

# 2005 Annual Report



KHFC will be **your partners**  
for realizing your  
**long-cherished dreams**

WHAT WE'VE BUILT



Since its establishment in 2004,  
**KHFC helped over 100,000** households  
realize their **dreams of**  
**being homeowners**



A low-angle, upward-looking shot of graduates in black gowns and mortarboards against a clear blue sky. Several mortarboards are captured mid-air, having just been thrown by the graduates. The perspective creates a sense of height and achievement.

Over **180,000** university students are realizing  
their **dreams of advanced  
education** through  
**student loan** supports provided by KHFC



Contributing to improving the public welfare  
and developing the national economy,  
KHFC strives to become  
a world leading enterprise  
within the housing finance industry

WHAT WE'RE BUILDING

## Message from the CEO



The Korea Housing Finance Corporation (KHFC) was established on March 1, 2004 to improve the welfare of the public and facilitate the development of the national economy by promoting long-term housing finance. That KHFC is publishing its second annual report is truly significant. In 2005, KHFC handled challenges and difficulties with the same determination as it did in its first year. As a result, KHFC achieved substantial successes, though much more remains to be done. I believe our strong performance in the last year was possible thanks to the support of the Korean government, the National Assembly, related financial institutions, and the public as well as the hard work of KHFC employees. I feel both a greater sense of responsibility and deep gratitude.

Although the foundation and environment are still uncertain in many respects, KHFC further improved housing welfare and developed the bond market in 2005 by issuing *bogumjari* loans to help low- and middle-income earners obtain their own homes and securitizing these loans. We have redoubled our efforts despite the challenging environment to facilitate the supply of housing finance credit guarantees to make housing more accessible to low-income earners and support housing projects by small- and medium-sized enterprises(SMEs).

Last year, KHFC was charged by the government with the tasks of providing student loan credit guarantee services and securitizing student loans. KHFC moved

quickly to fully assume its new responsibilities, doing much to expand opportunities to the public for higher education.

KHFC was also recently designated by the government as a public guarantee institution for the reverse mortgage system, to be introduced in the next year. Accordingly, in addition to housing and education, the most essential living requirements of the general public, KHFC is now charged with ensuring the welfare of retirees. Both in name and reality, KHFC has stood up as the only public financial institution that promotes the welfare of the public from the cradle to the grave. In order to fulfill these heavy responsibilities, all of us at KHFC hereby renew our commitment to exert our best efforts to realize the objectives of KHFC. I believe it is through ceaseless self-innovation and offering the best services to improve the standard of living that KHFC can best repay the support the company has received from the general public.

I hope this annual report proves useful in explaining last year's performance of KHFC and toward planning a better future.

Thank you.



May 2006

CEO, Korea Housing Finance Corporation

**Hong-Shik Chung**

# Housing and Economy in 2005

## General Economy

The year 2005 was a time of discovering the full potential of the Korean economy in the midst of great uncertainties. Although the Korean economy only recorded modest growth of 4.0% for the year, both exports and consumption grew together for the first time since 2002. The growth was due to strong economic fundamentals that restored the potential growth rate, not excessive economic stimulus. Despite the high international oil prices and the strong Korean won, exports have been strong since 2002, fueled by sustained global economic growth, especially in the U.S. and China. Most importantly, domestic consumption finally rebounded from the downturn in 2003, indicating that households have largely paid down their debts to manageable levels. Slack consumption had been the major cause of the weakness of the Korean economy and its failure to grow with the global economy for several years.

A number of uncertainties nevertheless remained. Semiconductors and automobiles still accounted for an inordinate share of exports, and China and the U.S. were far and away Korea's largest export markets. Any downturn in either of these industries or economies will have significant impact on the Korean economy. Economic growth for 2005 came in at 4.0%, but real

gross national income (GNI), an indicator of the real purchasing power of the public, rose only 0.5%, indicating that consumers have yet to benefit significantly from the recovery. This may be attributable to a widening of the real trade loss because of the deteriorating terms of trade, that is the prices of major export products such as semiconductors have dropped, and the prices of imported raw materials such as oil have increased. The facility investment growth rate rose to 5.1%, suggesting that domestic demand is rebounding. However, investment in semiconductor manufacturing equipment or precision devices, the main driver of investment growth, mostly depends on imports. Hence, coupled with weak cross-sector relations, the rising share of capital goods imports served to reduce the impact of investment on domestic production and job creation.

Although the economic recovery has recently become more apparent, it is not especially robust. The virtuous cycle, in which a domestic recovery successively leads to increased investment, job creation, rising household incomes, and brisk consumption, has not yet obtained. Moreover, despite a series of efforts by the government to discourage real estate speculation and make housing more accessible to low-income earners, uncertainties are expected to persist in some areas. Furthermore, systematic measures to rectify the increasing disparity in domestic economy are imperative.

Economic Growth Rates<sup>1)</sup>

(Unit: %)

Item	2002	2003	2004	2005 <sup>2)</sup>	1/4	2/4	3/4	4/4
GDP	7.0	3.1	4.7	4	2.7	3.2	4.5	5.3
Exports	13.3	15.6	19.6	8.5	7.1	5.3	11.2	10.4
Consumption	7.9	-1.2	-0.3	3.2	1.6	3.0	4.0	4.2
Investment	6.6	4.0	2.1	2.3	0.4	2.0	1.9	4.2

Note: 1) All figures are year-on-year real growth rates

2) The 2005 figures are estimates

Source: The Bank of Korea

## Bond Market

The bond market in 2005 was bearish. It was beset by two increases in the target call rate, improved fundamentals driven by strong exports and domestic demand, and the continued rally in the stock market. The yield on the benchmark three-year government bond rose to 5.08% by year-end, an increase by 1.8%p from 3.28% at the end of 2004.

In the beginning of the year, the bond yield soared sharply due to increased issuance of government bonds, a rise in stock prices in anticipation of an economic recovery, and low expectations of additional reductions in interest rates. However, in February sentiment in the bond market stabilized because the economic indicators declined slightly, the Ministry of Finance and Economy announced a reduction in the issuance of government bonds, and the Bank of Korea made direct purchases of government bonds. Then, bargain hunters rushed in and the interest rates declined.

While expectations on the strength of the recovery of the real sector economy waned somewhat when the real sector indicators and psychological indicators diverged and efforts by the authorities to stabilize supply and demand in bond market became apparent, anticipation of continued easy monetary policy caused the bond yields stabilized downward. However, in June, the market

interest rates began to rise as uncertainty over monetary policy re-emerged due to the overheating of the real estate market and signs of recovery in domestic demand.

In the third quarter, interest rates continued to move up as the rising stock prices attracted capital from bonds and domestic demand indicators continued to show strength. The rise in interest rates was further fueled by the possibility of a shift in monetary policy toward tightening as a result of concerns over the formation of bubbles in the asset markets, including real estate.

During the fourth quarter, the target interest rate was raised from 3.25% to 3.75% during the Monetary Board meetings in October and December. An additional rise in market rates was driven by stronger expectations of an economic recovery, the strong performance of the stock market, and declining bond buying power of major institutional investors, such as investment and trust companies.

A total of KRW28.6 trillion in asset-backed securities (ABS), including mortgage-backed securities (MBS) was issued in Korea in 2005, an increase of 5.9% from KRW27.0 trillion in 2004. The increase was attributable to issuance of ABS for real estate development, overseas issuance of credit card ABS, and the issuance of KHFC MBS and student loan-backed securities (SLBS).

### Interest Rates

(Unit: %)

	2004 end	2005 (end of quarter)			
		March	June	September	December
Government bonds (3-year)	3.28	3.91	4.02	4.6	5.08
Government bonds (5-year)	3.39	4.17	4.25	4.83	5.36
Government bonds (10-year)	3.81	4.74	4.78	5.11	5.62
Corporate bonds (3-year AA-)	3.72	4.34	4.41	5.00	5.52

Source: Korean Securities Dealers Association

# Housing and Economy in 2005

## Housing Market

Contrary to expectations that the stability in the previous year would continue in 2005, excessive liquidity in the money market and expectations of a domestic demand recovery served to restore buying sentiments, and the housing market generally turned up. House prices skyrocketed in some areas, such as Bundang and Yongin as a result of the Pangyo new town development, some new towns in the capital region with good residential environments, and the Gangnam area where apartments were designated for reconstruction. These excessive price increases have posed a challenge to the Korean government. Another problem was the significant widening price differential between apartment houses and non-apartment houses. The prices of large houses have risen at a much greater rate than those of small- or medium-sized houses.

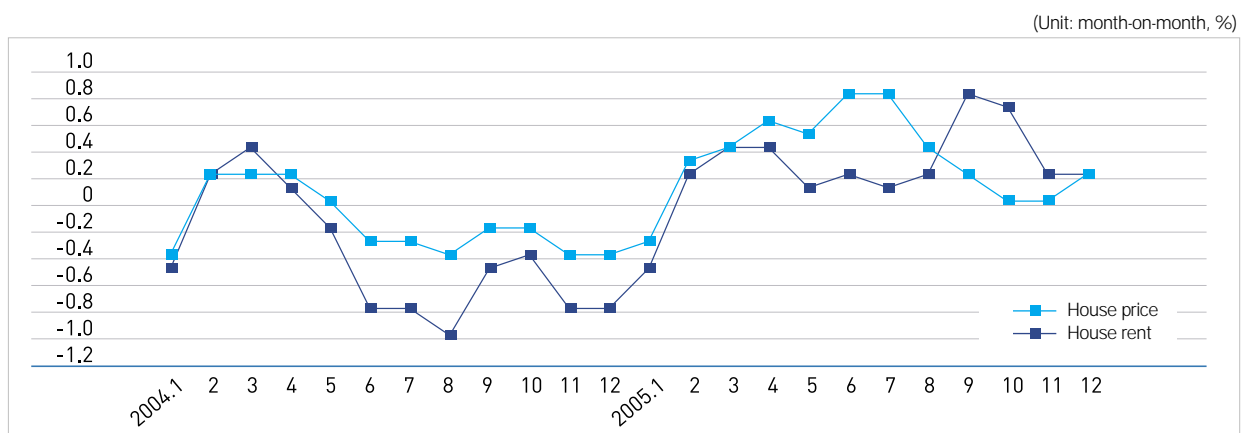
As previously explained, the upward advance in home prices continued into the first half of 2005, and it was especially pronounced in specific areas and for certain types of houses. On August 31, the government responded by implementing a tough new package of measures to stem the rise in prices, including higher

taxes. It made clear its intention to restore stability to the housing market. Housing prices appeared to cool afterwards but notched up again at the end of the year. For all of 2005, housing prices increased 4.0% nationwide. Prices for apartment houses in Seoul rose 9.1% on average.

Rents for leased homes (*jeonse*: lump-sum rent deposit basis) had been declining overall at a slight rate since the second half of 2002, but the rents for those in popular areas rose sharply due to an imbalance in supply and demand after the announcement of the new real estate measures on August 31. In 2005, rents nationwide rose 3.0%, but they were up 6.2% for apartment houses in Seoul.

A total of 463,641 housing units were built in 2005, roughly the same number as in 2004. The numbers built in Seoul and the capital region declined by 10.9% and 3.8%, respectively, but the numbers built in provincial areas, including Daegu, Gwangju, and Jeonbuk, increased 3.0%. The number of apartment houses built rose 2.6% nationwide, but the numbers built in Seoul and the capital region were down 11.1% and 1.8%, respectively.

Monthly Changes in House Prices and House Rents



Source: The Kookmin Bank

## Housing Finance Market

The call rate had been steadily ratcheted down since 2002 in a bid to stimulate the economy. The call rate finally bottomed out and was raised by 0.25%p in October and another 0.25%p in December 2005. The market interest rates followed suit and began to fully rebound. Expectations of an economic recovery began to spread in the beginning of the year, and because the high level of liquidity in the market was seen as a major cause of the soaring housing prices, the monetary authorities moved to tighten the money supply.

