efforts to develop the financial markets with an innovative spirit.

The Korea Housing Finance Corporation seeks nothing less than to become a world leader in housing finance, but we cannot succeed without support from the government and the general public. It is because of such support that KHFC overcame the many challenges it faced in the first year, and thus, we will look forward to that support in the future. Working hand in hand with the government and the general public, we firmly believe that we cannot fail in all that we have set forth to accomplish.

I hope this annual report proves useful in explaining last year's performance and the current status of KHFC to those whom it may concern.

Thank You.



May 2005

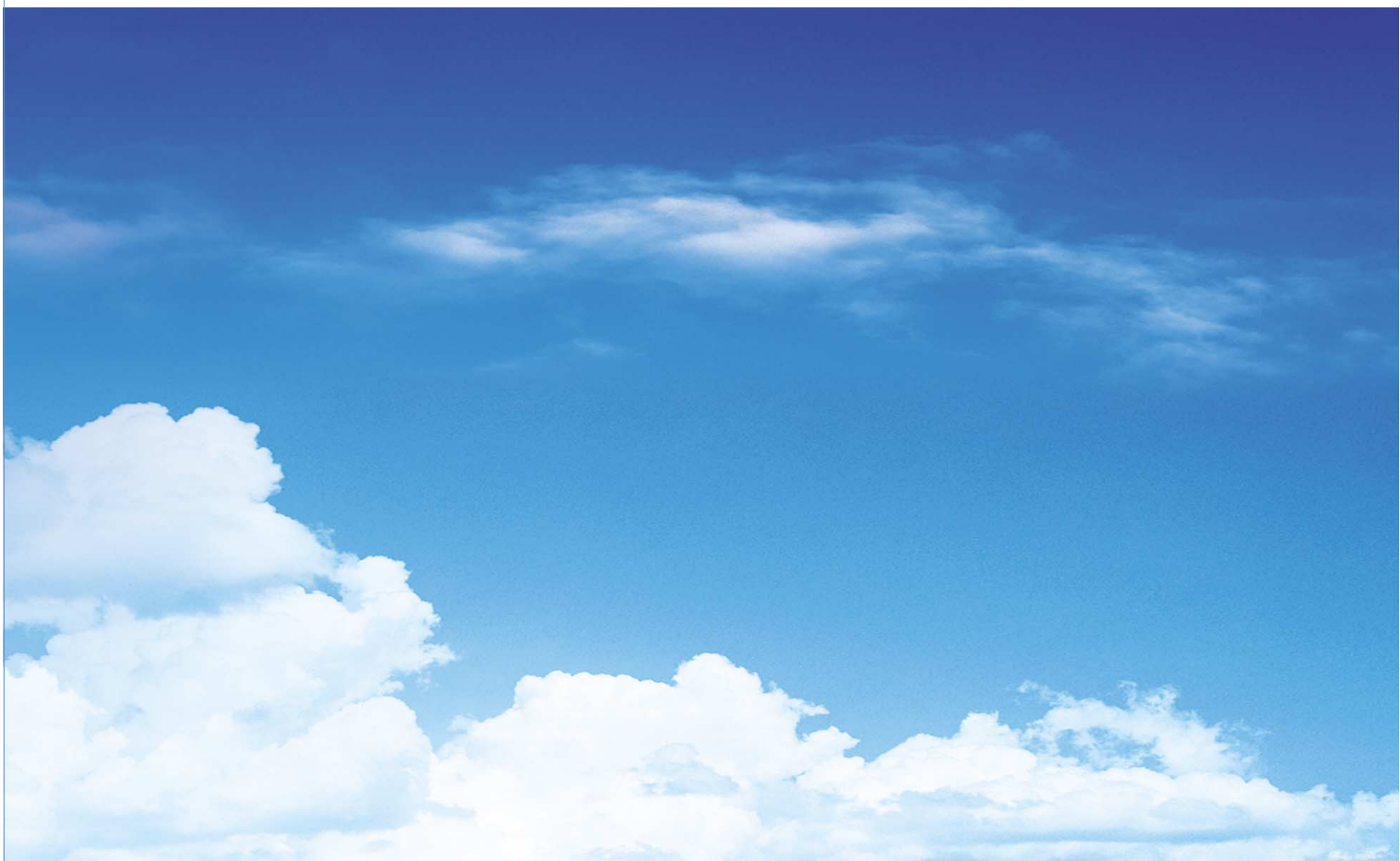
Korea Housing Finance Corporation C.E.O.

Chung Hong-Shik

KHFC will strive to promote housing welfare and expand educational opportunities for the general public, and will exert its best efforts to develop the financial markets with an innovative spirit.



Towards Becoming a World Leading Enterprise Within The Housing Finance Industry



CONTENTS

Message from the CEO	0	Internal Controls	19
Housing and Economy in 2004	4	Risk Management	19
Operations & Business Performance	8	Organization	20
Corporate Overview	9	Housing Finance Operation Committee	20
Securitization	10	Board of Directors	20
Mortgages	11	Organization Structure	21
MBS	12	Executive Directors	23
Post-Management	13		
Housing Finance Credit Guarantees	14	Addendum	24
Resources of Fund	15	2004 Financial Statements and	
Credit Guarantees	15	Auditor's Review	25
Post-Management	17	Korea Housing Finance Corporation	25
		Housing Finance Credit Guarantee Fund	30
Organization	18	Corporate History and Major Events	35
Internal Controls and Risk Management	19	Housing Statistics	37
Institutional Code of Conduct	19	Sales Branches	41

HOUSING AND ECONOMY IN 2004



The consumer and investment sentiment indices and the consumption index showed recovery indicating better times ahead for 2005.

99 General Economy

The Korean economy of 2004 was beset by poor consumer and investment sentiment, and this became manifest in producing a distinct polarization between the tremendous performance of the export sector versus the flagging domestic consumption sector. The Korean economy started the year with strong expectations of economic recovery as the global economy was showing strength and the IT industry was rebounding. Regardless of the slack domestic consumption during the first quarter of the year, economic growth notched up to 5.3%. Entering the second quarter, negative international developments caused consumer sentiment to deteriorate further. The Chinese government's efforts to engineer a soft landing for the overheated Chinese economy fueled concerns over a potential slowdown in exports, and prices of imported raw materials soared including that of oil. With increased uncertainty over the Korean economy that is easily influenced by the international environment, political and

social difficulties that emerged within the country, only served to weigh on consumer sentiment even more heavily. This widespread pessimism was one of the major causes of the stagnant consumption and investment in 2004.

The announcement of China's economic retrenchment and the gradual increase in interest rates by the U.S. caused the KOSPI to plummet from 936 points at the end of April to 738 points by mid June. In October, the political instabilities in oil producing countries stemming from the war in Iraq and the Tsunami disaster caused oil prices to soar to new highs of over US \$50 per barrel (West Texas Intermediate basis). While domestic consumption remained weak until the latter half of the year, Korea's exports began to decelerate due to the failure of the global IT business to rebound as quickly as originally expected and the slower growth in advanced countries. Service sector output fell and the increase rate of consumption dropped for a sixth consecutive quarter, precluding any possibility for a quick rebound in consumption and an economic recovery.

Economic Indicators¹⁾

(Unit : %)

	2001	2002	2003	2004 ²⁾	1/4	2/4	3/4	4/4
GDP	3.8	7.0	3.1	4.6	5.3	5.5	4.6	3.3
Exports	-2.7	13.3	14.0	19.7	26.9	26.9	17.7	9.8
Consumption	4.9	7.6	3.4	0.2	-0.5	0.4	-0.1	0.9
Investment	-0.2	6.6	8.9	1.9	2.2	4.3	3.0	-1.2

Note 1) All figures are year-on-year.

2) The 2004 figures are estimates

Source : The Bank of Korea

With the further deterioration in consumer and investment sentiment, the gap in performance between the sectors of export and domestic consumption widened. It was clear that the benefits of relatively strong exports had not spread to the domestic economy at large with the problems of excessive household debt and widespread credit card delinquency, which accounted for 460 trillion KRW. The reluctance of corporations to invest in new facilities and the general political and social disorder had taken a toll as well. The polarization between exports and domestic consumption translated into a wider gap in performance between the manufacturing and service sectors. The rate of productivity increase in 2004 at small and medium sized enterprises (SMEs) was only one-third that of large corporations. The prolonged weakness in consumption also began to negatively impact the construction industry, especially as new regulations were enforced to cool down the overheated real estate market and discourage real estate speculation.

After peaking at a 5.5% annual rate during the second quarter, economic growth slowed to 3-4%. For all of 2004, Korea's economic growth was 4.6%, short of the initial 5% target set at the beginning of year. Thankfully, positive signs of economic recovery emerged with the new year. The consumer and investment sentiment indices and the consumption index showed recovery, indicating better times ahead for 2005.

9 9 Bond Market

The bond market in 2004 experienced two interest rate reductions and was beset by concerns over the slow economy, an on-going flight-to-quality, excessive liquidity in the money

market, and a relative shortage in the supply of bonds. Except for a temporary spike in interest rates stemming from a near-default by credit card companies early in the year, the bond market remained strong. The yield on the benchmark three-year treasury bond fell to 3.28% by year-end, down significantly from 4.82% at the end of the previous year.

In January, the benchmark interest rate rose to 4.97% (Jan. 9) due to uncertainty over the handling the LG Card debacle. However, after mid-February, the market interest rates began to decline, despite the accelerated disbursement of the government's 2005 budget. Interest rates were influenced by huge net purchases of government bond futures by foreign investors as well as by the impeachment of the President.

Stable supply and demand coupled with weak domestic consumption caused interest rates to continue to decline through the second quarter. The announcement by the Chinese prime minister of the Chinese government's economic retrenchment, the rise in international oil prices, and the possibility of interest rate increases in the U.S. further heightened the uncertainty of the economic recovery during the second half of the year, making interest rates fall further for the rest of the year.

The rate of decline in interest rates somewhat slowed in the third quarter as a result of the increase in the issuance limit on Foreign Exchange Stabilization Bonds (FESBs) to 11 trillion KRW. However, with the execution of bond consignment funds from the National Pension Fund, and the cut in the call rate (Aug. 12) by the Monetary Board, the interest rates continued to fall. The decline

Interest Rates

(Unit : %)

	2003 end	2004			
		March end	June end	September end	December end
Treasury Bonds (10-Year)	5.38	5.21	4.97	4.02	3.81
(5-Year)	5.06	4.81	4.53	3.65	3.39
(3-Year)	4.82	4.50	4.24	3.53	3.28
Corporate Bonds (3-Year, AA-)	5.58	5.30	4.84	4.03	3.72

Reference : Korea Security Dealers Association

gained strength because of expectations of additional cuts in the call rate as a means to stimulate the economy, increased cash flows into investment trust company bond-type products, and weakness in the economic indices including the unemployment rate.

During the fourth quarter, the economic indices continued to stagnate. At this time, interest rates were increased in China, and in November, the Monetary Board made an additional and unexpected cut in the call rate. Though there were concerns that issuance of Foreign Exchange Stabilization Bonds and Monetary Stabilization Bonds would be increased to maintain foreign exchange market stability after the sudden drop in the KRW/US\$ exchange rate that started in mid-October, the market interest rates continued to fall, influenced by the flight-to-quality, the possibility of a slowdown in exports, and expectations of slower consumer market price hikes. All of these factors served to benefit the bond market.