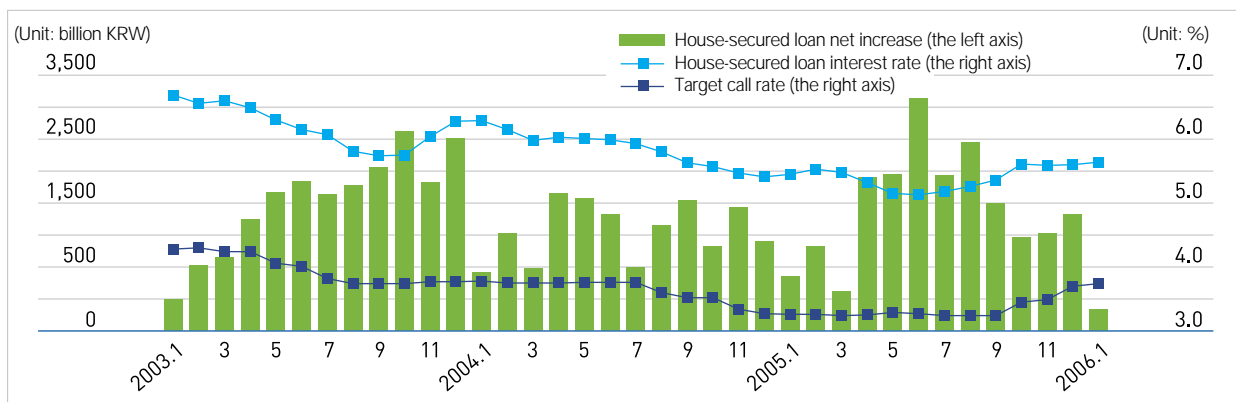
With the market rates on the rise, the yields on 91-day CDs, which serve as a basis for interest rates on home-secured loans, rose 0.65%p in 2005. However, heavy competition by financial institutions over house-secured loans meant that the weighted average of interest rates on home-secured loans rose only 0.19%p. This gave rise to widespread concern over deteriorating profitability and soundness of financial institutions. The supervisory authorities addressed the situation by stepping up the risk management of house-secured loans in June and again in August.

The net increase in house-secured loans by financial

institutions, which is tallied and announced by the Bank of Korea, soared sharply as house prices began to rise in early 2005. During the second quarter, the amount of net increase reached its highest level in three years, but fell significantly in September as a result of the tough new real estate restrictions announced on August 31 and the tighter risk management on house-secured loans. Toward the end of the year, however, the net increase in house-secured loans began to rise again. As of the end of 2005, the outstanding balance of house-secured loans totaled KRW190 trillion, a 12.1% increase compared to the end of the previous year.

In November 2005, the 'first-time home buyer housing loans', which were included in the comprehensive real estate measures announced in August, were resumed temporarily for one year to make homes more accessible to those with real need. It turned out, however, that the requirements were much too loose, with the result that first-time home buyer housing loans accounted for a significant share of house-secured loans and KHFC's *bogumjari* loans, posing a risk of depletion of the National Housing Fund. In early 2006, the Korean government had to incrementally tighten the qualifications for first-time home buyer housing loans.

The Trend of Housing Finance Market



Source: The Bank of Korea

## Housing and Economy in 2005

When KHFC was founded in the first quarter of 2004, only 25.3% of household loans had maturities of over 10 years. The corresponding figure for the fourth quarter of 2005 was 48.8%, confirming that *bogeumjari* loans have been instrumental in the firm establishment of long-term housing finance.

### Real Estate Policy

Housing prices had been stabilized since the promulgation of the General Real Estate Measures on October 29, 2003 but resumed their advance in February 2005. Prices surged in Bundang and Yongin, which are near Pangyo, and in the Gangnam area, mainly driven by the designation of apartment complexes for reconstruction. The Korean government moved aggressively to restore stability throughout 2005.

On February 17, 2005, the government announced 'the Capital Region Housing Market Stabilization Measures', which featured measures for controlling the supply of housing and apartments in Pangyo and stabilizing the reconstruction boom. On May 4, the government presented real estate policy initiatives to curb speculation and lay a foundation for establishment of advanced real estate systems.

Housing prices continued to rise sharply and the price differential between different types of housing continued to widen despite these measures, and the government announced 'the Real Estate System Reform Plan to Stabilize Common People's Housing and Suppress

Speculation' on August 31. The Reform Plan was based on three basic principles: laying an institutional base for transparency in transactions, such as reporting actual transaction prices, clawing back gains from speculation through tax reforms, and an increased role of the public sector in making housing accessible to the general public. Before announcing the Reform Plan, the government twice reinforced the risk management of house-secured loans, enabling the establishment of extensive housing market stabilization measures encompassing the housing finance market.

The legislative procedures following the real estate measures announced on August 31 were completed by the end of 2005, and major actions will go into effect in 2006. On March 30, 2006, follow-up measures marked by a claw-back of gains from reconstruction were also released. These and other such measures are intended to bring stability back to the housing market.

# Operations & Business Performance



## Corporate Overview

The major responsibilities of KHFC are the issuance and securitization of *bogumjari* loans to help the low- and middle-income households buy their own homes; the issuance of housing finance credit guarantees for low-income households and housing projects initiated by small- & medium-sized home builders; and the provision of guarantee services and securitization of student loans.

KHFC has working agreements with 22 financial institutions, through which it provided *bogumjari* loans totalling KRW4.2 trillion to about 56,000 households in 2005. Since its founding in March, 2004 through the end of 2005, KHFC funded about KRW7.5 trillion for some 103,000 households to help them buy homes. While housing loan volume increased as a result of the recovery of the housing sector in the first half of last year, KHFC's sales volume rose at a much faster rate thanks to growing demand for long-term fixed-rate *bogumjari* loans triggered by the rise in market interest rates. In the second half, however, the interest rates on *bogumjari* loans were inevitably raised due to the widening spread between long-term and short-term interest rates and the housing demand was softened due to the Korean government's new real estate policy. Moreover, the resumption of first-time buyer housing loans by the National Housing Fund significantly eroded the *bogumjari* loan market. As a result the volume of *bogumjari* loans naturally declined substantially, reducing the pool of underlying assets for securitization.

In 2005, KHFC made nine issues of senior mortgage-backed securities (MBS) totaling KRW3.9 trillion. Underlying assets were *bogumjari* loans transferred from the 22 financial institutions with which KHFC has working agreements. Of the amount of MBS issued, 37.4% (KRW1.4 trillion) was issued as long-term bonds with maturities of over 10 years, which were sold to institutional investors. KHFC solidified its status as a major issuer of long-term bonds in the Korean financial market and has thereby steadily promoted the long-term bond market in Korea.

KHFC fell somewhat short of its goals in issuance of *bogumjari* loans and MBS in 2005. Nonetheless, KHFC has exerted its best efforts to lead the housing finance industry, improving housing loan practices by introducing sophisticated financial products and strengthening the linkage between the capital market and housing market through securitization.

In housing finance credit guarantee services, another major business area, KHFC increased guarantee support to low- and middle-income households while promoting the soundness of the fund. In 2005, KRW4.8 trillion was provided in credit guarantees, a 24.8% increase from the previous year. Since its founding in 1988 through 2005, the Housing Finance Credit Guarantee Fund issued credit guarantees totaling KRW85.8 trillion to 5.48 million households to help ensure availability of housing for low-income households. In addition, home builders were provided KRW25 trillion in credit guarantees to help them build small- and medium-sized houses for 2.23 million households. Meanwhile, all-out efforts were made to reduce the degeneration rate and maximize recovery of indemnity rights to secure adequate net capital. The net degeneration rate improved noticeably to 2.7%, down 2.0%p from the previous year, while the subrogated amount reached KRW153.8 billion, a 35.3% increase from the previous year. These improvements all contributed significantly to capitalization and the maintenance of a stable operational multiple.

KHFC was charged by the government to handle the Student Loan Credit Guarantee Fund and assumed the new services in August 2005. The objective of the Student Loan Credit Guarantee program is providing equal opportunities for higher education by fixing problems in the current student loan system and improving convenience to borrowers. As a result of concentrating organizational efforts to quickly consolidate

the student loan credit guarantee services, KHFC was able to provide KRW470.1 billion in student loan credit guarantees to 180,000 students, 38% more than the second semester of 2004. With these loans as underlying assets, KHFC issued KRW517.0 billion in SLBS.

Internally, in order to comprehensively manage various risks stemming from its overall business operations, KHFC established a risk management organization independent of the business departments and created well-structured risk management systems including the Asset-Liability Management (ALM) System. In addition, in order to manage interest rate risk by use of derivatives, a market risk management system was set up to proactively respond to the rapidly changing financial conditions. KHFC is carefully managing operational risks by establishing effective internal controls to avoid a risk of loss triggered by errors in business procedures or systems and mistakes or wrongdoing by employees. Moreover, KHFC steadily pursued business innovation, including the establishment of a performance-based management system, ethical management, and a roadmap for customer satisfaction. KHFC also strived to support internal decision-making and provide useful information to the public as well as policy-makers by improving its survey & research and statistical functions related to housing finance.

KHFC has done much to widen home-buying opportunities for low- and mid-income households by issuing *bogumjari* loans and facilitate the development of the long-term bond market in Korea through the issuance of MBS. It has also devoted itself to other policy tasks: making housing affordable to low-income earners through efficient operation of the Housing Finance Credit Guarantee Fund and expanding educational opportunities via the Student Loan Credit Guarantee Fund. Consequently, in only two years, KHFC firmly established its stature as a public organization improving the public's welfare via financial services. Moreover, KHFC was recently designated by the government as a public guarantee institution for the reverse mortgage system. The corporation will continue to play a crucial role as the only public financial institution improving the general public welfare in education, housing, and retirement.

## Securitization

KHFC's securitization business was transferred from the Korea Mortgage Corporation (KoMoCo) and became operative on March 17, 2004. Its responsibilities include issuance of *bogeumjari* loans through partnerships with financial institutions; issuance of securities backed by mortgages and student loans transferred from sales partners; purchasing and holding *bogeumjari* loans; issuance of payment guarantees against MBS and SLBS issued by KHFC; granting credit to financial institutions for purchasing *bogeumjari* loans; and post-management of securitized assets and liabilities.

In 2005, the Securitization Division focused on a few areas. First, it introduced and institutionalized best practice financial systems, such as a web-based inquiry system for *bogeumjari* loans and a credit scoring model, while encouraging improved screening based on borrowers' debt to income (DTI) ratio. Second, the division continued to promote the long-term housing financial market through building a model for forecasting prepayment rates and establishing the Market Consultative Council to devise an optimal MBS issuance structure. Third, it raised the public's awareness of and confidence in *bogeumjari* loans through a differentiated brand marketing strategy and participation in public campaigns. It was by such strategy that the term "*bogeumjari* loan" became known. Fourth, in order to improve the marketability of *bogeumjari* loans, the loan process was made more customer-friendly. As a part of the response to the government's real estate measures announced on August 31, "prime rate *bogeumjari* loans for low-income households without home ownership" were introduced. The Securitization Division strove to fulfill the founding objectives of KHFC; that is, improving the welfare of the general public and developing the national economy by providing effective long-term housing finance.

KHFC issued a total of KRW4.2 trillion in *bogeumjari* loans through 22 financial institutions partnered by working agreements and helped about 56,000 households

become home owners. Based on these loans, KHFC offered nine issues of senior MBS amounting to KRW3.9 trillion, of which 37.4% were composed of bonds with maturities over 10 years. In the second half of 2005, KHFC issued KRW517.0 billion won in SLBS, of which 29.0% was composed of bonds maturing over 10 years. The underlying assets were student loans transferred from 15 financial institutions bound by the Student Loan Transfer Agreement. KHFC steadily facilitated the growth of a long-term bond market in Korea by supplying MBS and SLBS to institutional investors, including banks, insurers, and pension funds.

### Supply of *Bogeumjari* Loans

#### Conditions of *Bogeumjari* Loans

The *bogeumjari* loan is the first long-term, fixed-rate housing loan product ever offered in Korea. Financial institutions apply floating rates to their house-secured loans; *bogeumjari* loans have a fixed-rate, which helps households plan their finances with certainty, even if market interest rates go up.

The maturity on the loan consists of 10 years, 15 years, 20 years, or as long as 30 years (launched in Feb. 2006). However, if the borrower repays the loan within five years, a prepayment penalty of 1.0%~2.0% is applied on the basis of a period between receipt of the loan and prepayment. Since a *bogeumjari* loan may cover up to 70% of the home purchase price, it is designed to help a borrower able to make a down payment of 30% become a home owner without incurring additional upfront costs.

The limit of *bogeumjari* loans was raised to KRW300 million, up from KRW200 million previously, because of the general rise in income, and equal repayment of principal was introduced. In order to ensure that housing finance supports those in real need, mostly low- and mid-income households, *bogeumjari* loans are not granted for houses priced over KRW600 million.