The issuance of Asset Backed Securities (ABS) in 2004, including Mortgage-Backed Securities (MBS) amounted to 27 trillion KRW, a 32.3% decrease from the previous year. This reduction occurred despite the added issuance of securities by KHFC and Korea First Bank in the form of MBS. The above reduction was owed to a sizable contraction in activities by loan financing institutions, such as credit card companies and capital finance companies where securities issues dropped by an amount of 10.7 trillion KRW.

가 가 Housing Market

According to the Consumer Sentiment Survey reported by the Bank of Korea, a downward trend could be identified in terms of real-estate purchase plans since the second quarter of 2003. Even for those households that rent their homes, the intention to purchase homes decreased in the second quarter after five consecutive quarters of increases. This downward trend could also be seen in the rate of subscriptions for apartment sales contracts, though the rate of decline varied slightly in different regions. The major reason for the lower demand for homes is deemed to be due to increased expectations that home real

estate prices will drop. Prices have suffered as the government has stepped up efforts to discourage real estate speculation and cool down the real estate market.

The supply of housing increased over the past few years, consequently reducing demand for new homes and putting the brakes on the construction of home units. These conditions and the government's determination to stem the rapid rise in real estate prices served to depress the market for apartment homes. The reduced competition for apartment contract subscriptions and lower rates in the number of contracts that were actually processed significantly increased the number of unsold units. The number of unsold housing units surged after the government measures were announced on October 29, 2003. In the Chungchongdo area, where the real estate market had been especially hot in anticipation of the relocation of the nation's administrative capital and regional development, the number of unsold home units increased as of the fourth quarter following the Constitutional Court's ruling against the relocation plan as unconstitutional.

The fall in home real estate prices started from market sectors of independent houses and multiple-home flats in the first half of 2004. Later, prices for high-rise apartments, which had increased slightly during the first half, began to fall in June, and the decline continued for five consecutive months afterwards. Prices for apartments designated for reconstruction had increased the most rapidly since June 2001, but they witnessed the first decline in prices in three years. In fact, they were leading the decline in prices of apartments. The prices of homes for rent (chunsei: lump-sum rent deposit basis) had dropped even before the sales prices, and they did not show any sign of recovery throughout 2004.

Since the government announced its real estate market stabilization measures on October 29, 2003, the housing market has failed to recover. It is now a buyer's market. The fact that the decline in apartment sales has been more pronounced in rural areas and in regions not required to report home real estate sales suggests that both the government's regulations and the overall economic deterioration have strongly weakened demand for housing.

9 9 Housing Finance Market

The call rate was cut twice in 2004, and the market interest rates followed suit. As the yields on treasury bonds and corporate bonds followed the call rate downward, the liquidity in the market continued to increase. The interest rates on home secured loans, of which the ratio of short-term CD linked interest loans is high, maintained a steady decline. By the end of 2004, the rate dropped 87 basis points from the previous year. Following the decline in call rates and market rates, KHFC dropped the interest rate on its mortgages. Three 25-basis-point cuts were made on August 17, October 14, and November 19 from the initial rate of 6.70%, bringing it down to 5.95%.

Regardless of the introduction of KHFC mortgages, the total issuance of housing loans by commercial banks was lower than in the previous year due to the depressed domestic demand and the deterioration of the housing market. According to BOK reports, the net increase in home loans issued to individuals in 2004 was 5.82 trillion KRW, a huge decrease of 2.89 trillion KRW from the net increase in 2003. Statistics collected from financial institutions contributing to the Housing Finance Credit Guarantee Fund also showed a net reduction in home loans of 0.57 trillion KRW compared to the previous year's issuance.

Only 8.2% of the personal loans issued during the fourth quarter of 2003 had maturities over 10 years, but the ratio soared to 36.6% in 2004 as a result of the issuance of mortgages.

9 9 Housing Policy

Since the promulgation of the General Real Estate Measures on October 29, 2003, the government has actively intervened in the market to stabilize residential real estate prices. The housing policy of 2004 was increasingly geared toward regulating home prices in accordance with policy in 2003. The General Real Estate Measures engendered four major pieces of legislation, including the Home Real Estate Transaction Reporting System, which was put into effect as of April 2004. The Housing Price Public Announcement System, the Redemption of Profits from

Reconstruction, and the Reporting of de Facto Sales Price will take effect in 2005.

Indirect regulations shall also be applied in the form of increased taxes on real estate holdings and the Composite Real Estate Tax. A short-term, region-specific solution was applied to address the volatility in regional home prices: specific areas have been designated as Region/Area of Excessive Speculation for close scrutiny of transactions by the authorities. However, the weakness of the housing market in the second half of 2004 compelled the government to be more flexible in its designation of areas of speculation, repeal some regional requirements for reporting residential real estate transactions, and cut the sales transaction tax.



Operations & Business Performance

Corporate Overview

Securitization

Mortgages

MBS

Post-Management

Housing Finance Credit Guarantees

Resources of Fund

Credit Guarantees

Post-Management

CORPORATE OVERVIEW



The mission of KHFC is to facilitate the development of the national economy and improve the welfare of the general public by providing reliable, long-term housing finance.

The Korea Housing Finance Corporation was formally established on March 1, 2004 by the Establishment Committee, convened after passage of the 'Korea Housing Finance Corporation Act No. 7030' and proclamation of the enforcement decree on December 31, 2003.

The mission of KHFC is to facilitate the development of the national economy and improve the welfare of the general public by providing reliable, long-term housing finance through the securitization of mortgages and by providing credit guarantees against housing loans, as required under Article 1 of the KHFC Act. As KHFC is obligated to assume leadership in Korea's housing finance market, the Corporation seeks to become a world leading enterprise within the housing finance industry. To realize its mission, KHFC's rallying call is to "secure inner strength to support housing policies." KHFC's management directives are to actively support national policy goals, maximize profits, apply sound risk management, and create a corporate culture that encourages initiative.

KHFC's authorized capital is 2 trillion KRW. With a government contribution of 10 billion KRW, a National Housing Fund contribution of 56.6 billion KRW, and a 310 billion KRW contribution by the Bank of Korea, KHFC's total paid-in-capital is 376.6 billion KRW.

KHFC was incorporated on March 1, 2004 and began issuing mortgage loans on March 25. The first KHFC MBS backed by the marketed mortgages was issued on June 15. KHFC originated in its first year a total of 3.3 trillion KRW in mortgage loans in 47 thousand contracts, and seven issues of MBS amounted to 3

trillion KRW. Though these figures are only 3/4 of the targets in the initial business plan, they indicate a sound performance considering the downward trend of interest rates and the weakness in the housing market.

Of the amount of MBS issued, 41.8% (1.3 trillion KRW) was issued as long-term bonds with maturities of over 10 years. KHFC immediately became the major issuer of long-term bonds in the Korean bond market. In its securitization operations, net income amounted to 18.2 billion KRW from payment guarantee commission income, reduced sales management expenses, and MBS issuance premium revenue resulting from the drop of market interest rates.

The Housing Finance Credit Guarantee Fund was previously managed by the Korea Credit Guarantee Fund but the business was transferred to KHFC with its incorporation in March 2004. Last year, 3.9 trillion KRW in credit guarantees were provided, of which 81.3% (3.1 trillion KRW) was guaranteed against private individuals. The annual loss incurred by the Guarantee Fund decreased from 441.4 billion KRW in 2003 to 371.7 billion KRW in 2004 as a result of stepped up efforts to rationalize operations and claim rights to indemnity. After a 200 billion KRW government contribution, 125.9 billion KRW contribution from financial institutions, and recovery of 113.7 billion KRW from indemnities, year-end capitalization stood at 300.6 billion KRW, maintaining the operation multiple at 22.1.

KHFC improved its risk management group to better manage the various risks stemming from the business of the Corporation. A company-wide risk management system was created with the

establishment of the Asset/Liability General Management System and the Market Risk Management System, under which risk limits were controlled by risk type. Business administration improvements were steadily pursued to enhance the efficiency of business support and management, and to create a performance-based meritocratic corporate culture. KHFC also strived to improve its research development and statistical research organizations.

The organizational structure of KHFC includes two business divisions, 11 departments, 5 offices, and 11 branch offices with seven executive officers and 300 employees. The chief decision-making group of KHFC is the Housing Finance Operation Committee, and the Board of Directors deliberate resolutions on enforcement agenda. With the new government assignment of managing education finance, the organization will likely expand and engage in a wider range of operations.

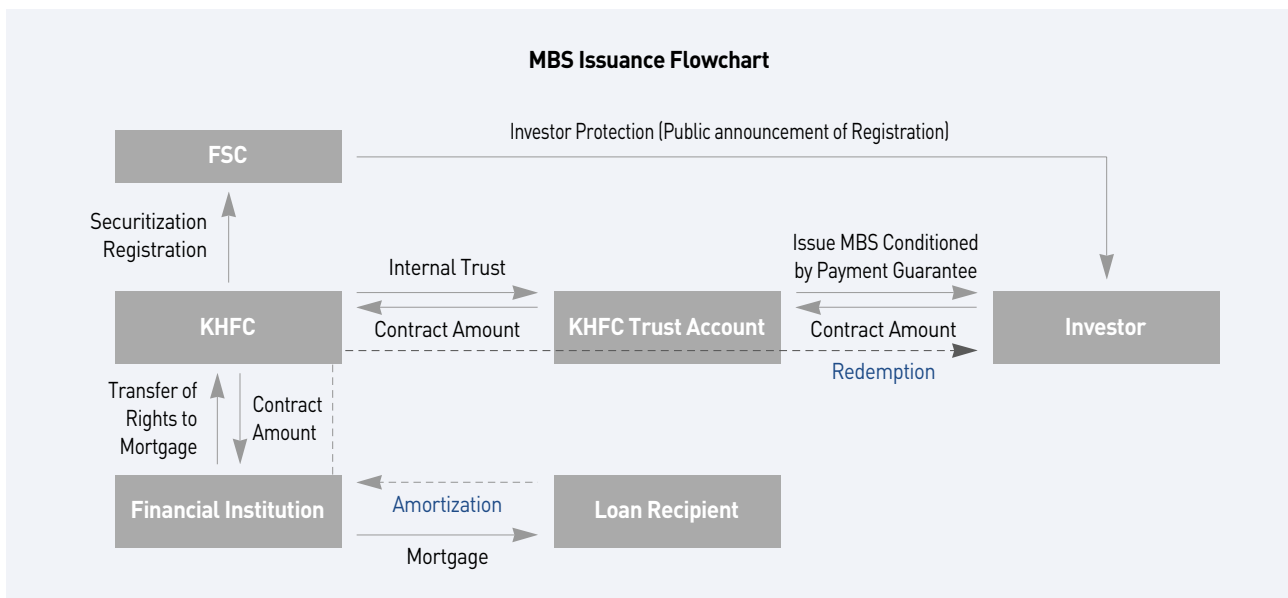
SECURITIZATION

The securitization of mortgages was legislated in January 1999 at the recommendation of the Ministry of Construction and Transportation. The Korea Mortgage Corporation (KoMoCo) was established in September 1999 under the 'Mortgage Securitization Act'.