Major Conditions of *Bogeumjari* Loans in 2005

Item		<i>Bogeumjari</i> loan	Prime rate <i>bogeumjari</i> loan for low-income earners without home ownership
Loan period		10-year, 15-year, or 20-year maturity (one-year grace period possible)	Same as left
Loan rate	Type	Fixed rate	Same as left
	Level	6.80% (as of Dec. 31, 2005)	5.8~6.3% (vary depending on annual income)
	Discount	Up to 0.2%	Same as left
Repayment method		Equal monthly payments of principal or principal and interest	Equal monthly payments of principal and interest
		Lump sum repayment on designated date of maturity optional (up to 50% of principal, Feb. 1, 2006)	Lump sum repayment on designated date of maturity optional (up to 30% of principal)
Prepayment penalty		Less than 1 year: 2.0% Less than 3 years: 1.5% Less than 5 years: 1.0%	Same as left
Purpose of loan		For home purchase, home preservation, repayment of previous loans	For purchase (apply within three months from date of ownership registration)
Eligible borrowers	Age restriction	Aged between 20 ~ 65	Same as left
	Income	Proven to earn income	Annual income less than KRW20 million
	No. of houses owned	Owens no home or one home only* *on condition that the currently owned home is sold within one year	No home ownership Owens only one home after buying a house with this loan
	Loan limit per household	Less than KRW300 million	Less than KRW100 million
Eligible homes	Price	Market value less than KRW600 million	Market value less than KRW300 million
	Size	No limit	Less than national housing size (85m <sup>2</sup> )
	Type	Apartments/multi-unit houses/town house/detached houses (However, multi-household houses excluded)	Same as left
Maximum LTV		Apartments: 70%, others: 65% (60% if DTI is not met)	Same as left

In response to the real estate measures announced on August 31, KHFC launched the "prime rate *bogeumjari* loan for low-income householders without home ownership". When a person earning less than KRW20 million a year and not owning a home applies for a *bogeumjari* loan, the interest rate is lowered by 0.5~1.0% depending on income level, according to this program.

The *bogeumjari* loan rate was set at 5.95% p.a. at the beginning of 2005, and it was raised three times following the increases in the market interest rates. Since December 28, the rate has been 6.8% p.a. Home buyers satisfying certain conditions under income tax law may receive an income deduction for year-end withholding tax clearing of up to KRW10 million on interest payment

## Securitization

expenses. If the home buyer is willing to bear the expense of collateral registration and select the interest discount option, the interest rate may be reduced by up to 0.2%p. Hence, one can realize a total rate reduction of over one percent.

### ***Bogeumjari* Loan Issuance Performance**

When the spread between *bogeumjari* loan rates and house-secured loan rates offered by banks was narrowed to less than 1%p and market interest rates began to show signs of rebounding in early 2005, borrowers naturally preferred fixed-rate mortgages. The issuance of *bogeumjari* loans surged in the first half. Later, the *bogeumjari* loans declined after *bogeumjari* rates were raised twice following the rise in market interest rates, a tough new real estate policy was announced in August to cool down the overheated real estate market, and first-time home buyer housing loans were re-introduced.

Despite these adverse circumstances, KHFC managed to issue KRW4.2 trillion in *bogeumjari* loans to 56,000 home buyers in 2005. In November 2005, a new milestone was set as the number of *bogeumjari* loans issued exceeded 100,000 in 20 months since they were first offered.

Gyeonggi accounted for the largest share of *bogeumjari* loans issued, with 31.4% or KRW1.3 trillion, followed by Seoul with 20.8% or KRW0.9 trillion and Incheon with 10.9% or KRW0.5 trillion. Hence, the capital region represented KRW2.7 trillion or 63.1% of total supply. The Gyeongsang region accounted for KRW0.9 trillion (20.5%), Chungcheong region KRW0.3 trillion (8.01%), and Jeolla region KRW0.2 trillion (5.24%). These figures roughly corresponded with the nationwide distributions of population and housing.

### Monthly *Bogeumjari* Loan Issuance

(Unit: billion KRW)

2004	2005												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
3,332	341	480	686	563	393	375	314	319	266	197	142	143	4,219
(17.1)	(16.3)	(28.2)	(31.2)	(28.1)	(18.7)	(17.9)	(14.9)	(14.5)	(12.6)	(9.8)	(6.4)	(6.5)	(16.9)

Note: Based on executed loan amount. ( ) - daily average issuance

### *Bogeumjari* Loan Issuance by Financial Institutions

(Unit: billion KRW, %)

Category		Hana	KEB	Korea First	KB	Woori	Samsung Life	Shinhan	IBK	Other	Total
Amt	2004	1,254	542	320	285	213	194	51	122	352	3,332
	2005	1,328	752	333	332	368	337	186	94	489	4,219
	Total	2,582	1,295	653	617	581	530	237	216	840	7,551
		(34.19)	(17.15)	(8.64)	(8.17)	(7.70)	(7.02)	(3.14)	(2.86)	(11.13)	(100)
No. of loans issued	2004	17,455	7,389	4,342	4,716	3,173	2,697	739	1,677	5,653	47,841
	2005	17,990	9,604	3,978	5,030	4,403	4,604	2,389	1,036	6,724	55,758
	Total	35,445	16,993	8,320	9,746	7,576	7,301	3,128	2,713	12,377	103,599
		(34.21)	(16.4)	(8.03)	(9.41)	(7.31)	(7.05)	(3.02)	(2.62)	(11.95)	(100)

Note: Based on executed loan amount. Figures in ( ) represents shares of total.

Of the 22 financial institutions with partnerships to sell *bogeumjari* loans, the top five, including Hana Bank, accounted for KRW3.1 trillion or 73.8% of the total amount, which indicates that certain financial institutions again accounted for the vast bulk of loans issued, as in 2004.

### ***Bogeumjari* Loan Channel**

As of the end of 2005, *bogeumjari* loans were available through 22 financial institutions: 17 banks, four insurers, and one credit card company. In 2005, to diversify its sales channels and expand the base of *bogeumjari* loans, KHFC signed a working agreement with one credit card company. In addition, KHFC proactively initiated the diversification of the *bogeumjari* loan channel to more directly target potential borrowers by such means as creation of a loan inquiry function on the KHFC website

and development of sales models linked with financial institutions.

The product name "mortgage loan", which KHFC used in the beginning, was changed to "*Bogeumjari* loan" in October 2005. The new name was selected through an open contest, where some 8,000 entries were received. In 2005, the *Bogeumjari* Loan Cyber Quiz Competition was held three times and attracted about 178,000 contestants.

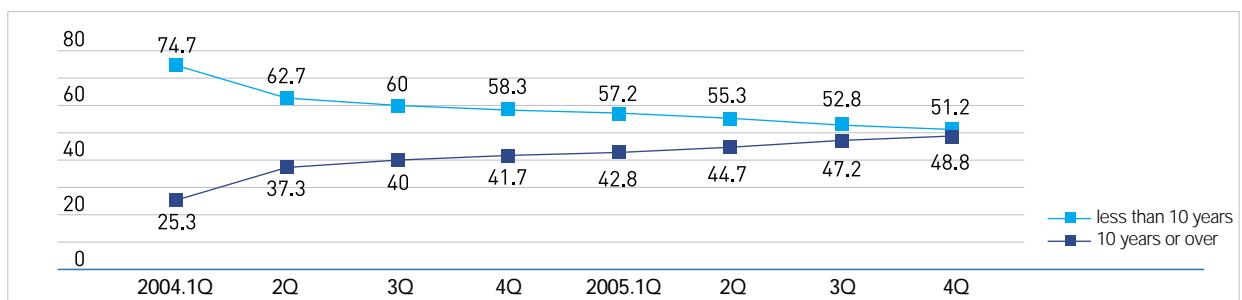
Since the launch of *bogeumjari* loans, the share of loans with maturities of 10 years or over in household loans in Korea has increased by 23.5%p from 25.3% in the first quarter of 2004 to 48.8% in the fourth quarter of 2005. This proves that *bogeumjari* loans have done much to firmly establish long-term household lending in Korea.

### Overview of Financial Institutions Offering *Bogeumjari* Loans (as of the end of 2005)

Category		Financial institutions	Total
Banks	Commercial banks	Hana, SC First, KEB, Woori, NACF, KB, IBK, Shinhan, CHB, NFFC, Korea Citi Bank	11
	Provincial banks	Kyungnam, Gwangju, Daegu, Busan, Chungbuk, Jeju	6
Insurers		Samsung Life, Daehan Life, Samsung Fire & Marine, LIG Insurance	4
Credit card companies		LG Card	1
Total			22

### Commercial Bank Household Loans by Maturity (based on new issuance)

(Unit: %)



Source: "Household Credit in 2005", Mar. 3, 2006, The Bank of Korea

# Securitization

## Issuance of MBS

### Characteristics of KHFC MBS

There were nine issues of MBS by KHFC in 2005. The underlying assets were loans issued by 17 financial institutions, among the 22 partners bound to the *bogumjari* Loan Issuance Agreement with KHFC.

From the first through third issues, senior MBS had six different maturities. In response to the increasing rate of prepayment of *bogumjari* loans triggered by the low market interest rates and intense interest discount competition among financial institutions, MBS with one-year and two-year maturities were also offered and the number of tranches was raised to eight beginning with the fourth issue. Junior MBS, used to settle assets and liabilities remaining in trust, was issued in one tranche and is 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 *bogumjari* loans, securities with maturities of five years or over come with call options.

Payment of senior MBS is guaranteed by KHFC, and under Article 51 of the Korean Housing Finance Corporation Act, accumulated losses are to be covered by the Korean government. All KHFC MBS issued in 2005 has been granted an "AAA" credit rating by credit rating agencies, proving its quality within the securities market.

The weighted average yields of MBS issued in 2005 can be shown in spreads against the benchmark five-year

government bond yield. The trend indicates that the yields had gradually declined, confirming that funding long-term housing loans through the capital market is more cost effective than before as the credibility and public confidence in KHFC have risen.

### Issuance of MBS

In 2005, KHFC issued KRW3.9 trillion in senior MBS in nine separate issues, which was sold to institutional investors. By maturity, seven-year maturity MBS totaled KRW755.0 billion, accounting for the largest share (19.6%) of MBS issued in 2005. Five-year maturity MBS accounted for 18.9% or KRW730.0 billion; 10-year maturity MBS totaled 18.3% or KRW705.0 billion; and MBS with maturities of 10 years or over accounted for 37.4% or KRW1.4 trillion.

The institutions investing in KHFC MBS were banks, insurance companies, pension funds, securities firms, and investment trust companies. Banks accounted for the largest share of KRW2.1 trillion or 53.3%. Insurance companies invested KRW1.2 trillion (31.6%), and investment trust companies invested KRW0.3 trillion (7.3%). Insurance companies and pension funds, respectively, allocated 52.7% and 76.2% of the total KHFC MBS investments to tranches with maturities of 10 years or over. The corresponding figures for banks and securities firms were 28.6% and 37.0%, while investment trust companies invested 93.0% of KHFC MBS investments in tranches with maturities of seven years or less.

Weighted Average Yield of KHFC MBS in 2005

(Unit: %, bps)

Issues	2005-1	2005-2	2005-3	2005-4	2005-5	2005-6	2005-7	2005-8	2005-9
yields	5.18	4.84	4.71	4.41	4.72	4.89	5.16	5.56	5.87
spreads <sup>1)</sup>	+70	+62	+64	+57	+60	+52	+46	+54	+48

Note: 1) Against the benchmark five-year government bond yield

## MBS Investment by Institutions in 2005

(Unit: billion KRW, %)

Institution	Banks	Insurance companies	Investment trust companies	Pension funds	Securities firms	Total
Investment	2,078	1,233	286	210	54	3,861
(share)	(53.3)	(31.6)	(7.3)	(5.4)	(1.4)	(100)

From 2004 through 2005, a total of KRW6.9 trillion of KHFC MBS was issued, including KRW3.9 trillion issued in 2005. The outstanding balance as of the end of 2005 was KRW6.6 trillion. An amount of KRW315.0 billion or 4.58% of issuance was repaid, of which KRW10.0 billion was paid back at maturity, and the remaining KRW305.0 billion was repaid by exercising call option rights.

MBS issued by KoMoCo totaled KRW2.9 trillion. As of the end of 2005, the outstanding balance was KRW1.1 trillion. An amount of KRW1.7 trillion or 60.47% of issuance was repaid. In the case of MBS2000-1, the senior MBS was fully repaid by the end of 2005, and the junior MBS will mature in 2007.

Issuance of KHFC MBS, mostly long-term bonds, has helped resolve the imbalance in supply and demand for long- and short-term bonds in the Korean bond market. It affords investment products appropriate to long-term institutional investors, including insurance companies and pension funds.

### MBS Underlying Assets

When the underlying assets for the MBS issued in 2004 and 2005 were transferred, the total volume of loans outstanding was KRW6.9 trillion, including KRW3.9 trillion in 2005. At the end of the year, the remaining mortgages as underlying assets totaled KRW6.0 trillion. A total of KRW849.8 billion was repaid, of which KRW728.0 billion was repaid before maturity, recording an early repayment rate of 1.19% for loans issued in 2005. It is believed that some mortgages were repaid early because of the

emergence of substitute loans as a result of intense sales competition in house-secured loans and the resumption of first-time home-buyer housing loans by the National Housing Fund, and the reduction of prepayment penalties on loans that were issued more than a year ago.