Through 2003, KoMoCo made nine issues of MBS totaling 2.88 trillion KRW. However, most of the underlying assets were loans from the National Housing Fund: only 16.6 billion KRW were securities issued with securitized long-term fixed-rate mortgages as underlying assets. This was seemingly due to the low requirements for securitization in an environment where financing companies were merging and becoming larger with significantly increased liquidity. It is also seen as a result of the domestic business environment not yet being fully prepared for MBS and limits on a private company leading the market.

Meanwhile, interest on loans, which surged immediately after the financial crisis of 1997, peaked in early 1998 and continued to drop. Prices for residential real estate, however, began to rise in 2001 and accelerated in 2002, fueling widespread real estate investment. Financial institutions, flush with excessive liquidity, rushed to issue short-term housing loans to be paid in lump sums at maturity. As the loan to value (LTV) rate of home-secured loans increased, so did the size of private loans.

The government imposed a limit on the rate of LTV and announced the imminent establishment of KHFC in March 2003 to reduce the risk of a spate of delinquencies and non-performing loans (NPLs) at financial institutions due to a sudden decline in residential real estate prices or a rise in interest rates. KHFC also meant to facilitate the development of the long-term



Monthly Mortgage Issuance

(Unit : Billion KRW)

March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total
35.1	363.4	456.4	393.8	335.8	331.8	289.4	343.2	355.6	427.6	3,332
(7.0)	(18.2)	(24.0)	(17.9)	(15.3)	(15.1)	(15.2)	(16.3)	(16.2)	(18.6)	(17.1)

Note : Based on executed loan amount.

() - Daily average performance on business day basis

mortgage loan market, ultimately to benefit those consumers who actually need to buy homes. The Korea Housing Finance Corporation Act was enacted on December 31, 2003, and KHFC was incorporated in March 2004.

On March 17, 2004, KoMoCo transferred its business operations to the Securitization Division of KHFC. Its responsibilities included issuance of mortgages and student loans through partnerships with financial institutions; issuance of securitized bonds such as MBS • MBB (Mortgage-Backed Bonds) and SLBS (Student Loan-Backed Securities), which are based on the mortgages and student loans transferred from sales partners; the purchasing and holding of mortgages; issuance of payment guarantees against KHFC issued MBS and SLBS; and granting credit to financial institutions for purchasing mortgages.

KHFC began to issue mortgages on March 25 through financial institutions bound by working agreements. For all of 2004, KHFC issued 3.3 trillion KRW in mortgages to 47 thousand individuals. A total of 3.0 trillion KRW in mortgage-backed securities was issued to institutional investors in seven tranches, of which 41.8% were composed of bonds with maturities over 10 years, effectively creating the market for long-term bonds in Korea.

By procuring funds from the securities market, KHFC has established a reliable source of long-term mortgages, and in so doing, it has strongly encouraged banks to finally begin issuing mortgages in a proactive way. They are now competing to sell long-term mortgages, contributing to the development of the long-term housing finance market.

☞ ☞ Mortgages

Conditions on Mortgages

Mortgages are sold by financial institutions bound by the working

agreements with KHFC. A mortgage may cover up to 70% of the home purchase price. It is to be amortized in equal monthly installments for a term of up to 20 years. The interest rate is fixed, regardless of changes in the market interest rates. Those home buyers satisfying certain conditions under income tax law may receive an income deduction of up to 10 million KRW. If the home buyer is willing to bear the expense of collateral registration and selects the interest discount option, the interest rate may be reduced by 10 basis points for each option. Hence, one can realize a total rate reduction of over 100 basis points. However, if the home buyer repays the loan within five years, a prepayment penalty of up to 2% may be applied on a given basis against the period between receipt of loan and repayment.

The mortgage rate was initially set at 6.7% but was reduced three times following the declines in the market interest rates. Since November 19, the rate has been 5.95%. Also, to reduce the burden of repayment during the early stage, home buyers have since October 20 been permitted the option of paying 30% of the principle at maturity, up from 20% previously.

Mortgage Issuance Performance

In spite of the slow trend throughout the economy, the housing market remained strong until the government stepped in on October 29, 2004 with measures to cool the market down and discourage real estate speculation. Housing prices have been soft since then, and the volume of home sales has plummeted. Home buyers have naturally preferred variable-rate mortgages in light of the record-low interest rates, and overall demand for mortgages became weak. Furthermore KHFC did not even have direct sales channels to issue mortgage loans. Despite these difficulties, KHFC managed to issue 3.33 trillion KRW in mortgages to 47 thousand home buyers in 2004. Monthly average issuance was 366 billion KRW, and daily average issuance was 17 billion KRW.

MBS Issuance Structure

Items	Details	Note
Assets	Mortgages purchased from partner financial institutions.	
Yields	Yield on Treasury Bonds with same Maturity + Spread (Those exceeding 5 years : 5-Year Treasury Bond Yield + Spread)	
Creditability	Senior MBS guaranteed of payment by KHFC.	
Payment Method	Interest : 3-month coupon rate Principal : Lump sum payment at maturity	
Call Option	5-year maturity : After 1 year 7(7.5)-year maturity : After 3 years 10(12)-year maturity : After 4 years 15-year maturity : After 5 years 20-year maturity : After 6 years	
Tranche	Senior : 'AAA' credit rate, publicly offered, listed in market Junior : Held by KHFC (given the rights to collect remaining trust assets)	Evaluated by KIS, KR and NICE

g g MBS

Characteristics of KHFC MBS

There were seven issues of MBS by KHFC in 2004. The underlying assets were mortgages issued by 17 financial institutions, among the 21 partners bound to the Mortgage Issuance Agreement with KHFC.

The first issue of MBS had nine different tranches of senior MBS. However, to standardize products and facilitate distribution, the number of tranches was reduced to six after the second issue. Junior MBS, used to settle assets and liabilities remaining in trust, were issued with one tranche and is currently held by KHFC.

The principal of KHFC MBS, which is in three-month coupon bonds, is redeemed in a lump sum upon maturity. However, considering the prepayment risk of mortgages, securities with maturities over five years come with call options.

Payment of senior MBS is guaranteed by KHFC, and under Article 51 of the Korea Housing Finance Corporation Act, accumulated losses are to be preserved by the government. All KHFC MBS issued in 2004 has been granted the 'AAA' credit

rating by credit rating agencies, proving its quality within the securities market.

The weighted average yield of total MBS issued during 2004 was 4.34%. The average spread against the benchmark yield is 48 basis points, which indicates that long-term mortgage resources have been procured from the capital market at reasonably low interest rates.

The weighted average yield of three-year MBS is 3.78%. The spread against the three-year treasury bond yield is 13.4bp. The weighted average yield and spread for five-year MBS are 4.15% and 24.6bp, respectively.

Issuance of MBS

The first MBS issued by KHFC was distributed on June 15, 2004. Thereafter, in 2004, a total of 3.0 trillion KRW in senior MBS was sold to institutional investors in seven separate issues.

By maturity, 10-year notes MBS totaled 600 billion KRW, accounting for the largest share (19.9%) of MBS issued in 2004. Five-year maturity MBS accounted for 19.6%, or 590 billion KRW; seven-year maturity MBS totaled 16.9%, or 510 billion KRW; and MBS with maturities 10 years and over accounted for 41.8%, or 1.26 trillion KRW.

MBS Investments by Maturity

(Units : Billion KRW, %)

	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Subtotal	
Bank	214 (16.7)	330 (25.7)	370 (28.8)	180 (14.0)	170 (13.2)	20 (1.6)	1,284 (100.0)	(42.6)
Insurance	45 (4.9)	90 (9.7)	210 (22.7)	230 (24.9)	200 (21.6)	150 (16.2)	925 (100.0)	(30.7)
Pension Fund	3 (0.8)	110 (28.7)	- -	210 (54.8)	60 (15.7)	- -	383 (100.0)	(12.7)
Securities	104 (53.6)	30 (15.5)	20 (10.3)	30 (15.5)	10 (5.2)	- -	194 (100.0)	(6.4)
IT	160 (69.6)	30 (13.0)	40 (17.4)	- -	- -	- -	230 (100.0)	(7.6)
Total	526 (17.4)	590 (19.6)	640 (21.2)	650 (21.6)	440 (14.6)	170 (5.6)	3,016 (100.0)	(100.0)

The institutions investing in KHFC MBS were banks, insurance companies, pension funds, securities companies, and investment trust companies. Banks accounted for the largest share of 1.28 trillion KRW, or 42.6%. Insurance companies invested 925 billion KRW (30.7%), and pension funds invested 383 billion KRW (12.7%). Insurance companies and pension funds, respectively, allocated 62.7% and 70.5% of the total MBS investments to tranches with maturities of 10 years or over. The corresponding figures for banks and securities companies were 28.8% and 20.6%, while investment trust companies purchased MBS with tranches within maturities of 7 years only.

KHFC did indeed resolve the imbalance in supply and demand for long- and short-term bonds to a great degree, bringing long needed impetus to Korea's bond market. The product will become a viable, new alternative for long-term investors, who

previously experienced difficulties constructing their portfolios.

Post-Management

When the underlying assets for the MBS issued in 2004 were transferred, the total volume of mortgages outstanding was 2.96 trillion KRW. At the end of the year, the remaining mortgages as underlying assets totaled 2.87 trillion KRW. An amount of 84.6 billion KRW was repaid before maturity, recording an early repayment rate of 2.86%. Some mortgagees are believed to have been repaid early because of the reductions in market interest rates during the year. Each of the three reductions by KHFC in the rate on its mortgages were followed by a flurry of early repayments for the purpose of refinancing at the better rate. As a result, KHFC executed 21.5 billion KRW in call option rights against 2004 five-year MBS.

Securitized Assets Redeemed

(Unit : Billion KRW, %)

Issue	Initial Balance	Balance as of 2004 end	Amount Repaid	Rate of Prepayment %
KHFC MBS-2004-1	545.6	520.2	25.4	4.66
KHFC MBS-2004-2	401.9	388.0	13.9	3.46
KHFC MBS-2004-3	550.5	529.0	21.5	3.91
KHFC MBS-2004-4	391.3	379.4	11.9	3.04
KHFC MBS-2004-5	353.5	346.2	7.2	2.04
KHFC MBS-2004-6	309.9	306.9	3.0	0.97
KHFC MBS-2004-7	405.4	403.8	1.6	0.39
Total	2,958.2	2,873.5	84.6	2.86

HOUSING FINANCE CREDIT GUARANTEES



A total of 3.0 trillion KRW in MBS was issued to institutional investors, of which 41.8% were composed of bonds with maturities of over 10 years, effectively creating the market for long-term bonds in Korea.

The Housing Finance Credit Guarantee Fund (hereinafter 'Guarantee Fund') was established to improve the welfare of families that require a stable source of funds for home purchases by providing credit guarantees against housing finance. More specifically, the Guarantee Fund seeks to make housing affordable to more mid- and low- income households and realize substantial management of the Fund.

The year 2004 was difficult for the Guarantee Fund. The volume of bad guarantees surged along with the rise in personal delinquencies. The government's strong measures to cool down the real estate market caused housing prices to fall, and the continued stagnation in domestic consumption served to exacerbate household finances.

However, in order to cope with the difficult business environment

and successfully support government policy, KHFC set up a basic business goal of establishing a foundation for self-reliance amidst the environmental changes in housing finance. Towards this end, the Guarantee fund:

- 1) Worked to establish a foundation for mid-long term independence by maintaining and expanding basis capital with practical guarantee fees paid in principle by the beneficiaries.
- 2) Established the foundation for sound guarantees by improving its screening of individual loan applicants by overhauling its Credit Scoring System (CSS).
- 3) Helped reinforce the foundation for demand-based housing finance by introducing new products such as guarantees for mid-payment on home purchases linked to mortgages.
- 4) Created a team to help normalize the operations of financially distressed builders guaranteed by the Fund and to tighten

Basis Capital

(Unit : Billion KRW, Multiple)

Item	2001 end	2002 end	2003 end	2004 end
Basis Capital ¹⁾	1,011.3	1,336.9	1,597.9	1,923.8
[Government Contribution] ²⁾	(200.0)	(230.0)	(150.0)	(200.0)
[Financial Institution Contribution] ²⁾	(60.1)	(95.6)	(111.0)	(125.8)
Net Basis Capital (A) ³⁾	305.2	526.2	348.1	300.5
IBRD Loan (B)	280.0	280.0	266.0	238.0
Total (C = A + B)	585.2	806.2	614.1	538.5
Guarantee Balance (D)	15,799.4	17,000.5	15,892.3	11,889.7
Operating Multiple (D / C)	27.0	21.1	25.9	22.1

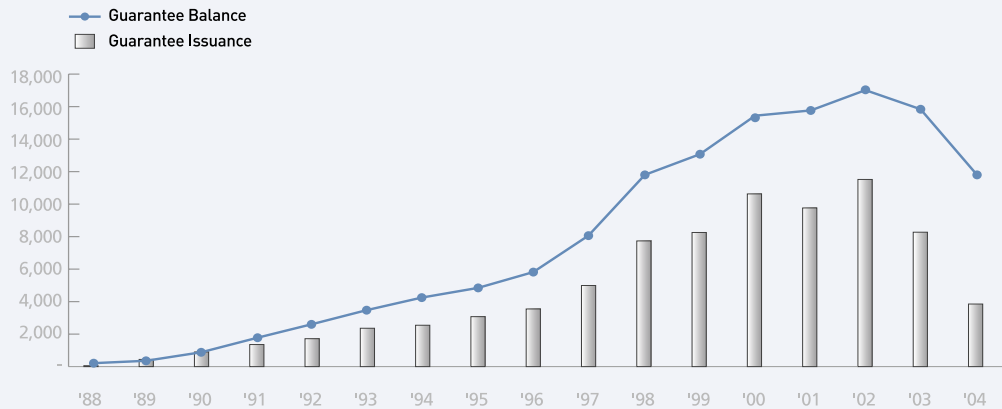
Note 1) Cumulative total of contributions from the government and financial institutions

2) Current year contributions only

3) The amount after cumulative losses are deducted from basis capital

Issuance and Balance of Credit Guarantees

(Unit : Billion KRW)



management against claims. Efforts were also made to maximize the recovery of rights on indemnity.

The loss in 2004 was reduced to 371.7 billion KRW from 441.4 billion KRW in 2003. With the recovery of indemnity rights of 113.7 billion KRW, capitalization was raised to 300.5 billion KRW, maintaining the operating multiple at 22.1.

Resources of Fund

The Guarantee Fund is financed by contributions from the government and financial institutions, guarantee fee income, realizations of claims against indemnity rights, fund investment revenue, loans from funds managed or invested in by financial institutions or the government, government loans, foreign government loans, and loans from international organizations.

The cumulative total of contributions from the government and financial institutions constitute the basis capital of the Guarantee Fund. The government contribution differs each year, depending on the government's budget plan. Financial institutions are obligated by the Ministry of Finance and Economy to make contributions at certain rates, but within an amount not exceeding 0.3% of one's own annual average balance of housing loans outstanding.

Credit Guarantees

Overview

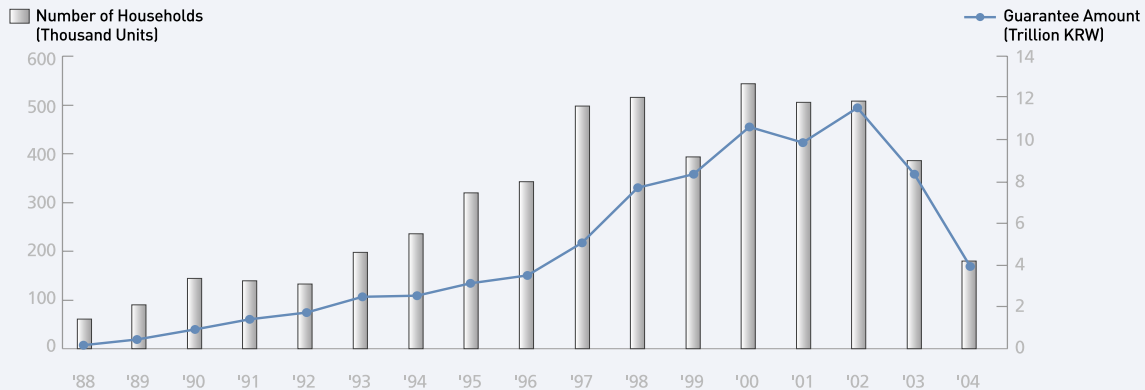
The most important task of the credit guarantee business in 2004 was to provide sound guarantees. Quantitative expansion was de-emphasized, and operations were managed in such a way as to facilitate the provision of guarantees within the allowed limit of government contributions and the operation multiple. Efforts were also made to improve systems and to expand into new lines of business which led to the introduction of the Mortgage Mid-Payment Guarantee, which created synergy effects by linking guarantees with securitization.

Credit Guarantee Performance

Due to insufficient capacities for credit guarantees, resulting from the surge in subrogation and from government limitations on the ratio of housing loan to value, the volume of credit guarantees peaked in 2002 and began to contract. In 2004, guarantee issuance totaled only 3.85 trillion KRW, down 4.42 trillion KRW from 2003. The outstanding volume of guarantees declined 4.0 trillion KRW to 11.89 trillion KRW.

Guarantees issued to households account for 81.3% of the total, a 5.4%p decline from 2003. In particular, this volume was down sharply by 56.3% from the previous year because of the tighter standards on private guarantees under the adjusted CSS rating.

Number of Households Guaranteed and Amount Issued



Guarantees on mid-payments dropped by 2.25 trillion KRW from the previous year as a result of the government's determination to stabilize the real estate market and the deterioration in the market for apartment housing.

Guarantees on acquisition funds also fell by 0.73 trillion KRW

from the previous year due to the lower volume of loans qualified for credit guarantees under the tightened limits on ratio of loan to value regulated by the Finance Supervisory Service. Even for guarantees on lease loans, which are a common means of financing for mid- and low-income households, the decline in guarantees was 1.06 trillion KRW.

Guarantee Degenerations

(Unit : Billion KRW, %)

Item		2001	2002	2003	2004
Private Guarantee	Guarantee Balance	12,487	14,338	13,890	10,123
	Degenerated Amount	726	711	1,246	1,061
	(Ratio)	(5.8)	(5.0)	(9.0)	(10.5)
	Net Degeneration ¹⁾	254	183	802	595
	(Net Ratio)	(2.0)	(1.3)	(5.8)	(5.9)
Builder Guarantee	Guarantee Balance	3,313	2,663	2,002	1,767
	Degenerated Amount	238	79	39	46
	(Ratio)	(7.2)	(3.0)	(1.9)	(2.6)
	Net Degeneration ¹⁾	-294	-132	-215	-33
	(Net Ratio)	(-8.8)	(-5.0)	(-10.7)	(-1.8)
Total	Guarantee Balance (A)	15,799	17,001	15,892	11,890
	Degeneration(C)	964	791	1,285	1,107
	(Ratio,C/A)	(6.1)	(4.7)	(8.1)	(9.3)
	Net Degeneration(B) ¹⁾	-41	52	587	562
	(Net Ratio,B/A)	(-0.3)	(0.3)	(3.7)	(4.7)
	Balance of Degenerated Amount	1,703	1,490	1,641	1,688

Note 1) Net Degeneration Amount = Degenerated Amount - Resolved Amount

As these figures make clear, nearly all (91.4%) of the 4.42 trillion KRW decline from the previous year in guarantees issued was accounted for by declines in private guarantees.

Guarantees given to builders decreased by 33.3% to 0.72 trillion KRW as well, owing to the steady slowdown in construction of homes for leasing.

A total of 5.24 million households accounting for 81 trillion KRW in guarantees was financially supported through the Guarantee Fund since its establishment in 1988, which proves that the Fund steadfastly pursued the government goal of stabilizing the housing situation for mid- and low-income families.

9 9 Post-Management

The extremely prolonged economic recession and the tight management of credit by financial institutions caused the number of credit card delinquents to increase, further exacerbating already distressed household financial conditions. This served to increase the number of guarantees against insolvent private individuals, and subrogation surged, significantly reducing the resources available in 2004 for guarantee operations. Thus, the maintenance and expansion of basis capital, by means of normalizing degenerated guarantees and maximizing the recovery of indemnity rights, were the core tasks for the bad debt management group of the organization.

Degenerated Credit Guarantees

Since the second half of 2002, the rise in credit card delinquency led to a rapid increase in the number of bad credit guarantees. The rate of degenerated credit guarantees in 2002 was 4.7%, and it nearly doubled to 8.1% in 2003. The net degeneration rates surged from 0.3% to 3.7%. In 2004, the degeneration and net degeneration rates rose still further, to 9.3% and 4.7%, as the economic recession dragged on burdened by stagnant domestic demands.

The rate of deteriorated guarantees against private individuals in 2004 increased to 10.5%, up 1.5%p from the previous year. In view of the overall rate of 9.3%, it is 1.2%p higher, possibly due to

financial problems from credit card delinquencies. Guarantee degenerations against builders rose 0.7%p from the previous year to 2.6%, though this was significantly lower than the overall rate of 9.3%.

Indemnity Rights

The subrogated amount for all of 2004 was 574.2 billion KRW. Though this was a decline of 2.1 billion KRW from 576.3 billion KRW in 2003, the ratio of subrogation increased by 1.2%p to 4.8%, and the net ratio increased by 0.9%p to 4.0% from the previous year due to the sudden reduction in the guarantee balance.

Since the initial period after incorporation, KHFC continued to recover as much in indemnity rights as possible in a difficult environment characterized by the ongoing transfer of the credit guarantee business, the weakness of the domestic economy, and diminished debt service abilities of debtors. Bolstered during the campaign period from June 1 to December 22, KHFC recovered 113.7 billion KRW in indemnity rights in 2004, 20.9 billion KRW more than in 2003 and 94.8% of the original 120 billion KRW target.