The underlying assets of MBS transferred from KoMoCo to KHFC totaled KRW2.9 trillion on the basis of their issuance. As of the end of 2005, the outstanding balance of loans was KRW1.2 trillion, recording a total repayment rate of 59.03%. The repayment rate is so high because a large number of the loans (98.8%) that are the underlying assets are loans from the National Housing Fund, of which the remaining durations are generally short. In addition, no prepayment penalties are charged and the loan limits per household are low.

# Securitization

## MBS Underlying Assets and MBS Repayment Details

(Unit: billion KRW, %)

Category	Underlying assets			MBS		
	Initial balance	Balance as of end 2005	Repayment rate	Initial balance	Balance as of end 2005	Repayment rate
KHFC	6,867	6,408	11.77	6,877	6,562	4.58
2004-1	546	414	24.18	552	454	17.75
2004-2	402	320	20.50	407	339	16.71
2004-3	551	424	22.97	570	492	13.68
2004-4	391	309	21.15	402	366	8.96
2004-5	354	287	18.74	360	325	9.72
2004-6	310	258	16.93	315	315	-
2004-7	405	351	13.37	410	410	-
2005-1	423	372	11.97	408	408	-
2005-2	410	369	10.02	405	405	-
2005-3	470	434	7.66	467	467	-
2005-4	450	415	7.74	453	453	-
2005-5	457	431	5.69	459	459	-
2005-6	455	430	5.57	454	454	-
2005-7	488	470	3.72	484	484	-
2005-8	412	398	3.44	400	400	-
2005-9	344	337	2.11	331	331	-
KoMoCo	2,873	1,177	59.03	2,876	1,137	60.47
2000-1	398	1,474	96.29	398	29	92.81
2000-2	499	14,371	71.17	500	116	76.84
2000-3	381	19,992	47.56	381	186	51.14
2001-1	238	4,322	81.81	238	51	78.42
2001-2	505	25,043	50.36	505	226	55.25
2002-1	18	268	85.08	18	3	83.47
2002-2	510	29,504	42.17	510	287	43.71
2003-1	309	22,046	28.62	310	231	25.48
2003-2	16	695	57.63	17	78	52.98

### Issuance of SLBS

#### Characteristics of KHFC SLBS

KHFC issued its first SLBS in the second half of 2005. Its underlying assets were student loans issued by 15

financial institutions bound by the Student Loan Transfer Agreement with KHFC to issue student loans guaranteed by the Student Loan Credit Guarantee Fund.

In order to match the cashflows of student loans and student loan backed securities (SLBS), senior SLBS was

issued in eight different tranches from one year to 20 years. Junior SLBS, used to settle assets and liabilities remaining in trust, was issued in one tranche and is currently held by KHFC. The principal of SLBS, which is in three-month coupon bonds, is redeemed in a lump sum upon maturity. Considering the prepayment risk of student loans, securities with maturities of five years or over come with call options.

Payment of senior SLBS is guaranteed by KHFC, and under Article 51 of the Korean Housing Finance Corporation Act, accumulated losses are to be covered by the Korean government. All KHFC SLBS issued in 2005 has been granted an "AAA" credit rating by credit rating agencies, proving its quality within the securities market.

As student loans were funded with SLBS, which was first issued in the second half of 2005, the applied interest rates were significantly lower than those on earlier student loans of which the interest rate differentials were covered by the government. Raising funds for student loans through the capital market is widely considered to have been an effective means of policy.

### Issuance of SLBS

In the second half of 2005, KHFC issued its first SLBS totaling KRW517.0 billion and sold the entire amount to institutional investors. By maturity, five-year maturity SLBS totaled KRW130.0 billion, accounting for the largest share (25.1%) of SLBS issued in 2005. Seven-year maturity SLBS and 10-year maturity SLBS each totaled 15.5% or KRW80.0 billion; and SLBS with maturities of 10 years or over accounted for 29.0% or KRW150.0 billion.

The institutions investing in KHFC SLBS were banks, insurance companies, pension funds, investment trust companies, and securities firms. Banks accounted for the largest share of KRW370.0 billion or 71.6%. Insurance companies invested KRW110.0 billion (21.3%) and pension funds invested KRW20.0 billion (3.9%). Banks and insurance companies, respectively, allocated 27.0% and 45.5% of the total SLBS investments to tranches with maturities of 10 years or over.

SLBS Investment by Institutions in 2005

(Unit: billion KRW, %)

Institution	Banks	Insurance companies	Pension funds	Investment trust companies	Securities firms	Total
Investment amount	370	110	20	10	7	517
(share)	(71.6)	(21.3)	(3.9)	(1.9)	(1.3)	(100)

## Housing Finance Credit Guarantees

The Housing Finance Credit Guarantee Fund (hereinafter "Guarantee Fund") was established to improve housing welfare for households by facilitating housing loans and promoting sound capital management. Since its establishment in 1988, the Guarantee Fund has indeed proved effective toward helping low-income households purchase homes and encouraging home builders to supply houses through credit support to individuals (home buyers) and builders (home suppliers) and the removal of credit risk posed on financial institutions.

Except for some volatility in certain areas, the housing market in 2005 was stable as a result of aggressive government policy. However, great demands were placed on the Guarantee Fund to ensure accessibility to housing by low-income households as a result of a widening disparity in house prices among regions and types of housing. In order to improve the soundness of the Guarantee Fund and step up guarantee support to low-income households, KHFC set out to increase the basis capital and expand the supply of guarantees for housing by low-income households. This entails the following core tasks:

First, raise the effectiveness of the government policy by developing designated guarantee products and ease the income disparities by giving priority to low-income households in guarantee support and increasing guarantee issuance.

Second, reconcile public interest and profitability by steadily developing and promoting low-risk guarantee products and lay a foundation for sound guarantees through strategic management of guarantees and risk management.

Third, enhance guarantee competitiveness by improving credit rating ability through continual improvement of Credit Scoring System (CSS) and upgrading of screening capabilities and expertise through complete restructuring of the home builder guarantee screening system.

Fourth, improve the soundness of the Guarantee Fund by maximizing the recovery of indemnity rights through systematic post-management efforts, including reduction of degenerated guarantees via increased follow-up and collection strategies designed specifically for each borrower.

As a result of such efforts in 2005, KHFC managed to increase the supply of guarantees, notably reduce guarantee deterioration, and maximize the recovery of indemnity. The soundness of the Guarantee Fund has improved significantly; its annual loss fell to KRW259.6 billion from KRW371.7 billion in 2004.

### Fund Raising and Operation

The Guarantee Fund is financed by contributions from the Korean government, financial institutions, guarantee fee income, realization of claims against indemnity rights, fund investment revenue, loans from funds managed or invested in by financial institutions or governments, Korean government loans, foreign government loans, and loans from international organizations. In 2005, contributions totaled KRW266.9 billion, including KRW130.0 billion from the government and KRW136.9 billion from financial institutions.

### Basis Capital

The basis capital constitutes contributions from the government and financial institutions. A sum of these contributions and surplus carried forward is used to finance credit guarantees. In 2005, thanks to efforts to reduce the degeneration rate and increase collection to improve the soundness of the Guarantee Fund, net basis capital increased for the first time in three years.

### Operating Multiple

The operating multiple, the balance of credit guarantees

Overview of Basis Capital<sup>1)</sup>

(Unit: billion KRW, multiples)

Category	2002	2003	2004	2005
Basis capital <sup>2)</sup>	1,337	1,598	1,924	2,191
Net basis capital(A) <sup>3)</sup>	526	348	301	306
(Government contributions)	(230)	(150)	(200)	(130)
(Financial institution contributions)	(96)	(111)	(126)	(137)
IBRD loan (B)	280	266	238	210
Total (C=A+B)	806	614	539	516
Guarantee balance (D)	17,001	15,892	11,890	9,074
Operating multiple (D/C)	21.1	25.9	22.1	17.6

Note: 1) As of the year end

2) Basis capital is a cumulative total of contributions from the government and financial institutions

3) Net basis capital is basis capital minus the cumulative loss

divided by credit guarantee funds, is an indicator of the stability of the credit guarantee operation. The operating multiple of the Guarantee Fund is legally limited within 30 times the sum of the basis capital and IBRD loans. The indicator dropped from 22.1 in 2004 to 17.6 in 2005, the most stable operating multiple in recent years.

### Issuance of Credit Guarantees

The basic objective of the credit guarantee services in 2005 was to make housing accessible to low-income earners by increasing the supply of sound guarantees. Steady efforts were made to improve the system and expand business areas by reconciling profitability and public interest through development of designated guarantee products as well as qualitative structural improvement of credit guarantees.

As a result, guarantee issuance in 2005 totaled KRW4.8 trillion, an increase of KRW1.0 trillion from the previous year, despite the stagnation in the housing market, partly attributable to the government's real estate measures announced in August. Of the amount, 86.7% or KRW4.2 trillion financed guarantees for households, helping

significantly to improve housing welfare of low-income earners.

Since its establishment in 1988 through 2005, the Guarantee Fund provided a total of KRW85.8 trillion in credit guarantees to 5.48 million common households to stabilize their housing. The fund also issued KRW25.0 trillion in guarantees to home builders to finance their construction of about 2.23 million small- and medium-sized houses.

### Credit Guarantee Issuance by Guarantee Types

In 2005, 86.7% of all guarantees issued went to households, a 5.4%p increase from 2004. The guarantee grades available for households were expanded by remodeling CSS in September 2005 and improving its ability to ascertain proper grades. This cleared the way for tapping sound guarantee demand from poor credit holders with ability to service debts.

Guarantees issued on acquisition more than doubled from the previous year to KRW1.3 trillion due to the increase in guarantee limits, making homes substantially

# Housing Finance Credit Guarantees

## Credit Guarantee Performance

(Unit: billion KRW)

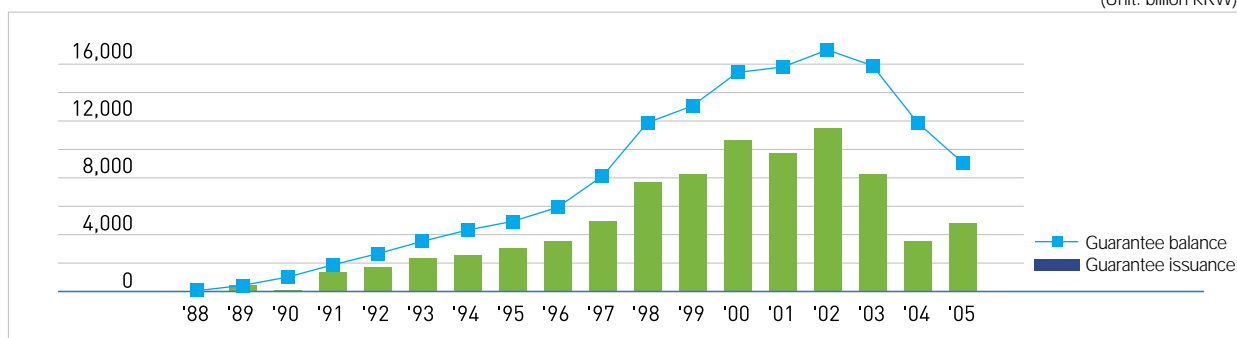
Category	2002	2003	2004	2005
Guarantee issuance	11,512	8,272	3,852	4,805
(Net increase) <sup>1)</sup>	(1,201)	(△1,108)	(△4,003)	(△2,816)
For households	10,008	7,174	3,132	4,166
For home builders	1,509	1,098	720	640
Guarantee balance <sup>2)</sup>	17,001	15,892	11,890	9,074

Note: 1) Net increase in guarantees is the guarantee issuance amount minus the guarantee termination amount

2) As of the year end

## Credit Guarantee Issuance

(Unit: billion KRW)



more affordable to low-income households. The volume of guarantees on partial payments fell by KRW0.2 trillion from the previous year due to the introduction of the post-sale system by the Korean government. Guarantees issued on lease loans, which are a common means of financing for low income households, soared to KRW1.8 trillion, an increase of KRW0.5 trillion from 2004, as a result of the increase in guarantee limits and other adjustments. The guarantees have done much to reduce the disparity in income distribution by making housing accessible to low- and mid-income households.

Construction of rental homes by the private sector declined steadily owing to deteriorating profitability. Consequently, the volume of guarantees given to home builders decreased by 11.1% to KRW0.6 trillion. In order to conform with the government's post-sale system, ensure profits in

the future, and promote guarantees for home builders, a new project financing guarantee product was developed and issued in a total volume of KRW63.8 billion.

## Post-management

Insolvency of guarantees to home builders following the foreign currency crisis in 1998 and the surge in credit card delinquency in 2003 resulted in a sharp rise in degenerated credit guarantees and subrogation. Resources available for guarantee operations were reduced, and the business environment remained difficult from the last year. The maintenance and expansion of basis capital, by means of normalizing degenerated guarantees and maximizing the recovery of indemnity rights, was a primary task in post-management.