Organization

Internal Controls and Risk Management
Institutional Code of Conduct
Internal Control
Risk Management

Organization

Housing Finance Operation
Committee
Board of Directors
Organization Structure
Executive Directors

INTERNAL CONTROLS AND RISK MANAGEMENT

9 9 Institutional Code of Conduct

KHFC established the KHFC Charter of Ethics and the Code of Conduct for the Maintenance of Integrity on November 26 and declared them on December 1, setting forth the KHFC standards on behavior and values that need to be upheld by all KHFC employees to build and retain the public trust and fulfill responsibilities and obligations to better the housing welfare of the general public and further the development of the national economy.

9 9 Internal Controls

KHFC established various internal control systems to make work operations transparent and build trust. The internal control is handled by each executing department and is carried out by the auditor.

The budget planning department and the executing department are two separate entities. To improve the profitability and soundness of surplus fund investments, and to maximize objectivity, transparency, and efficiency in investment management, issues on evaluation and selection of financial institutions, external entrustment of asset management, and providing loans to financial institutions are reviewed by the Fund Investment Review Committee. Work is divided, adjusted, and controlled in line with applicable regulations. Authority and responsibility for work are determined according to position and rank.

The Auditing Office is separate from the decision-making or executive bodies. It performs general, special, and regular audits and reports directly to the independent Auditor.

9 9 Risk Management

The need for risk management is stronger than ever before to prevent undue losses and minimize uncertainties in the business environment while maximizing corporate value. KHFC monitors and manages risk on a continuous basis in all of its operations to ensure maximum profitability and optimal allocation of assets.

KHFC segregated the risk management organization so that the reporting line would be independent from that of the business

operation departments. This decision was made to allow the risk management team the ability to check and balance as appropriate, preventing excessive risk in any specific sector. The risk allowance limit is determined by considering the profit centers and equity capital.

The three major forms of risk are interest rate risk in the issuance of MBS, credit risk in mortgages, and mortgage prepayment risk.

Implementation of the Corporate-Wide Risk Management System

The Risk Management Department(RMD) reports on risk affairs directly to the COO. The risk management organization and regulations were revised with the support of an external advisory group providing advice on risk management strategies and methods.

RMD managed to set up and control the risk allowance limits by sectors. Also the market risk management system and the general asset/liability management system were established to maintain limits on losses against investment securities and derivatives.

Credit Risk

To manage the credit risk of mortgagees, KHFC forged agreements with financial institutions to limit loans against the CB (Credit Bureau) rating of each mortgagee and to set an appropriate loan ratio depending on debt servicing ability.

In issuing mortgages, financial institutions are required to screen applicants and approve only those applicants that have adequate credit ratings, grade 9 or better, based on the CB rating of a specified credit rating company. Financial institutions are prohibited from issuing mortgages to applicants with inferior credit.

Debt servicing ability is determined to set the proper rates of loans against mortgage value (LTV: Loan to Value). If a mortgagee's liability/income (DTI: Debt to Income) rate is below a given standard, the LTV rate is limited to 60% regardless of what type of housing is offered as collateral.

Under the Mortgage-Backed Housing Loan Transfer Agreement, financial institutions may transfer only those assets that meet adequate standards. To clarify the position of liabilities created from poor credit screening, those financial institutions transferring inadequate assets will be held liable for loss compensation claims based on the Agreement.

Prepayment Risk

The risk from inconsistent cash-flows, created by the redemption of MBS at maturity and prepayment of mortgages, is managed by applying prepayment fees, and by holding call option positions.

To discourage early repayment, mortgage agreements clearly state that penalties as a percentage of the outstanding principle shall be charged for prepayment within five years. The penalty shall be 2% of outstanding principle for prepayment within one year, 1.5% for prepayment within three years, and 1% for prepayment within five years.

To counter against early repayment of mortgages, MBS with maturities of five years or over were issued with call options. The call option rights can be executed in units of 10% multiples against issuance amount (1st MBS issue) or in units of 5% multiples (for 2nd~7th MBS).

Interest Rate Risk

When setting the interest rate on mortgages, KHFC forecasts the yields of the MBS slated to be issued. Losses will be incurred when MBS is issued at a rate higher than previously forecast. KHFC uses treasury bond futures to prevent such losses, which arise from discrepancy in time and volatility of market interest rates between the points of mortgage and MBS issuance. Treasury bond futures are traded in such a way as to establish effective hedging positions. During 2004, KHFC sold 45,270 contracts and repurchased 39,375 contracts.

Following the fluctuations in market interest rate levels, KHFC has adequately adjusted mortgage rates, and the risk of hedge transactions has been managed by setting limits on investment and losses. These risks are monitored on a daily basis.

ORGANIZATION

Housing Finance Operation Committee

The Housing Finance Operation Committee is the chief decision-making body within KHFC. It reviews and provides resolutions on all significant issues. The agenda may include establishment of basic directives for operations, establishment and modification of work plans, revisions to the articles of incorporation, budget planning, revision and settlement, standards for mortgage transfers, establishment and modification of operation plans for the Housing Finance Credit Guarantee Fund, and indemnity rights write-offs.

The Committee has six members including the KHFC CEO as Chairman, one government official representing the Ministry of Finance & Economy (MOFE) and another from the Ministry of Construction & Transportation (MOCT), one member appointed by the Minister of the MOFE among executives of financial institutions or housing finance experts, and two members appointed by the Minister of the MOFE who are each recommended by MOCT and the Bank of Korea.

Board of Directors

The Board of Directors (BOD) is the chief executive body formed of the CEO, the COO, a maximum of four executive directors, and at least two outside directors. The Auditor may attend the BOD meeting to state opinions.

The CEO of KHFC is appointed or dismissed by the President based on the recommendation of the minister of MOFE. The COO, executive directors, and external directors are appointed or dismissed by the minister of MOFE with the recommendation of the CEO. The Auditor is appointed and dismissed by the minister of MOFE. The term of office for the directors is three years.

BOD provides resolutions on issues requiring the review and decision of the Housing Finance Operation Committee, the use of emergency reserves, the transfer of budgets to the next year, establishment, revision and annulment of rules, and other issues requiring the decisions of the BOD.

9 Organization Structure

The two major groups in KHFC are the Headquarters Office and Sales Branch. Previously the Head Office was overseen by four working directors covering 10 departments and four offices. The Sales Branch had two sales departments, seven branch offices, and three site offices. However, as of February 4, 2005, the organization was restructured to improve operations and efficiency into two business divisions, 11 departments, 5 offices, and 11 branch offices.

The Securitization Business Division and the Housing Guarantee Business Division were formed to establish greater accountability in management. The Innovation Planning Office was formed to

improve strategic planning and promote operational innovation, and it reports directly to the CEO.

To strengthen core competencies in securitization, roles were adjusted among departments, and the Securitization Business Department - previously included in the organization of the Sales part - is now incorporated into the Headquarter Office. Site offices were promoted to branch offices to reinforce and expand the role of the Sales Branch.

In each business division, a designated department was given the function of controlling plans and adjusting work among different departments to maximize efficiency.

Committee Members

Organization	Position	Name
Korea Housing Finance Corporation	President	Chung Hong-Shik
Ministry of Finance & Economy	Deputy Vice Minister	Bahk Byong-Won
Ministry of Construction & Transportation	Deputy Vice Minister	Kwon Do-Youp
Seoul National University	Professor	Rhee Chang-Yong
Korea Housing Institute	President	Koh Chul
Seoul Money Brokerage Services	Advisor	Park Jae-Joon

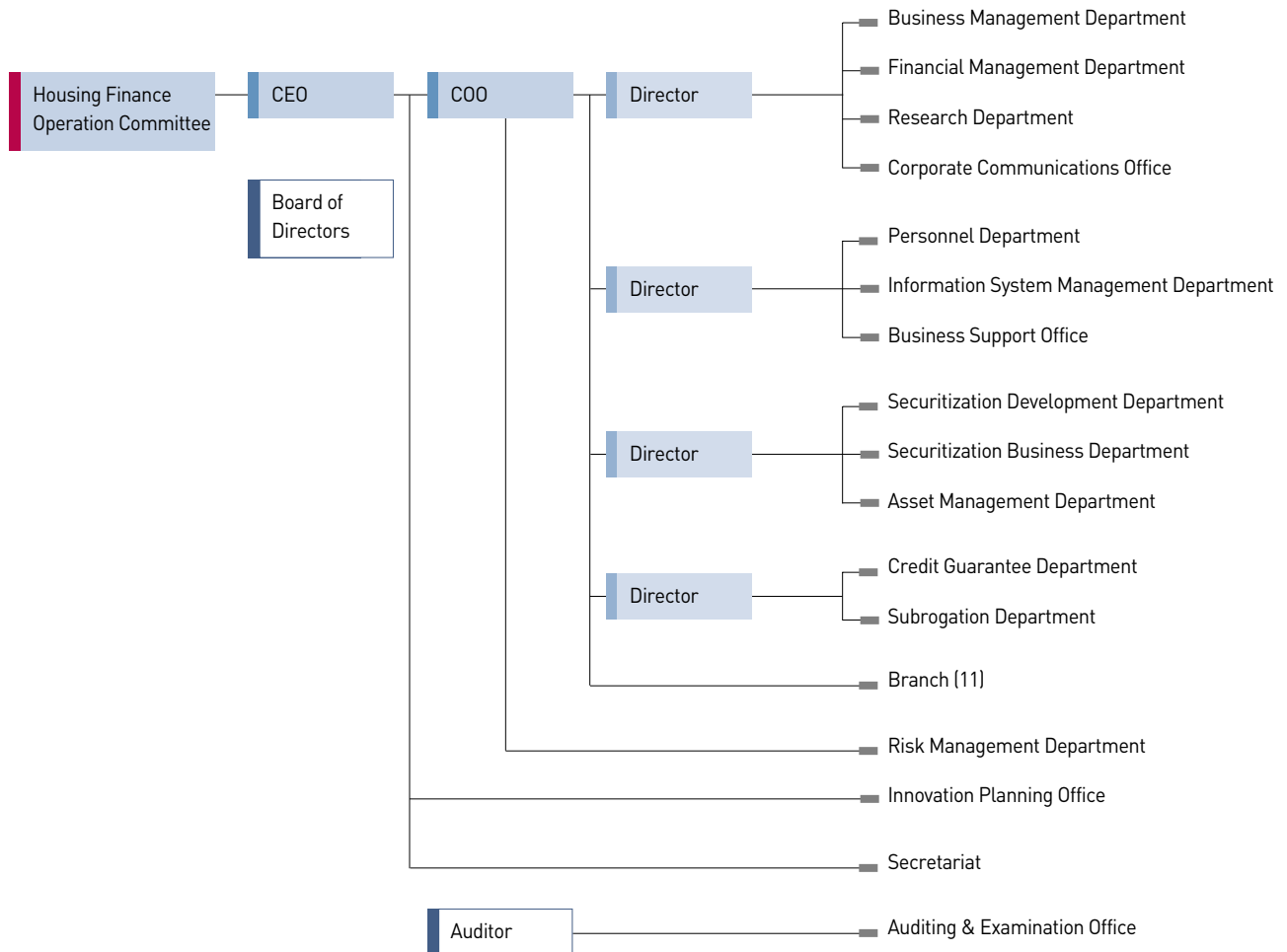
Executive Directors

Areas of Management	Director
w General Management, Innovation Planning Office	CEO Chung Hong-Shik
w General Management, Risk Management Dept.	COO Choi Chang-Ho
w Auditing & Examination Office	Auditor Kim Kyung-Deok
w Housing Guarantee Business Division (Credit Guarantee Dept., Subrogation Dept.)	Director Lim Byung-Man
w HR, IT (Personnel Dept., IS Management Dept., Business Supporting Office)	Director Lee Jong-Man
w Business Management, Finance (Business Management Dept., Financial Management Dept., Research Dept., Corporate Communications Office)	Director Kim Dong-Hwan
w Securitization Business Division (Securitization Development Dept., Securitization Business Dept., Asset Management Dept.)	Director Baek Yong-Bu

External Directors

Organization	Position	Name
Sogang University	Professor	Kim Kyung-Hwan
Bae, Kim & Lee	Advisor	Kim Yong-Sup
Konkuk University	Professor	Lee Yong-Mo

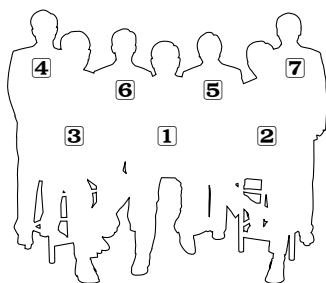
Organization Chart



Full-time Employees

Classification	General					Secretary	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Count	12	24	56	83	117	8	300

Executive Directors



- | | | | | | |
|---|----------|------------------------|---|----------|----------------------|
| 1 | CEO | Chung Hong-Shik | 5 | Director | Lee Jong-Man |
| 2 | COO | Choi Chang-Ho | 6 | Director | Kim Dong-Hwan |
| 3 | Auditor | Kim Kyung-Deok | 7 | Director | Baek Yong-Bu |
| 4 | Director | Lim Byung-Man | | | |

Addendum

2004 Financial Statements and
Auditor's Review

Korea Housing Finance Corporation
Housing Finance Credit Guarantee
Fund

Corporate History and Major Events

Housing Statistics

Sales Branches

2004 FINANCIAL STATEMENTS AND AUDITOR'S REVIEW

☐ ☐ Korea Housing Finance Corporation

Audit Report by External Auditor (as of January 26, 2005)

AHN YOUNG
(formerly YOUNG WHA)
ERNST & YOUNG

Bridge securities Bldg. 4-14th Floors 25-15, Yeouido-dong
Yeongdeungpo-gu, Seoul 150-010 Korea
Tel : 3787-6600, 3787-6800
FAX : 783-5890, 785-6991, 786-6956, 786-6957,
761-5084, 783-4855

The financial statements of the Korea Housing Finance Corporation (hereinafter "KHFC") have been audited and reviewed. The Balance Sheet, Income Statement, Appropriation of Retained Earnings Statement, and Cash-Flow Statement figures were produced as of the end of the fiscal year, December 31, 2004. The responsibility for producing the financial statements lies with the manager of KHFC. The responsibility of the auditor is to audit the financial statements and express opinions thereon.

The audit was performed in accordance with the Financial Auditing Standards of the ROK. The Standards require that audits be performed so as to be rationally certain that no material distortions have been made to the financial statements. Audit evidence supporting the figures of the financial statements and publicly announced information were verified by means of sample testing. The audit includes not only overall evaluation on the contents of statements but also evaluations on the applied accounting principles and assumptions. It is believed that the auditing process provided rational foundations required for opinions to be demonstrated.

It is the opinion of the auditor that the presented financial statements adequately represent the financial position, the business performance, changes in retained earnings, and the cash-flow of KHFC for the fiscal year ending December 31, 2004. The statements are sufficiently expressed in view of materiality in accordance with the corporate accounting standards of the ROK.

CEO / KICPA
Oh Chan-Sok

This Audit Report is effective as of the current date of January 26, 2005. Hereafter, from this date, any incident or condition having material impact on the KHFC Financial Statement that may occur shall require an audit report of modification.

1. SUMMARY BALANCE SHEET (KHFC Account)

Term 1 as of December 31, 2004 / Fiscal Year Commencement Date March 1, 2004

(Unit : 100 Million KRW)

Item	Term 1	Commencement Date	Variance
	Amount	Amount	
I. Cash & Deposits	1,602	3,215	△1,613
KRW Deposits	1,602	3,215	△1,613
II. Securities	2,006	-	2,006
(1) Bonds Held to Maturity	2,006	-	2,006
Treasury / Public Notes	1,405	-	1,405
Financial Institution Notes	600	-	600
MBS	1	-	1
III. Fixed Assets	56	1	55
(1) Tangible Asset	56	1	55
IV. Other Assets	356	233	123
Guarantee Deposits	286	233	53
Loan Receivables	4	-	4
Revenue Receivables	63	-	63
Pre-Paid Expenses	1	-	1
Advance Payments	2	-	2
Asset Total	4,020	3,449	571
I. Loans Payables	-	267	△267
KRW Loans	-	267	△267
II. Other Liabilities	72	-	72
Allowance for Severance Liability	4	-	4
(Retirement Insurance Deposit)	[3]	-	△3
Account Payables	1	-	1
Income Tax Payable	64	-	64
Deferred Income Tax	4	-	4
Returnable Deposits	2	-	2
Liability Total	72	267	△195
I. Capital Stock	3,766	3,200	566
Paid-in-Capital	3,766	3,200	566
II. Retained Earnings	182	(18)	200
Net Income	182	(18)	200
Owners' Equity Total	3,948	3,182	766
Liability & Capital Total	4,020	3,449	571

2. SUMMARY INCOME STATEMENT (KHFC Account)

Term 1: March 1, 2004 ~ December 31, 2004

(Unit : 100 Million KRW)

Item	Term 1 Amount
I. Operating Revenue	817
(1) Interest Revenue	122
Interest on Deposits	55
Interest on Security Holdings	67
(2) Commission Revenue	99
Payment Guarantee Fees	71
Trust Commissions	19
Other Commission Income	9
(3) Other Operating Revenue	596
Mortgage Disposal Income	579
Derivatives Valuation Gains	1
Returns from Provision for Payment Guarantee	16
II. Operating Expenses	539
(1) Other Operating Expenses	423
Derivatives Transaction Losses	423
(2) Sales & Administrative Expenses	116
Salaries	40
Depreciation	10
Advertisement	27
Commissions	16
Others	23
III. Operating Income	278
IV. Non-Operating Revenue	-
V. Non-Operating Expenses	19
Organization Costs	19
VI. Ordinary Income	259
VII. Extraordinary Gains	-
VIII. Extraordinary Losses	-
IX. Income before Income Tax Expenses	259
X. Income Tax Expenses	77
XI. Net Income	182

3. SUMMARY BALANCE SHEET (Integration of Trust Account)

Term 1, as of December 31, 2004 / End of previous year as of December 31, 2003

(Unit : 100 Million KRW)

Item	Term 1	Previous Year End	Variance
	Amount	Amount	
I. Cash & Deposits	2,917	2,191	726
KRW Deposits	2,917	2,191	726
II. Securities	874	1,839	△965
Treasury/Public Notes	-	644	△644
Financial Institution Notes	874	1,195	△321
III. Securitized Assets	43,556	17,087	26,469
(1) Mortgages	43,556	17,087	26,469
Mortgages (principal)	42,992	17,069	25,923
Mortgages (premium on purchase)	564	18	546
IV. Other Assets	162	99	63
Revenue Receivables	130	87	43
Other Account Receivables	21	5	16
Advance Payments	11	7	4
V. Accumulated Losses on Trust	162	98	64
Asset Total	47,671	21,314	26,357
I. Securitized Liabilities	45,801	19,940	25,861
MBS (senior)	44,866	18,972	25,894
MBS (junior)	974	973	1
MBS (discount on issuance)	(39)	(5)	△34
II. Other Liabilities	1,358	1,041	317
Advancements	1,071	855	216
Unearned Revenue	5	4	1
Accrued Trust Interest	255	173	82
Unpaid Expenses	27	9	18
III. Accumulated Gains on Trust	512	333	179
Liability Total	47,671	21,314	26,357

4. SUMMARY INCOME STATEMENT (Integration of Trust Account)

Term 1 : January 1, 2004 ~ December 31, 2004 / End of previous year : January 1, 2003 ~ December 31, 2003

(Unit : 100 Million KRW)

Item	Term 1 Amount	Previous Year End Amount	Variance
I. Operating Revenue	1,997	1,693	304
(1) Interest on Deposit	89	89	-
(2) Interest on Security Holdings	85	114	△29
(3) Interest on Mortgages	1,769	1,490	279
(4) Commission Income	15	-	15
(5) Securities Disposal Income	35	-	35
(6) Securities Valuation Gains	4	-	4
II. Trust Losses	76	82	△6
Total	2,073	1,775	298
I. Operating Expenses	1,881	1,653	228
(1) MBS Interest Expenses	1,707	1,543	164
(2) Commissions and Others	174	110	64
II. Trust Profits	192	122	70
Total	2,073	1,775	298

Audit Report by External Auditor
(as of January 26, 2005)



Bridge securities Bldg. 4-14th Floors 25-15, Yeouido-dong
Yeongdeungpo-gu, Seoul 150-010 Korea
Tel : 3787-6600, 3787-6800
FAX : 783-5890, 785-6991, 786-6956, 786-6957, 761-5084, 783-4855

The financial statements of the Housing Finance Credit Guarantee Fund(hereinafter "the Guarantee Fund") have been audited and reviewed. The Balance Sheet, Income Statement, Appropriation of Deficit Statement, and Cash-Flow Statement figures were produced as of the end of the fiscal year, December 31, 2004. The responsibility for producing the financial statements lies with the manager of the Guarantee Fund. The responsibility of the auditor is to audit the financial statements and to express opinions thereon. The financial statement ending as of December 31, 2003 was audited by PWC and was presented for comparison. The audit opinion of PWC reported as of January 31, 2004 was adequate.

The audit was performed in accordance with the Financial Auditing Standards of the ROK. The Standards require that audits be performed so as to be rationally certain of the fact that no material distortions have been made to the financial statements. Audit evidence supporting figures of financial statements and publicly announced information were verified by means of sample testing. The audit includes not only overall evaluation on the contents of statements but also evaluations on the applied accounting principles and assumptions. It is believed that the auditing process provided rational foundations required for opinions to be demonstrated.

It is the opinion of the auditor that the presented financial statements adequately represent the financial position, the business performance, changes in deficit, and the cash-flow of the Guarantee Fund for the fiscal year ending December 31, 2004. The statements are sufficiently expressed in view of materiality in accordance with the General Law of Fund Management, applicable regulations, and the corporate accounting standards of the ROK.

The following shall not effect the audit opinion, however, it is judged that the information benefits the reader in the process of making a rational decision.