### Degenerated Credit Guarantees

(Unit: billion KRW, %)

Category		2002	2003	2004	2005
Guarantees for households	Balance	14,338	13,890	10,123	7,507
	Degeneration	711	1,246	1,061	715
	(Degeneration rate)	(5.0)	(9.0)	(10.5)	(9.5)
	Net degeneration <sup>1)</sup> (net degeneration rate)	183 (1.3)	802 (5.8)	595 (5.9)	283 (3.8)
Guarantees for home builders	Balance	2,663	2,002	1,767	1,567
	Degeneration	79	39	46	54
	(Degeneration rate)	(3.0)	(1.9)	(2.6)	(3.4)
	Net degeneration <sup>1)</sup> (net degeneration rate)	△132 (△5.0)	△215 (△10.7)	△33 (△1.8)	△37 (△2.4)
Total	Balance (A)	17,001	15,892	11,890	9,074
	Degeneration (C)	791	1,285	1,107	769
	(Degeneration rate, C/A)	(4.7)	(8.1)	(9.3)	(8.5)
	Net degeneration (B) <sup>1)</sup> (net degeneration rate, B/A)	52 (0.3)	587 (3.7)	562 (4.7)	246 (2.7)
	Degeneration balance	1,490	1,641	1,688	1,455

Note: 1) Net degeneration = Degenerated amount - normalized amount

### Degenerated Credit Guarantees

Owing to the tightening of credit ratings to improve the soundness of guarantees in 2003, the rate of deteriorated guarantees against private individuals in 2005 recorded 9.5%, down 1.0%p from the previous year. Although net degeneration against home builders was reduced by KRW37.4 billion in 2005, the guarantee degeneration rate rose 0.8%p from the previous year to 3.4% as a result of a steadily declining balance of guarantees. Nonetheless, thanks to consistent efforts to counter degeneration, the net degeneration rate in total improved notably to 2.7% in 2005, down 2.0%p from 2004.

### Indemnity Rights

The subrogated amount for 2005 was KRW526.3 billion. Though this represents a decline of KRW47.9 billion from

KRW574.2 billion in 2004, the ratio of subrogation increased by 1.0%p to 5.8%, and the net ratio increased by 0.3% to 4.3% due to steady reduction in the guarantee balance.

In 2005, the Guarantee Fund continued to recover as much in indemnity rights as possible despite the difficult environment characterized by overall stagnation in the domestic economy and the diminished debt service abilities of low-income borrowers. The Guarantee Fund promoted the economic activities of low-income earners as well as recovery of indemnity rights under the framework of the Credit Restoration Support System. Consequently, with the two rounds of special campaigns for the recovery of indemnity rights launched in the first half and the second half, the total recovery was increased by 35.3% to KRW153.8 billion and contributed greatly to improvement of the basis capital.

# Housing Finance Credit Guarantees

## Indemnity Rights

(Unit: billion KRW, %)

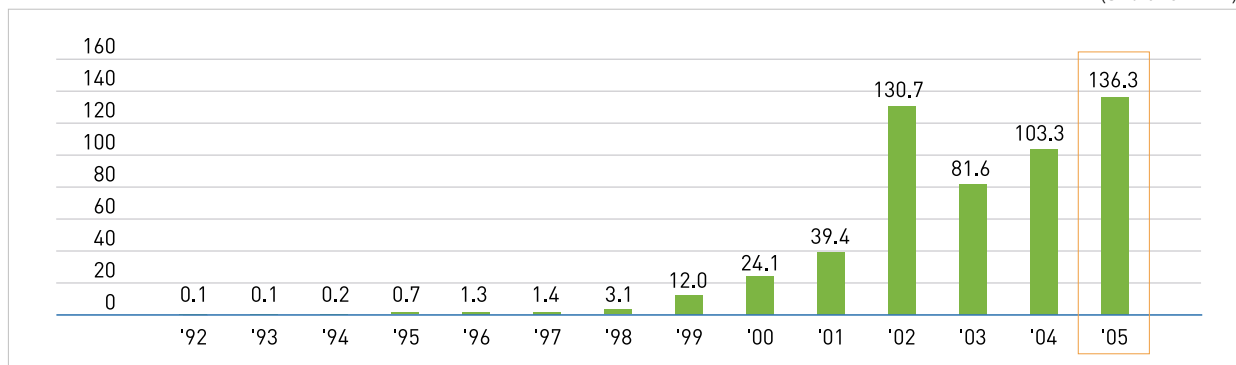
Item	2002	2003	2004	2005
Guarantee balance	17,001	15,892	11,890	9,074
Subrogation <A>	275	576	574	526
(Subrogation rate)	(1.6)	(3.6)	(4.8)	(5.8)
Recovered (principal) <B>	131	82	103	136
Net subrogation <C=A-B>	144	495	471	390
(Net subrogation rate)	(0.8)	(3.1)	(4.0)	(4.3)
Written-off (principal) <D>	104	126	129	181
Indemnity right balance <sup>1)</sup>	935	1,304	1,646	1,855
Total recovery <sup>2)</sup>	141	93	114	154

Note: 1) Indemnity right balance = Indemnity right balance from the previous year + C - D

2) Total recovery is a sum of principals and losses of indemnity right debts and bad debts

## Indemnity Rights Recovery<sup>1)</sup>

(Unit: billion KRW)



Note : 1) Figures are based on principal

The Student Loan Credit Guarantee Fund, established in August 2005, is a credit guarantee system for student loans to provide equal opportunities for higher education and encourage talented students to pursue higher education on the basis of their own abilities and responsibility.

Under the previous student loan system, part of the interest on a loan obtained by a student from a bank was covered by the Korean government. This system failed to fulfill its objective because banks often refused to issue loans or requested co-signers and, as a result, students from disadvantaged households could not actually benefit from student loans. The government established the Student Loan Credit Guarantee Fund and completely re-designed the student loan system: It is now backed by government guarantees. The improved system became operative in the second semester of 2005, and credit guarantees totaling KRW470.1 billion were issued to 180,000 students, a 38% increase year-on-year.

Since being charged by the government to manage the fund in August 2005, KHFC strove to maximize opportunities for higher education to low-income students, streamline the student loan process, and effectively manage the fund. KHFC was able to produce excellent results as follows in a short period of time.

First, accessibility by low-income students has been improved as guarantees are issued through a new framework and process based on a borrower's own credit rating.

Second, the system is customer-friendly as required documentation has been minimized by utilizing information available at public organizations and information and technology have been fully leveraged.

Third, the loan limits (max. KRW60 million) and loan maturities (max. 20 years) have been extended to

maximize practical support. In addition, support for living expenses (KRW2 million per semester) has been rendered for the first time in Korea.

Fourth, the soundness of guarantees was raised by building Student Loan Credit Scoring System (SCSS) and developing a mechanism to apply a different loan limit for each university based on delinquency rates and employment rates as well as by seeking legislation to assure timely repayment of student loans.

## Fund Raising and Operation

The Student Loan Credit Guarantee Fund is financed by contributions from the government and non-government parties, guarantee fee income, realization of claims against indemnity rights, fund investment revenue, loans from funds managed or invested in by the governments, and other sources designated by the presidential order to finance the fund.

In 2005, KRW120.6 billion in funds were raised, including KRW68.2 billion from the government to cover interest differences, KRW40.0 billion in contributions from the Korea Research Foundation for credit guarantees, and KRW11.7 billion from guarantee fee income. Reserves of KRW62.1 billion was deposited in financial institutions and KRW54.9 billion was paid out to cover interest differences.

## Issuance of Credit Guarantees

The year 2005 was the first year during which the Student Loan Credit Guarantee Fund was in operation. While making efforts to provide equal opportunities for higher education by facilitating guarantees to low-income students, KHFC aggressively improved the system and business mechanisms to ensure customer-friendly guarantee operation early on.

# Student Loan Credit Guarantee Fund

## Fund-Raising and Operation in 2005

(Unit: billion KRW, %)

	Category	Plan (A)	Actual (B)	Differences (C=B-A)
Fund-raising	Guarantee fee	15.0	11.7	△3.3
	Contributions	108.5	108.2	△0.3
	Deposit interest	-	0.7	0.7
	Total	123.5	120.6	△2.9
Fund operation	Paid to cover interest difference	66.0	54.9	△11.1
	Fund administrative expense	7.1	3.5	△3.6
	Operation expense	0.8	0.1	△0.7
	Investment of reserves	49.6	62.1	12.5
	Total	123.5	120.6	△2.9

## Guarantee Funds and Operating Multiple (as of the end of 2005)

(Unit: billion KRW)

Guarantee funds <sup>1)</sup> (A)	Guarantee outstanding balance(B)	Operating multiple (B/A)
43.6	460.4	10.6 times

Note: 1) Guarantee funds are the sum of contributions by the Korea Research Foundation for credit guarantee (KRW40 billion) and retained earnings carried forward to the following term (KRW3.6 billion)

The Student Loan Credit Guarantee system was first introduced in the second semester of 2005 and provided student loans totaling KRW470.1 billion to 180,000 students, a 38% increase from the second semester of 2004 when the interest difference coverage system was in effect. About 70% of the beneficiaries were from low-income households whose per household annual income was less than KRW30 million. The new system is seen to have greatly broadened learning opportunities. For reference, 260,000 students received student loans amounting to KRW750 billion in the first semester of 2006 as the established system generated greater demand.

### Delinquency Management

Most student loan borrowers are students who did not have financial transaction records or work experience. As

they usually do not have any income or own any properties, the student loan system will likely become insolvent if not properly managed. Therefore, in order to prevent degeneration of the fund, KHFC, the trustee of the fund, takes post-management actions through a call center when loans become delinquent. In addition, notification of the importance of self-credit control targeting students has been reinforced.

A total of 2.1% (KRW10.5 billion, 3,780 students) of student loans granted in the second semester of 2005 were delinquent as of the end of 2005. Given that it had been less than five months since the loans were originated, short-term delinquency of less than 90 days past due is more common than long-term delinquency. The delinquency rate on interest-free loans was very low because the government pays the interest on such loans on behalf of students during the grace periods.

## Overview of Delinquency (as of the end of 2005)

(Unit: billion KRW, %)

Category (Outstanding balance issued)	Regular loan (389.3)		Low interest loan (51.1)		Interest free loan (71.4)		Total (511.8)	
		Delin- quency rate		Delin- quency rate		Delin- quency rate		Delin- quency rate
Less than 60 days	4.3	1.1	0.5	1.1	0.008	0.0	4.8	1.0
Less than 90 days	3.2	0.8	0.4	0.8	0.029	0.1	3.6	0.7
Over 90 days	1.7	0.5	0.3	0.7	0.021	0.0	2.0	0.4
Total	9.2	2.4	1.3	2.6	0.058	0.1	10.5	2.1

Note: According to "Asset Soundness Classifications" of the Banking Supervisory Regulations, delinquency for less than one month is considered a simple delay and, therefore, not included in the delinquency data

As of the end of 2005, no suretyship obligation was performed, because the Student Loan Credit Guarantee Fund was introduced only rather recently and no subrogation has occurred. For reference, at the beginning of 2006, KHFC, the trustee of the Guarantee Fund, will directly step in as early as the signs of delinquency become apparent for post-management, and then the concept of credit guarantee degeneration will be abolished.

Moreover, an automatic performance screening system will be set up to reorganize the overall operations. All these changes will allow for significant improvement in post-management.

# Organization & Operation



## Internal Controls

KHFC established various internal controls to assure transparency and reinforce confidence in its work operations. The internal control systems largely consist of controls between executing departments and those performed by the auditor.

KHFC allocates, adjusts, and manages responsibilities systematically according to organization management regulations, including rules on the rank system, duties, and authorities. Each post is duly invested with authority to perform its functions and held accountable.

The budget planning departments and the execution departments are separated for the purpose of internal control. The risk management department is separated from the business departments and run independently to assure systematic internal control on an on-going basis. In addition, the Fund Investment Review Committee, which consisted of the executives within KHFC, now also includes outside, non-governmental experts to ensure availability of needed expertise and objectivity in its reviews and to reinforce control on fund investment. Furthermore, the asset management system and IT support for clearing and transfer effectively separate the investment and settlement functions, and systematically eliminate operational risks.

The auditor, who is independent of KHFC's decision-making and executing bodies, attends BOD meetings and executive management meetings and voices his opinion on internal controls. The Auditing & Examination Office, which is directly under the auditor, performs general, special, and regular audits on the organization and overall operations.