(1) Accounting of IBRD Loans and Related Transactions

As described in Notes 2 and 10 of the Financial Statement, for the purpose of increasing the limit of guarantees, the Guarantee Fund procured IBRD loans in an amount of US\$200,000,000 from the Korea Development Bank with an interest of Libor+0.95% in May 1998. Currently, as of the end of fiscal year, the balance is US\$170,000,000. To hedge the exchange rate and interest rate risk against the loan, the Guarantee Fund established currency swap contracts with Kookmin Bank, conditioning the swaps at a contracted exchange rate (W1,400/US\$1) and contracted interest rate (13.32%). Also, for payments in KRW against the foreign exchange swap, the Guarantee Fund invested in KB fixed-term deposits and junior bonds in amounts of 105,100 million KRW and 132,900 million KRW, respectively, as of fiscal year end. Based on the 'Directives on Corporate Special Accounting and Settlement" established by the

Ministry of Finance and Economy, founded on the General Law of the Fund Management Executionary Decree, the above specified IBRD loan related transactions will be evaluated at the exchange rate under the swap contract (W1,400/US\$1) until the 2007 fiscal year, and related derivatives and junior bonds are not evaluated at fair price.

[2] Per Contra for Accepted Guarantees & Accepted Guarantees

As described in Note 2 of the Financial Statement, until the previous fiscal year, the Guarantee Fund specified 'Per Contra for Accepted Guarantees' and 'Accepted Guarantees' within the Balance Sheet following the accounting rules of the Fund. However, as of the current term, these contra accounts will not be specified within the Balance Sheet. As a result of this change in accounting procedures, the Assets and Liabilities for the current term and previous term were reduced in the amounts of 11,889,748 million KRW and 15,892,321 million KRW, respectively.

CEO / KICPA
Oh Chan-Sok

This Audit Report is effective as of the current date of January 26, 2005. Hereafter, from this date, any incident or condition having material impact on the KHFC Financial Statement that may occur shall require an audit report of modification.

1. SUMMARY BALANCE SHEET

Term 17 : as of December 31, 2004 / Term 16 : as of December 31, 2003

(Unit : 100 Million KRW)

Items	Term 17 Amount	Term 16 Amount	Variance
I. Current Assets	8,130	7,024	1,106
1. Cash & Deposits	3,542	3,870	△328
2. Marketable Securities	1,287	564	723
3. Indemnity Rights	16,459	13,041	3,418
(Allowance for Indemnity Rights Write-Offs)	(13,435)	(10,797)	(2,638)
4. Other Current Assets	277	346	△69
II. Fixed Assets	2,446	3,914	△1,468
1. Long-Term Deposits	1,051	1,051	-
2. Marketable Securities	1,346	2,861	△1,515
3. Guarantee Deposit	49	-	49
4. Tangible Assets -	-	2	△2
Asset Total	10,576	10,938	△362
I. Current Liabilities	869	1,034	△165
1. Account Payables	16	7	9
2. Unearned Revenue	459	604	△145
3. Unpaid Expenses	114	143	△29
4. Other Current Liabilities	280	280	-
II. Fixed Liabilities	6,702	6,423	279
1. Long-Term Loan Payables	2,100	2,380	△280
2. Provision for Credit Guarantee	4,593	4,043	550
3. Allowance for Severance Liability	9	-	9
Liability Total	7,571	7,457	114
I. Basis Capital	19,238	15,980	3,258
1. Government Contribution	11,520	9,520	2,000
2. Financial Institution Contribution	7,691	6,433	1,258
3. Reserves for Credit Guarantee	27	27	-
II. Capital Adjustment	5	22	△17
1. Marketable Security	5	22	△17
Valuation Gain or Loss			
III. Accumulated Deficit	(16,238)	(12,521)	(3,717)
1. Adjusted Accumulated Deficit Carried	(12,521)	(8,107)	(4,414)
2. Net Losses	(3,717)	(4,414)	(△697)
Capital Total	3,005	3,481	△476
Liability & Capital Total	10,576	10,938	△362

2. SUMMARY INCOME STATEMENT

Term 17: January 1, 2004 ~ December 31, 2004 / Term 16: January 1, 2003 ~ December 31, 2003

(Unit : 100 Million KRW)

Items	Term 17 Amount	Term 16 Amount	Variance
I. Operating Revenue	1,494	1,825	△331
1. Guarantee Fees	827	944	△117
2. Interest on Arrears	28	47	△19
3. Interest on Deposits	366	463	△97
4. IBRD Deposit Interest	273	371	△98
II. Operating Expenses	5,172	6,277	△1,105
1. Interest Payments	146	165	△19
2. Derivatives Transaction Losses	273	371	△98
3. Administrative Expenses	220	137	83
4. Indemnity Right Write-Offs	3,983	3,993	△10
5. Transfers to Credit Guarantee Provision	550	1,611	△1,061
III. Operating Losses	(3,678)	(4,452)	(△774)
IV. Non-Operating Revenue	14	71	△57
1. Recovery of Bad Debts Written-Off	10	56	△46
2. Previous Term Error Correction Gains	-	13	△13
3. Miscellaneous Revenue	4	2	2
V. Non-Operating Expenses	53	33	20
1. Subrogation Payment Write-Offs	11	11	-
2. Bad Debt Administrative Expenses	10	6	4
3. Miscellaneous Expenses	32	16	16
VI. Ordinary Losses	(3,717)	(4,414)	(△697)
VII. Losses before Income Tax Expenses	(3,717)	(4,414)	(△697)
VIII. Income Tax Expenses	-	-	-
IX. Net Losses	(3,717)	(4,414)	(△697)

3. SUMMARY BASIS CAPITAL STATEMENT

Term 17 : as of December 31, 2004 / Term 16 : as of December 31, 2003

(Unit : 100 Million KRW)

Items	Term 17 Amount	Term 16 Amount	Variance
I. Basis Capital	19,238	15,980	3,258
1. Basis Capital at Establishment	193	193	-
Government Contribution	100	100	-
Financial institution Contribution	66	66	-
Reserves for Credit Guarantee	27	27	-
2. Contributions	19,045	15,787	3,258
Government	11,420	9,420	2,000
Financial Institutions	7,625	6,367	1,258
II. Accumulated Deficit	16,238	12,521	3,717
1. Adjusted Accumulated Deficit Curried	12,521	8,107	4,414
2. Net Losses	3,717	4,414	△697
III. Capital Adjustment	5	22	△17
1. Marketable Security Valuation Gains	5	22	△17
IV. Net Basis Capital	3,005	3,481	△476
V. Loan Payables	2,380	2,660	△280
VI. Guarantee Balance	118,897	158,923	△40,026
VII. Operating Multiples	22.08	25.88	△3.8

CORPORATE HISTORY AND MAJOR EVENTS

Corporate History

Year 2003

- March 27 : Government announces plans for the establishment of the 「Korea Housing Finance Corporation」
- July 3 : Preliminary announcement for the legislation of the 「Korea Housing Finance Corporation Act」
- September 9 : Legislation plan passes Cabinet Council
- September 15 : President approves legislation plan
- September 16 : Legislation plan submitted to the National Assembly
- December 11 : Legislation plan passes National Assembly Finance Economy Committee and Legislation Committee
- December 23 : Legislation plan passed by the National Assembly General Council
- December 31 : Promulgation of the 「Korea Housing Finance Corporation Act」

Year 2004

- March 1 : Establishment of KHFC
- March 17 : KoMoCo transfers operations and employees
- March 24 : KHFC mortgage interest rate set at 6.7% per annum
- March 25 : KHFC begins issuing mortgages
 - May 27 : 'AAA' rating acquired from KIS, KR, and NICE
- June 14 : Cumulative mortgage issuance exceeds 1 trillion KRW
- June 15 : KHFC first MBS issue (KHFC MBS 2004-1, 552 billion KRW)
- August 16 : Credit guarantee commission rate increased by 0.15% on average
- August 17 : Mortgage interest rate reduced to 6.45%
- September 9 : Cumulative mortgage issuance exceeds 2 trillion KRW
- September 10 : Credit Recovery Support System activated for debtors repaying the Housing Finance Credit Guarantee Fund in installments
- September 15 : Introduction of the Mid-Payment Linked Mortgage Loan
 - October 14 : Mortgage interest rate reduced to 6.20%
- November 19 : Mortgage interest rate reduced to 5.95%
- December 9 : Cumulative mortgage issuance exceeds 3 trillion KRW

Major Events (March 1 ~ December 31, 2004)

- March 2 : Opening ceremony and inauguration of founding CEO Chung Hong-Shik
- June 1 : Special debt write-off provided for indemnity debtors against the Housing Finance Credit Guarantee Fund (Effective until 22 December)
- June 2 : Seminar held on MBS Development
- June 17 : Courtesy visit by U.S. OFHEO Director Armando Falcon
- July 26 : Seminar held on Bond Market-Friendly MBS
- August 2 : Hiring of new employees (20)
- August 25 : Hiring of experienced employees (26)
Publication of the first issue of Housing Finance Monthly
- August 29 : Support expanded to normalize builders of degenerated guarantees
- September 1 : Open competition on research papers and reports by college (graduate) students nationwide
- September 4 : Performed survey on the usage of mortgages (September 8~14)
- September 10 : Promotion campaign held celebrating 2 trillion KRW in issuance of mortgages
- September 14 : Courtesy visit by singapore HDB Chairman Aline Wong
- September 23 : CEO Chung Hong-Shik visits senior citizen's welfare facilities
- September 24 : Mortgage promotion campaign held to inform holiday travelers
- October 15 : Commenced implementation of the next generation computer system
- October 29 : Product presentation on Mid-Payment Linked Mortgages
- November 17 : Open competition for short stories on using mortgages
- November 21 : Implementation of Corporate-Wide Risk Management System (handles transactions of various derivatives)
- December 1 : Ceremony declaring the Charter of Ethics
- December 6 : Announcement and application of the Integrity Agreement System
- December 20 : Cyber competition held on knowledge of mortgages
- December 24 : Celebration of cumulative issuance of 3 trillion KRW in mortgages
Winner of mortgage-related story writer announced
- December 30 : Winner of research paper competition announced and awarded

HOUSING STATISTICS

Mortgage Issuance Performance¹⁾

Month	Amount (100 Million KRW)	Interest ²⁾ (%)	Date of Application
2004. 3	351	6.50 ~ 6.70	25 MAR
4	3,634	6.50 ~ 6.70	-
5	4,564	6.50 ~ 6.70	-
6	3,938	6.50 ~ 6.70	-
7	3,358	6.50 ~ 6.70	-
8	3,317	6.25 ~ 6.45	17 AUG
9	2,894	6.25 ~ 6.45	-
10	3,432	6.00 ~ 6.20	14 OCT
11	3,556	5.75 ~ 5.95	19 NOV
12	4,276	5.75 ~ 5.95	-
Accumulation	33,320	-	-

Note 1) Mortgage issuing institutions (currently 21 institutions): KB, Hana, IBK, KEB, Woori, Korea First, NACF, Korea Life, Samsung Life (these nine institutions started issuance as of March 25, 2004). Shinhan, CHB, KorAm, NFFC, Kyungnam, Kwangju, Daegu, Busan, Chunbook, Cheju, Samsung Fire, LG Fire (These 12 institutions started issuance as of August 10, 2004)

2) If the mortgagee carries the expense of collateral registration or selects the interest discount option to pay upfront 0.5% of the principal, the interest discount of 0.1% can be applied to each case for a total discount of 0.2%.