## Risk Management

In today's business environment, the importance of risk management is greater than ever. It minimizes uncertainties in the changing business environment while maximizing corporate value. In order to practice independent and professional risk management that aims

to assure a stable profit source and optimal asset allocation, KHFC established a department dedicated to risk management directly under the deputy president and has been comprehensively managing various risks and uncertainties that may occur in overall operations.

The guiding principles of risk management at KHFC may be defined as separating risk management and reporting from business units to fully assure proper checks and balances and to prevent excessive concentration of risks in certain areas. Therefore, the Risk Management Department sets the allowable risk limit of each business unit based on its profit generation capacity and equity capital and monitors its compliance.

The main responsibilities of risk management include establishing the corporate-wide risk management strategy; setting, allocating, and managing risk capital limits; and pre-screening risks for the development of new products and introduction of new systems. The risk management department also manages market risk and credit risk in association with securitization, housing finance credit guarantees and student loan credit guarantees; monitors the incidence of early repayment of *bogumjari* loans; and analyzes other risks on an on-going basis to address changes in the business environment.

### Implementation of the Company-wide Risk Management System

KHFC established the Risk Management Committee as the chief decision-making body for company-wide risk management. Chaired by the deputy president and including outside directors, the committee develops strategy on risk management and sets total risk limits. In addition, the Risk Management Consultative Council reviews and makes decisions on pending issues, including limit-setting of each risk type; and the Risk Management Working Committee, an inter-departmental working-level consultative body, facilitates risk management affairs.

To address the rapidly changing financial environment

## Internal Controls and Risk Management

more proactively, KHFC has leveraged information and technology in risk management and built the asset-liability management (ALM) system, structuring model, housing finance credit guarantee risk monitoring system, and market risk management system to efficiently manage interest rate risk by means of derivatives. KHFC uses these systems to set and manage limits for risk capital and periodically analyzes risk factors in securitization, housing finance credit guarantees, and student loan credit guarantees, to check the soundness of the trust and funds. In addition, all actions necessary are taken in managing operational risks to prevent the risk of loss stemming from inappropriate internal controls, errors in business procedures and systems, or mistakes or wrongdoing by employees.

### Market Risk

Loss limits of invested securities and derivatives are managed by measuring product sensitivities and VaR using statistical models of market risk management and checking the compliance of limits related to market risk on an on-going basis. Market risk measuring and portfolio management are performed systematically by analyzing risks vs. returns. At the same time, separate investment and loss limits are set to manage hedge transaction risk and checked on a daily basis. The stability of hedge transactions and the adequacy of asset management have been raised by analyzing hedge effects, returns, and performance and managing the limits.

### Liquidity and Interest Rate Risk

KHFC introduced the ALM system for strategic risk management. It enables maintenance of an appropriate asset & liability structure by simultaneously considering returns and risks for stable and continual growth and analyzing the impact of fluctuating market interest rates on KHFC. The system enhances the soundness of asset management by measuring the payment guarantee risk of the trust and checking liquidity risk. Strategic decision-making is supported through ALM reports that comprehensively cover interest rate and liquidity risks.

### Credit Risk

There is always some risk that the trust and funds managed by KHFC will not be able to collect principals and interest as initially contracted because of counterparties' failing to service debt. In order to manage such risk efficiently, KHFC set up monitoring systems for every sector and an early-warning system to analyze various indicators associated with credit risk and take necessary corrective actions.

In addition, in order to manage the credit risk of *bogeumjari* loan borrowers, KHFC employs institutional risk management based on agreements with financial institutions to limit loans based on the credit rating of a loan applicant and set an appropriate DTI depending on a borrower's debt service capacity.

Accordingly, the KHFC Basic Agreement on Business Alliance and the Mortgage Transfer Agreement stipulate that financial institutions bound by the agreements shall transfer only assets meeting adequate criteria. In order to clarify accountability for poor credit screening, financial institutions transferring inadequate assets will be held liable and asked to repurchase the assets.

### Prepayment Risk

In order to manage risk due to early repayment of *bogeumjari* loans, prepayment forecast rates are incorporated when structuring MBS and call options are attached to MBS with maturities of five years or over. The call option rights can be exercised in units of 5% or 10% multiples against issuance amount on coupon dates every three months.

Prepayment penalties are charged to loans prepaid within five years in order to discourage prepayment. The penalties vary depending on the period: 2% of the prepaid principal is charged for prepayment within one year, 1.5% for prepayment within three years, and 1% for prepayment within five years.

## Housing Finance Operation Committee

The Housing Finance Operation Committee is the chief decision-making body within KHFC. It reviews and decides upon all significant issues. The agenda may include establishment of basic directives for operations; establishment and modifications of work plans; amendments of the articles of incorporation; budget planning, revision and settlement; criteria 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 from 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.

ROK through recommendation of the minister of MOFE. The deputy president, executive directors, and outside directors are appointed or dismissed by the minister of MOFE through the recommendation of the CEO. The auditor is appointed and dismissed by the minister of MOFE. The term of office for each member of BOD and auditor is three years. The BOD examines and makes decisions on issues requiring the review and decision of the Housing Finance Operation Committee, matters including changes in capital, the legislation and amendment of regulations regarding the BOD and its sub-committees, the sales of indemnity rights, and other matters recognized necessary by the BOD or CEO.

In 2005, a total of 34 agenda was presented to BOD meetings, and various efforts have been made to enhance the openness and transparency of business operations by increasing participation of outside directors, disclosing BOD meeting minutes, and holding BOD meetings in a timely manner and more frequently.

## Board of Directors

The Board of Directors (BOD) is the chief executive body formed of the CEO, deputy president, executive directors, and outside directors. The Auditor may attend the BOD meetings to state his opinions. The CEO of KHFC is appointed or dismissed by the President of the

## Organization Structure

Since its establishment, KHFC has consistently worked to upgrade its operations and enhance organizational capabilities. A job analysis was conducted, including a survey of workloads of each organizational unit. Accordingly, the organization was re-designed and a business group system was introduced in early 2005 to

Housing Finance Operation Committee Members

Organization	Position	Name
Korea Housing Finance Corporation	President & CEO	Chung Hong-Shik
Ministry of Finance and Economy	Deputy Minister	Kim Seok-Dong
Ministry of Construction and Transportation	Deputy Minister for Policy Management and Public Relations	Kwon Do-Youp
Seoul National University	Professor	Rhee Chang-Young
Korea Housing Institute	President	Koh Chul
Seoul Money Brokerage Services, Ltd.	Advisor	Park Jae-Joon

## Organization

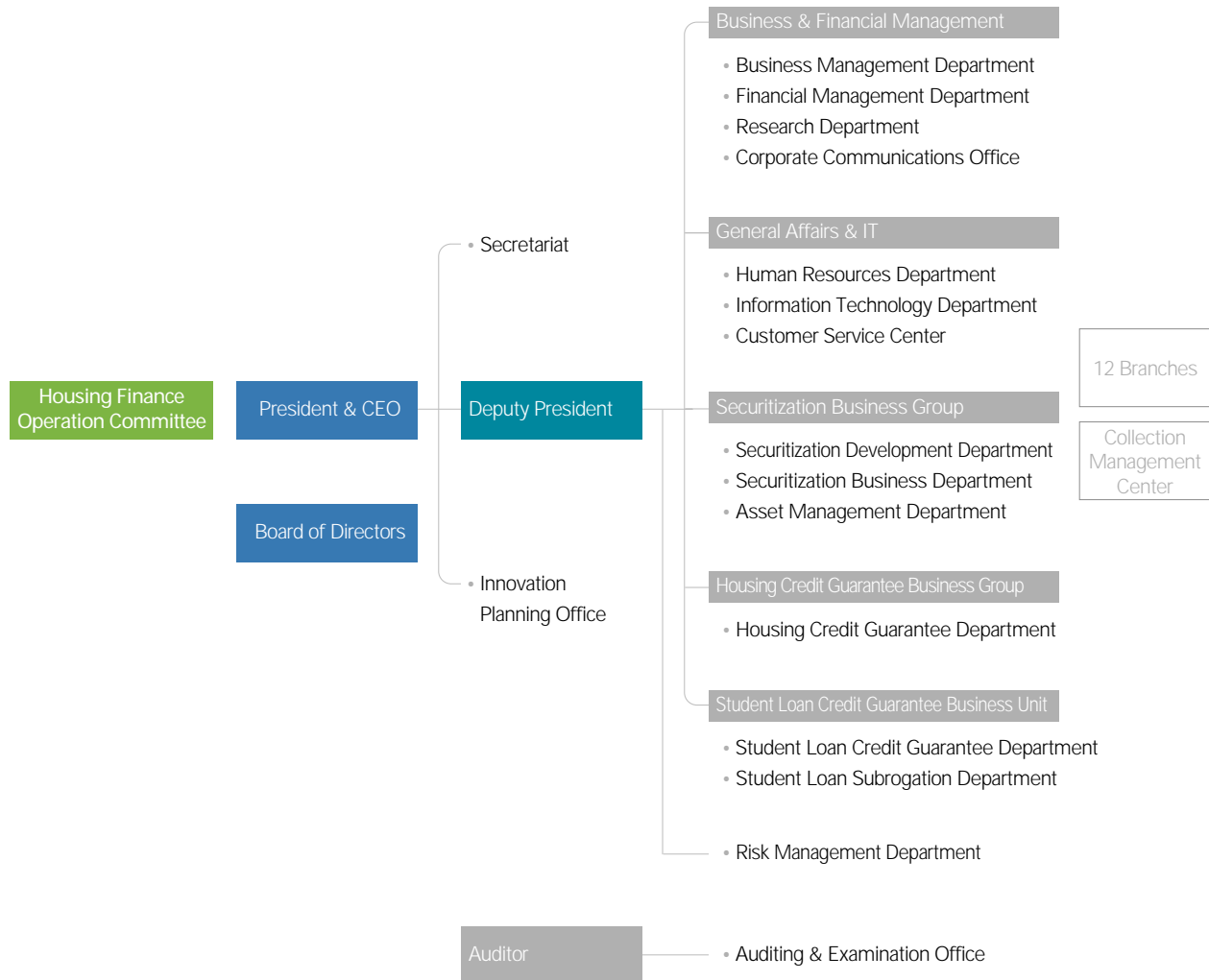
### BOD Members

Department / Position	Title	Name
Innovation Planning Office, Secretariat	President & CEO	Chung Hong-Shik
Risk Management Department	Deputy President	Choi Chang-Ho
Auditing & Examination Office	Auditor	Kim Kyung-Deok
Housing Credit Guarantee Business Group (Housing Credit Guarantee Department )	Executive Director	Lim Byung-Man
Student Loan Credit Guarantee Business Unit (Student Loan Credit Guarantee Department, Student Loan Subrogation Department)		
General Affairs & IT (Human Resources Department, Information Technology Department, Customer Service Center)	Executive Director	Lee Jong-Man
Business & Financial Management (Business Management Department, Financial Management Department, Research Department, Corporate Communications Office)	Executive Director	Kim Dong-Hwan
Securitization Business Group (Securitization Development Department., Securitization Business Department, Asset Management Department)	Executive Director	Baek Young-Bu
Seogang University / Professor	Outside Director	Kim Kyung-Hwan
Bae, Kim & Lee / Advisor	Outside Director	Kim Yong-Sup
Konkuk University / Professor	Outside Director	Lee Yong-Mo

more firmly institutionalize the performance-based accountability management system. Then, in August, following the government's assignment of new responsibilities, departments handling student loan credit guarantee affairs were set up.

After reorganizing some departments early this year to reinforce sales functions and realize customer-driven business management, KHFC currently has two business groups, one business unit, two director-level divisions, 12 departments, four offices, two centers, and 12 branches.

## Organization Chart



## Full-time Employees

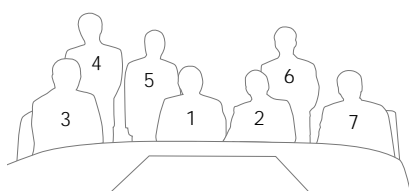
(Unit: persons)

Category	Grade 1	Grade 2	General Grade 3	Grade 4	Grade 5	Secretary	Total
Count	15	30	70	108	145	8	376

Note: Fixed number of regular personnel as of 2005 year end

# Organization

## Executive Directors



- ❶ President & CEO
- ❷ Deputy President
- ❸ Auditor
- ❹ Executive Director

**Chung Hong-Shik**  
**Choi Chang-Ho**  
**Kim Kyung-Deok**  
**Lim Byung-Man**

- ❺ Executive Director
- ❻ Executive Director
- ❼ Executive Director

**Lee Jong-Man**  
**Kim Dong-Hwan**  
**Baek Young-Bu**

# 2005 Financial Statements & Auditor's Review



## Settlement of Accounts

### Key Features

In order to assure the transparency and maintain confidence in business operations, KHFC had the financial statements of KHFC account, trust account, the Housing Finance Credit Guarantee Fund, and the Student Loan Credit Guarantee Fund audited by an external accounting firm. Under the provisions of Korea Housing Finance Corporation Act Article 48 (work plan & budget and settlements) Paragraph 2 and Article 59 (the accounting and settlements of the Guarantee Fund) Paragraph 3, the financial statements of KHFC and the Housing Finance Credit Guarantee Fund need to be voted on by the BOD and the Housing Finance Operation Committee and submitted to the Minister of Finance and Economy. Under the General Law of Fund Management Article 9 (the settlement of the Fund) Paragraph 1, an accounting audit by an accounting firm is obligatory for the financial statements of the Housing Finance Credit Guarantee Fund. Under the provisions of the Student Loan Credit Guarantee Fund Management and Operation Regulations Article 12 (accounting and settlements) Paragraph 2, the financial statements of the Student Loan Credit Guarantee Fund need to be deliberated by the Fund Operation Committee and submitted to the Minister of Education and Human Resources Development.

The financial statements of KHFC, the Housing Finance Credit Guarantee Fund, and the Student Loan Credit Guarantee Fund for fiscal year 2005 were audited by Daejoo Accounting Corporation, which declared all of them "adequate".

As a result of business innovation and proactive response to change in the internal and external environments, KHFC managed to realize KRW3.2 billion in net income despite challenging circumstances. It was able to record profits for two consecutive years following 2004, improve

its financial soundness, and expand the base for independent business operation.

The settlement of accounts for the Housing Finance Credit Guarantee Fund for term 18, fiscal year 2005, shows that net losses dropped by KRW112.1 billion from term 17 to KRW259.6 billion. With contributions by the government and financial institutions totaling KRW266.9 billion, net basis capital rose to KRW306.0 billion as of the end of 2005.

The Student Loan Credit Guarantee Fund raised KRW108.2 billion and realized net income of KRW3.6 billion. As of the end of 2005, its first business year, it had net basis capital of KRW56.9 billion.

### Summary of Financial Statements

#### **Korea Housing Finance Corporation (proprietary account)**

Assets total KRW711.8 billion, of which KRW79.7 billion are cash and deposits, KRW180.2 billion are securities, KRW390.2 billion are purchased mortgages, KRW8.5 billion are fixed assets, and KRW53.2 billion are other assets (guarantee deposits and others). Liabilities total KRW313.8 billion KRW, of which KRW304.0 billion are loans payable, the source of funds for purchased mortgages, and KRW9.8 billion are other liabilities (allowance for payment guarantees, etc.). Owner's equity totals KRW398.0 billion, which is the sum of KRW376.6 billion in paid-in capital and KRW21.4 billion in retained earnings.

KHFC realized KRW3.2 billion in net income on total revenue of KRW121.5 billion and total expenses of KRW118.3 billion. Total revenue includes KRW31.4 billion in interest revenue on deposits, securities, and

mortgages, KRW24.7 billion in fee revenue, including payment guarantee fees and trust commissions from trust account, KRW5.4 billion in mortgage disposal income, and KRW59.9 billion in derivatives transaction and valuation gains. Total expenses include KRW11.2 billion in interest and fee expenses related to purchases and holding of mortgages, KRW53.8 billion in mortgage disposal losses, KRW21.2 billion in derivatives transaction and valuation losses, KRW1.0 billion in write-offs as bad debt, KRW5.7 billion in transfers to the allowance for payment guarantees, KRW24.1 billion in sales & administration expenses and KRW1.2 billion in income tax expenses.

The paid-in capital of KHFC totals KRW376.6 billion and includes contributions from the Bank of Korea (KRW310.0 billion, 82.3%), the National Housing Fund (KRW56.6 billion, 15.0%), and the Ministry of Finance and Economy (KRW10.0 billion, 2.7%). Retained earnings are KRW21.4 billion, including KRW3.6 billion in legal reserves, KRW14.6 billion in retained earnings carried forward, and KRW3.2 billion in net income. Owner's equity totals KRW398.0 billion.

### **Korea Housing Finance Corporation (integrated trust account)**

With nine issuances of MBS and one issuance of SLBS in 2005, the total assets of the trust account at the end of this term amounted to KRW8.4861 trillion, an increase by KRW3.7190 trillion from the end of 2004. Securitized assets totaled KRW7.7090 trillion, cash deposits were KRW549.4 billion, securities were KRW175.2 billion, and other assets were KRW31.4 billion. Accumulated losses on trust totaled KRW21.1 billion, an increase by KRW4.9 billion compared to the end of the previous year.

The total of liabilities is KRW8.4861 trillion, of which KRW8.2093 trillion are securitized liabilities, KRW175.4

billion are other liabilities, and KRW101.4 billion are accumulated gains on trust.

Operating revenue of the integrated trust account totaled KRW418.4 billion, which includes KRW388.1 billion in interest revenue on mortgages and student loans, KRW17.4 billion in interest on deposits and securities, and KRW12.6 billion in fee revenue. Compared to the previous year, trust losses dropped by KRW2.7 billion to KRW4.9 billion. The entire amount was incurred on MBS issued by KoMoCo.

Operating expenses are KRW373.1 billion, including KRW320.1 billion in MBS and SLBS interest expenses and KRW51.8 billion in commissions. Compared to the previous year, trust profits increased by KRW31.0 billion to KRW50.2 billion, out of which KRW10.3 billion was generated from MBS issued by KoMoCo and KRW39.9 billion was from MBS issued by KHFC.

### **Housing Finance Credit Guarantee Fund**

Assets total KRW1.0501 trillion, of which KRW381.7 billion are cash and deposits, KRW256.8 billion are securities, KRW376.6 billion are indemnity rights, and KRW35.0 billion are other assets. Liabilities total KRW744.1 billion, of which KRW482.3 billion are an allowance for credit guarantees, KRW210.0 billion are IBRD loans, which are included when calculating guarantee operating multiple, and KRW51.8 billion are other liabilities. The capital total is KRW306.0 billion, after deducting the capital adjustment and deficit carried forward (KRW1.8847 trillion) from basis capital (KRW2.1907 trillion) which includes government contributions.

Net losses are KRW259.6 billion in fiscal year 2005. Total revenue is KRW136.1 billion, and total expenses are

## Settlement of Accounts

KRW395.7 billion. Total revenue includes KRW79.4 billion in guarantee fees, KRW47.8 billion in interest revenue on deposits and securities, KRW4.4 billion in interest on arrears, and KRW4.5 billion in other revenue including recovered bad debts previously written-off. Total expenses include KRW304.4 billion in indemnity right write-offs, KRW23.8 billion in administrative expenses, KRW23.0 billion in transfers to the allowance for credit guarantees, KRW21.5 billion in derivatives transaction losses, and KRW23.1 billion in other expenses including interest expenses.

In 2005, contributions of KRW266.9 billion (government KRW130.0 billion, financial institutions KRW136.9 billion) were raised, and basis capital amounts to KRW2.1907 trillion. After deducting a KRW1.8847 trillion of capital adjustment and deficit carried forward, net basis capital is KRW306.0 billion. The credit guarantee operating multiple dropped from 22.1 in 2004 to 17.6 in 2005.

### Student Loan Credit Guarantees

Assets total KRW64.0 billion, of which KRW62.1 billion KRW are cash and deposits, KRW0.6 billion are other current assets, and KRW1.3 billion are fixed assets. Liabilities total KRW7.1 billion, of which KRW6.6 billion are guarantee fee unearned revenue and KRW0.5 billion are in accounts payables (guarantee trust fee). The capital total is KRW56.9 billion, a sum of KRW53.3 billion in basis capital and KRW3.6 billion in retained earnings.

Net income of KRW3.6 billion was realized, with KRW6.4 billion in total revenue and KRW2.8 billion in total expenses. Total revenue includes KRW5.1 billion in guarantee fees and KRW1.3 billion in interest revenue, while total expenses include KRW2.3 billion in trust fees and KRW0.5 billion in guarantee trust fees.

In 2005, contributions totaling KRW108.2 billion were raised, including KRW68.2 billion from the government and KRW40.0 billion from the Korea Research Foundation. After spending KRW54.9 billion, basis capital amounts to KRW53.3 billion. The capital total of the fund is KRW56.9 billion, after adding KRW3.6 billion in profits carried forward. The credit guarantee operating multiple is 10.6, which is based on KRW43.6 billion KRW, a sum of KRW40.0 billion in contributions for credit guarantees and KRW3.6 billion in profits carried forward.

## Audit Report by External Auditor



Daejoo Accounting Corporation  
629, Daechi-dong, Gangnam-gu  
Seoul 135-280 Korea  
Tel: 02)563-5967, FAX: 02)553-8146

To: The BOD of KHFC

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, 2005. 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 financial statements for the fiscal year ending December 31, 2004, which are provided for comparison, were audited by HanYoung (Ernst & Young). The audit opinion of HanYoung reported as of January 26, 2005 was "adequate".

The audit was performed in accordance with the Financial Auditing Standards of the ROK. The Standards required 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, 2005. The statements are sufficiently expressed in view of materiality in accordance with the corporate accounting standards of the ROK.

January 27, 2006  
CEO **Lim Hun-Kyung**

This Audit Report is effective as of January 27, 2006. 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 of KHFC Account

Term 2: as of December 31, 2005 / Term 1: as of December 31, 2004

(Unit: 100 million KRW)

Item	Term 2 Amount	Term 1 Amount	Variance
<b>I. Cash and Deposits</b>	<b>797</b>	<b>1,602</b>	<b>△ 805</b>
Deposits	797	1,602	△ 805
<b>II. Securities</b>	<b>1,802</b>	<b>2,006</b>	<b>△ 204</b>
(1) Bonds Held to Maturity	1,802	2,006	△ 204
Treasury/Public Notes	1,201	1,405	△ 204
Financial Institution Notes	599	600	△ 1
MBS	2	1	1
<b>III. Mortgages</b>	<b>3,902</b>	<b>-</b>	<b>3,902</b>
Mortgages Purchased	3,912	-	3,912
Allowance for Bad Debts	(10)	-	△ 10
<b>IV. Fixed Assets</b>	<b>85</b>	<b>56</b>	<b>29</b>
Tangible Assets	71	56	15
Intangible Assets	14	-	14
<b>V. Other Assets</b>	<b>532</b>	<b>356</b>	<b>176</b>
Guarantee Deposits	295	286	9
Accounts Receivables	17	-	17
Revenue Receivables	55	63	△ 8
Pre-paid Expenses	28	1	27
Derivatives Assets	137	6	131
<b>Asset Total</b>	<b>7,118</b>	<b>4,020</b>	<b>3,098</b>
<b>I. Loan Payables</b>	<b>3,040</b>	<b>-</b>	<b>3,040</b>
Loans	3,040	-	3,040
<b>II. Other Liabilities</b>	<b>98</b>	<b>72</b>	<b>26</b>
Allowance for Severance Liability	13	4	9
(Retirement Insurance Deposit)	(4)	(3)	8
Allowance for Payment Guarantee	57	-	57
Accounts Payables	10	1	9
Income Tax Payable	-	64	△ 64
Deferred Income Tax liabilities	22	6	16
<b>Liability Total</b>	<b>3,138</b>	<b>72</b>	<b>3,066</b>
<b>I. Capital Stock</b>	<b>3,766</b>	<b>3,766</b>	<b>-</b>
Paid-in Capital	3,766	3,766	-
<b>II. Retained Earnings</b>	<b>214</b>	<b>182</b>	<b>32</b>
Legal Reserve	36	-	36
Retained Earnings Carried Forward	146	-	146
Net Income	32	182	△ 150
<b>Owner's Equity Total</b>	<b>3,980</b>	<b>3,948</b>	<b>32</b>
<b>Liability and Capital Total</b>	<b>7,118</b>	<b>4,020</b>	<b>3,098</b>

## 2. Summary Income Statement of KHFC Account

Term 2: January 1, 2005 ~ December 31, 2005 / Term: 1 March 1, 2004 ~ December 31, 2004

(Unit: 100 million KRW)