MBS Issued

Name	Issue Date	Type	Maturity (years)	Issued Amount (100 Million)	Yield on Issue (%)	Benchmark Note	Spread (bp)	Call Option
MBS2004-1	2004.6.15	Senior	1	100	4.14	KTB 1yr	+ 5	-
			2	320	4.28	KTB 2yr	+ 7	-
			3	500	4.33	KTB 3yr	+ 10	-
			5	1,100	4.67	KTB 5yr	+ 20	Partial Call
			7.5	1,300	4.82	KTB 5yr	+ 35	3yr Call
			10	800	5.04	KTB 5yr	+ 57	3.5yr Call
			12	500	5.16	KTB 5yr	+ 69	4yr Call
			15	500	5.22	KTB 5yr	+ 75	5yr Call
			20	400	5.26	KTB 5yr	+ 79	6yr Call
		Junior	21	0.1	5.26		-	
		Total		5,520.1				
MBS2004-2	2004.7.28	Senior	3	670	4.28	KTB 3yr	+ 13	-
			5	800	4.63	KTB 5yr	+ 20	Partial Call
			7	800	4.88	KTB 5yr	+ 45	3yr Call
			10	800	5.08	KTB 5yr	+ 65	4yr Call
			15	600	5.17	KTB 5yr	+ 74	5yr Call
			20	400	5.20	KTB 5yr	+ 77	6yr Call
		Junior	21	0.1	5.20			
		Total		4070.1				

MBS Issued

Name	Issue Date	Type	Maturity (years)	Issued Amount (100 Million)	Yield on Issue (%)	Benchmark Note	Spread (bp)	Call Option
MBS2004-3	2004.8.18	Senior	3	900	3.89	KTB 3yr	+ 15	-
			5	1,200	4.14	KTB 5yr	+ 25	Partial Call
			7	1,300	4.39	KTB 5yr	+ 50	3yr Call
			10	1,100	4.59	KTB 5yr	+ 70	4yr Call
			15	1,000	4.70	KTB 5yr	+ 81	5yr Call
			20	200	4.73	KTB 5yr	+ 84	6yr Call
		Junior	21	0.1	4.73			
		Total		5,700.1				
MBS2004-4	2004.9.23	Senior	3	620	3.65	KTB 3yr	+ 13	-
			5	900	3.89	KTB 5yr	+ 23	Partial Call
			7	800	4.13	KTB 5yr	+ 47	3yr Call
			10	800	4.34	KTB 5yr	+ 68	4yr Call
			15	800	4.45	KTB 5yr	+ 79	5yr Call
			20	100	4.49	KTB 5yr	+ 83	6yr Call
		Junior	21	0.1	4.49			
		Total		4,020.1				
MBS2004-5	2004.10.28	Senior	3	700	3.60	KTB 3yr	+ 12	-
			5	700	3.82	KTB 5yr	+ 23	Partial Call
			7	700	4.06	KTB 5yr	+ 47	3yr Call
			10	800	4.27	KTB 5yr	+ 68	4yr Call
			15	500	4.39	KTB 5yr	+ 80	5yr Call
			20	200	4.50	KTB 5yr	+ 91	6yr Call
		Junior	21	0.1	4.50			
		Total		3,600.1				
MBS2004-6	2004.11.30	Senior	3	650	3.43	KTB 3yr	+ 12	-
			5	600	3.77	KTB 5yr	+ 32	1 yr Call
			7	600	3.92	KTB 5yr	+ 47	3yr Call
			10	700	4.16	KTB 5yr	+ 71	4yr Call
			15	400	4.28	KTB 5yr	+ 83	5yr Call
			20	200	4.45	KTB 5yr	+ 100	6yr Call
		Junior	21	0.1	4.45			
		Total		3,150.1				
MBS2004-7	2004.12.28	Senior	3	800	3.44	KTB 3yr	+ 17	-
			5	600	3.72	KTB 5yr	+ 35	1 yr Call
			7	900	3.92	KTB 5yr	+ 55	3yr Call
			10	1,000	4.12	KTB 5yr	+ 75	4yr Call
			15	600	4.24	KTB 5yr	+ 87	5yr Call
			20	200	4.37	KTB 5yr	+ 100	6yr Call
		Junior	21	0.1	4.37			
		Total		4,100.1				

Housing Finance Credit Guarantee Fund Index

(Unit : 100 Million KRW)

Year	1997	1998	1999	2000	2001	2002	2003	2004
1. Guarantee Balance	81,133	118,793	130,671	154,174	157,994	170,005	158,923	118,897
Builder	51,893	60,309	48,862	40,820	33,127	26,628	20,023	17,670
Private	29,240	58,484	81,809	113,354	124,867	143,377	138,900	101,227
Guarantee Issued	49,922	77,352	82,542	106,281	97,646	115,177	82,716	38,516
Builder	32,358	28,741	18,607	26,810	21,790	15,094	10,978	7,195
Private	17,564	48,611	63,935	79,471	75,856	100,083	71,738	31,321
(Accumulation) ¹⁾	210,001	287,353	369,895	476,176	573,822	688,999	771,715	810,231
2. Balance Degenerated	8,445	28,077	22,992	20,949	17,032	14,900	16,410	16,883
Builder	7,494	26,021	20,466	16,294	11,774	10,051	6,912	6,049
Private	951	2,056	2,526	4,655	5,258	4,849	9,498	10,834
Guarantee Degenerated	8,766	27,912	7,511	12,021	9,636	7,908	12,852	11,074
Builder	7,906	25,790	5,553	5,916	2,378	794	390	462
Private	860	2,122	1,958	6,105	7,258	7,114	12,462	10,612
(Accumulation) ¹⁾	18,528	46,440	53,951	65,972	75,608	83,516	96,368	107,442
Guarantee Resolved	2,863	6,599	10,420	11,895	10,043	7,393	6,987	5,454
Builder	2,290	5,850	9,264	8,676	5,322	2,113	2,540	788
Private	573	749	1,156	3,219	4,721	5,280	4,447	4,666
(Accumulation) ¹⁾	9,869	16,468	26,888	38,783	48,826	56,219	63,206	68,660
3. Indemnity Right Balance	168	1,996	4,352	6,460	8,948	9,354	13,041	16,459
Builder	30	1,599	3,627	5,041	6,581	5,766	7,245	7,006
Private	138	397	725	1,419	2,367	3,588	5,796	9,453
Right Occurred	103	1,868	2,478	2,362	3,819	2,750	5,763	5,742
Builder	30	1,569	2,094	1,554	1,791	458	2,207	778
Private	73	299	384	808	2,028	2,292	3,556	4,964
(Accumulation) ¹⁾	214	2,082	4,560	6,922	10,741	13,491	19,254	24,996
Recovery	14	31	120	241	395	1,307	816	1,033
Builder	0	0	66	140	127	917	337	591
Private	14	31	54	101	268	390	479	442
(Accumulation) ¹⁾	38	69	189	430	824	2,131	2,947	3,980
4. Contribution Balance	2,558	2,991	5,465	7,512	10,113	13,369	15,979	19,238
Government	-	-	2,000	1,500	2,000	2,300	1,500	2,000
Financial Institution	383	433	474	547	601	956	1,110	1,259
5. Basis Capital	3,558	1,911	2,437	2,796	3,052	5,262	3,481	3,005
6. IBRD Loan	-	2,800	2,800	2,800	2,800	2,800	2,660	2,660
7. Operating Multiple	22.8	25.2	24.9	27.6	27	21.1	25.9	22.1
8. Net Income	216	-2,080	-1,947	-1,689	-2,343	-1,045	-4,414	-3,717

Note 1) Total accumulation since the establishment of the Guarantee Fund

Housing Index

	Number of House Stock (Unit : Thousand)	Housing Construction per Thousand People (One unit)	Housing Supply Rate (%)	Housing Investment/ GDP (%)	Housing Construction			Housing Sales Price Index ¹⁾ (2003.9=100)	Balance of Housing Loan (End of Year, Billion KRW)
					Total (Thousand)	Private Sector (Thousand)	Ratio (%)		
1988	6,670	7.6	69.4	5.3	317	202	63.7	61.7	8,176
1989	7,032	10.9	70.9	6.0	462	300	64.9	70.7	10,858
1990	7,357	17.5	72.4	8.8	750	481	64.1	85.6	15,435
1991	7,853	14.2	74.2	8.9	613	449	73.2	85.1	19,622
1992	8,631	13.2	76.0	7.8	575	380	66.1	80.9	24,155
1993	8,798	15.8	79.1	8.2	695	468	67.3	78.6	28,806
1994	9,133	14.0	83.5	7.5	623	365	58.6	78.5	31,991
1995	9,570	13.8	86.0	7.4	619	391	63.2	78.3	36,764
1996	10,113	13.0	89.2	7.1	592	360	60.8	79.5	41,514
1997	10,627	13.0	92.0	6.5	596	377	63.3	81.1	47,149
1998	10,867	6.6	92.4	6.0	306	175	57.2	71.0	52,161
1999	11,181	8.6	93.3	5.2	405	254	62.7	73.5	59,118
2000	11,472	9.2	96.2	4.3	433	293	67.7	73.8	66,392
2001	11,892	11.2	98.3	40.7	530	402	75.8	81.1	72,538
2002	12,358	14.0	100.6	4.9	667	543	81.4	94.4	85,659
2003	12,669	12.2	101.2	4.9	585	464	79.3	99.8	94,441
2004	-	-	-	-	464	340	73.3	97.7	101,069

Note 1) The price index is based on surveys performed annually each December

SALES BRANCHES

Branch	Zip-Code	Address	Telephone
Seoul	100-095	Seoul Joonggu Namdaemunro 5, 6-1 YTN Bld. 3rd Fl.	02)2014-8114
Busan	614-030	Busan Busanjingu Bujeondong 260-1, KEB Seomyun Branch 5th Fl.	051)808-2552
Daegu	700-742	Daegu Choonggu, Duksandong 110, Samsung Finance Plaza Bld. 23rd Fl.	053)256-0069
Incheon	405-220	Incheon Namdonggu, Guwaldong 1146-9, Hanjin Tower 7th Fl.	032)422-0064
Gwangju	501-711	Gwangju Donggu Kumnamro 2, 20-2, Mudoong Bld. 7th Fl.	062)222-0034
Daejeon	302-859	Daejeon Seogu Tanbangdong 651, Nonghup 3rd Fl.	042)482-0189
Suwon	441-822	Suwon Gwunsungu Gwunsungdong 1023-3	031)223-0079
Jeonju	561-853	Jeonju Dukjingu Inhudong 2, 1573-1, KTP Center 6th Fl.	063)247-0012
Chuncheon	200-042	Chuncheon Jungangdong 2, 27-1, KB Chuncheon Branch 6th Fl.	033)251-0032
Cheongju	361-822	Cheongju Heungdukgu Bunpyungdong 1239, LaDefense Bld. #402	043)285-0023
Jeju	690-813	Jeju Yundong 251-1 Daeshin Securities Bld. 3rd Fl.	064)745-0473



KOREA HOUSING FINANCE CORPORATION

13th Floor YTN Building 6-1 Namdaemunro 5ga,
Jung-gu, Seoul, Korea, 100-998
Tel : 82-2-2014-8114 Fax : 82-2-755-1638
www.khfc.co.kr