Item	Term 2 Amount	Term 1 Amount	Variance
<b>I. Operating Revenue</b>	<b>1,214</b>	<b>817</b>	<b>397</b>
(1) Interest Revenue	314	122	192
Interest on Deposits	43	55	△ 12
Interest on Security Holdings	89	67	22
Interest on mortgages	182	-	182
(2) Commission Revenue	247	99	148
Payment Guarantee Fee	170	71	99
Trust Commissions	62	19	43
Other Commission Income	15	9	6
(3) Other Operating Revenue	653	596	57
Mortgage Disposal Income	54	579	△ 525
Derivatives Transaction (Valuation) Gains	599	1	598
Returns from Provision for Payment Guarantee	-	16	△ 16
<b>II. Operating Expenses</b>	<b>1,170</b>	<b>539</b>	<b>631</b>
(1) Interest Expense	88	-	88
Interest on Borrowings	88	-	88
(2) Commission Expenses	24	-	24
Fees Paid	24	-	24
(3) Other Operating Expenses	817	423	394
Bad Debt Expenses	10	-	10
Transfer to Provision for Payment Guarantee	57	-	57
Mortgage Disposal Losses	538	-	538
Derivatives Transaction (Valuation) Losses	212	423	△ 211
(4) Sales & Administrative Expenses	241	116	125
Salaries	90	40	50
Advertisement Expenses	39	27	12
Commissions Paid	28	16	12
Others	84	33	51
<b>III. Operating Income</b>	<b>44</b>	<b>278</b>	<b>△ 234</b>
<b>IV. Non-operating Revenue</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>V. Non-operating Expenses</b>	<b>1</b>	<b>19</b>	<b>△ 18</b>
<b>VI. Ordinary Income</b>	<b>44</b>	<b>259</b>	<b>△ 215</b>
<b>VII. Extraordinary Gains</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. Extraordinary Losses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. Income before Income Tax Expenses</b>	<b>44</b>	<b>259</b>	<b>△ 215</b>
<b>X. Income Tax Expenses</b>	<b>12</b>	<b>77</b>	<b>△ 65</b>
<b>XI. Net Income</b>	<b>32</b>	<b>182</b>	<b>△ 150</b>

### 3. Summary Balance Sheet of Integrated Trust Account

Term 2: as of December 31, 2005 / Term 1: as of December 31, 2004

(Unit: 100 million KRW)

Item	Term 2	Term 1	Variance
	Amount	Amount	
<b>I. Cash and Deposits</b>	<b>5,494</b>	<b>2,917</b>	<b>2,577</b>
Deposits	5,494	2,917	2,577
<b>II. Securities</b>	<b>1,752</b>	<b>874</b>	<b>878</b>
Treasury/Public Notes	1,552	-	1,552
Financial Institution Notes	200	874	△ 674
<b>III. Securitized Assets</b>	<b>77,090</b>	<b>43,556</b>	<b>33,534</b>
(1) Mortgages	72,003	43,556	28,447
Mortgages (principal)	71,941	42,992	28,949
Mortgages (premium on purchase)	534	564	△ 30
Mortgages (discount on purchase)	(472)	-	△ 472
(2) Student Loans	5,087	-	5,087
Student Loans (principal)	5,113	-	5,113
Student Loans (premium on purchase)	-	-	-
Student Loans (discount on purchase)	(26)	-	△ 26
<b>IV. Other Assets</b>	<b>314</b>	<b>162</b>	<b>152</b>
Revenue Receivables	203	130	73
Account Receivables	98	21	77
Advance Payments	13	11	2
<b>V. Accumulated Losses on Trust</b>	<b>211</b>	<b>162</b>	<b>49</b>
<b>Asset Total</b>	<b>84,861</b>	<b>47,671</b>	<b>37,190</b>
<b>I. Securitized Liabilities</b>	<b>82,093</b>	<b>45,801</b>	<b>36,292</b>
(1) MBS	76,928	45,801	31,127
MBS (senior)	76,017	44,866	31,151
MBS (junior)	975	974	1
SLBS (discount on issuance)	(64)	(39)	△ 25
(2) SLBS	5,165	-	5,165
MBS (senior)	5,170	-	5,170
MBS (junior)	-	-	-
SLBS (discount on issuance)	(5)	-	△ 5
<b>II. Other Liabilities</b>	<b>1,754</b>	<b>1,358</b>	<b>396</b>
Advancements	1,260	1,071	189
Unearned Revenue	17	5	12
Accrued Trust Interest	417	255	162
Unpaid Expenses	60	27	33
<b>III. Accumulated Gains on Trust</b>	<b>1,014</b>	<b>512</b>	<b>502</b>
<b>Liability Total</b>	<b>84,861</b>	<b>47,671</b>	<b>37,190</b>

## 4. Summary Income Statement of Integrated Trust Account

Term 2: January 1, 2005 ~ December 31, 2005 / Term 1: January 1, 2004 ~ December 31, 2004

(Unit: 100 million KRW)

Item	Term 2 Amount	Term 1 Amount	Variance
<b>I. Operating Revenue</b>	<b>4,184</b>	<b>1,997</b>	<b>2,187</b>
(1) Interest on Deposits	150	89	61
(2) Interest on Securities	24	85	△ 61
(3) Interest on Mortgages	3,817	1,769	2,048
(4) Interest on Student Loans	64	-	64
(5) Commission Income	126	15	111
(6) Securities Disposal Gains	-	35	△ 35
(7) Securities Valuation Gains	3	4	△ 1
<b>II. Trust Losses</b>	<b>49</b>	<b>76</b>	<b>△ 27</b>
<b>Total</b>	<b>4,233</b>	<b>2,073</b>	<b>2,160</b>
<b>I. Operating Expenses</b>	<b>3,731</b>	<b>1,881</b>	<b>1,850</b>
(1) MBS Interest Expenses	3,149	1,707	1,442
(2) SLBS Interest Expenses	52	-	52
(3) Commissions paid	518	174	344
(4) Securities Disposal Losses	4	-	4
(5) Securities Valuation Losses	8	-	8
<b>II. Trust Profits</b>	<b>502</b>	<b>192</b>	<b>310</b>
<b>Total</b>	<b>4,233</b>	<b>2,073</b>	<b>2,160</b>

# Housing Finance Credit Guarantee Fund

## Audit Report by External Auditor



Daejoo Accounting Corporation  
629, Daechi-dong, Gangnam-gu  
Seoul 135-280 Korea  
Tel: 02)563-5967, FAX: 02)553-8146

To: The BOD of Housing Finance Credit Guarantee Fund

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, 2005. 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 express opinions thereon. The financial statements for the fiscal year ending December 31, 2004, which are provided for comparison, were audited by HanYoung (Ernst & Young). The audit opinion of HanYoung reported as of January 26, 2005 was adequate.

The audit was performed in accordance with the Financial Auditing Standards of the ROK. The Standards required 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 deficit, and the cash-flow of the Guarantee Fund for the fiscal year ending December 31, 2005. 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.

### 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. As of the end of fiscal year, the balance was US\$ 150,000,000. 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 (₩1,400/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 KRW105,100 million and KRW104,900 million, 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 (₩1,400/US\$1) until the 2007 fiscal year, and related derivatives and junior bonds will not be evaluated at fair price.

January 27, 2006

CEO **Lim Hun-Kyung**

This Audit Report is effective as of January 27, 2006. 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 18: as of December 31, 2005 / Term 17: as of December 31, 2004

(Unit: 100 million KRW)

Item	Term 18 Amount	Term 17 Amount	Variance
<b>I. Current Assets</b>	<b>8,335</b>	<b>8,137</b>	<b>198</b>
1. Cash and Deposits	2,666	3,543	△ 877
2. Marketable Securities	1,702	1,294	408
3. Indemnity Rights	18,553	16,459	2,094
(Allowance for Indemnity Rights Write-Offs)	(14,787)	(13,436)	(1,351)
4. Other Current Assets	201	277	△ 76
<b>II. Fixed Assets</b>	<b>2,166</b>	<b>2,439</b>	<b>△ 273</b>
1. Long-term Deposits	1,151	1,051	100
2. Marketable Securities	866	1,339	△ 473
3. Guarantee Deposit	49	49	-
4. Tangible Assets	97	-	97
5. Intangible Assets	3	-	3
<b>Asset Total</b>	<b>10,501</b>	<b>10,576</b>	<b>△ 75</b>
<b>I. Current Liabilities</b>	<b>777</b>	<b>868</b>	<b>△ 91</b>
1. Accounts Payables	17	15	2
2. Unearned Revenue	378	459	△ 81
3. Unpaid Expenses	102	114	△ 12
4. Other Current Liabilities	280	280	-
<b>II. Fixed Liabilities</b>	<b>6,664</b>	<b>6,702</b>	<b>△ 38</b>
1. Long-term Loan Payables	1,820	2,100	△ 280
2. Provision for Credit Guarantee	4,823	4,593	230
3. Allowance for Severance Liability	21	9	12
<b>Liability Total</b>	<b>7,441</b>	<b>7,570</b>	<b>△ 129</b>
<b>I. Basis Capital</b>	<b>21,907</b>	<b>19,238</b>	<b>2,669</b>
1. Government Contribution	12,820	11,520	1,300
2. Financial Institution Contribution	9,060	7,691	1,369
3. Reserves for Credit Guarantee	27	27	-
<b>II. Capital Adjustment</b>	<b>(14)</b>	<b>5</b>	<b>△ 19</b>
1. Marketable Security Valuation Gain or Loss	(14)	5	△ 19
<b>III. Accumulated Deficit</b>	<b>18,833</b>	<b>16,237</b>	<b>2,596</b>
1. Adjusted Accumulated Deficit Carried	16,237	12,520	3,717
2. Net Losses	2,596	3,717	△ 1,121
<b>Capital Total</b>	<b>3,060</b>	<b>3,006</b>	<b>54</b>
<b>Liability and Capital Total</b>	<b>10,501</b>	<b>10,576</b>	<b>△ 75</b>

## 2. Summary Income Statement

Term 18: January 1, 2005 ~ December 31, 2005 / Term 17: January 1, 2004 ~ December 31, 2004

(Unit: 100 million KRW)

Item	Term 18 Amount	Term 17 Amount	Variance
<b>I. Operating Revenue</b>	<b>1,316</b>	<b>1,494</b>	<b>△ 178</b>
1. Guarantee fees	794	827	△ 33
2. Interest on Arrears	44	28	16
3. Interest on Time Deposit	237	305	△ 68
4. Interest on Marketable Securities	241	334	△ 93
<b>II. Operating Expenses</b>	<b>3,904</b>	<b>5,172</b>	<b>△ 1,268</b>
1. Interest Payments	70	52	18
2. Commissions Paid	66	76	△ 10
3. Derivatives Transaction Losses	215	273	△ 58
4. Administrative Expenses	238	220	18
5. Indemnity Right Write-Offs	3,043	3,983	△ 940
6. Transfers to Credit Guarantee Provision	230	550	△ 320
7. Indemnity Right Transfer Loss	42	-	42
8. Bad Debt Expense	-	18	△ 18
<b>III. Operating Losses</b>	<b>2,588</b>	<b>3,678</b>	<b>△ 1,090</b>
<b>IV. Non-operating Revenue</b>	<b>45</b>	<b>14</b>	<b>31</b>
1. Recovery of Bad Debts Written-Off	26	10	16
2. Refund of Income Tax	17	-	17
3. Miscellaneous Revenue	2	4	△ 2
<b>V. Non-operating Expenses</b>	<b>53</b>	<b>53</b>	<b>-</b>
1. Subrogation Payment Write-Offs	21	11	10
2. Bad Debt Administrative Expenses	21	10	11
3. Loss on Impairment of Marketable Securities		16	△ 16
4. Miscellaneous Expenses	11	16	△ 5
<b>VI. Ordinary Losses</b>	<b>2,596</b>	<b>3,717</b>	<b>△ 1,121</b>
<b>VII. Losses before Income Tax Expenses</b>	<b>2,596</b>	<b>3,717</b>	<b>△ 1,121</b>
<b>VIII. Income Tax Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. Net Losses</b>	<b>2,596</b>	<b>3,717</b>	<b>△ 1,121</b>

### 3. Summary Basis Capital Statement

Term 18: as of December 31, 2005 / Term 17: as of December 31, 2004

(Unit: 100 million KRW)

Item	Term 18 Amount	Term 17 Amount	Variance
<b>I. Basis Capital</b>	<b>21,907</b>	<b>19,238</b>	<b>2,669</b>
1. Basis Capital at Establishment	193	193	-
Government Contribution	100	100	-
Financial Institution Contribution	66	66	-
Reserves for Credit Guarantee	27	27	-
2. Contributions	21,714	19,045	2,669
Government	12,720	11,420	1,300
Financial Institutions	8,994	7,625	1,369
<b>II. Accumulated Deficit</b>	<b>18,833</b>	<b>16,237</b>	<b>2,596</b>
1. Adjusted Accumulated Deficit Carried	16,237	12,520	3,717
2. Net Losses	2,596	3,717	△ 1,121
<b>III. Capital Adjustment</b>	<b>(14)</b>	<b>5</b>	<b>△ 19</b>
1. Marketable Security Valuation Gains	(14)	5	△ 19
<b>IV. Net Basis Capital</b>	<b>3,060</b>	<b>3,006</b>	<b>54</b>
<b>V. Loan Payables</b>	<b>2,100</b>	<b>2,380</b>	<b>△ 280</b>
<b>VI. Guarantee Balance</b>	<b>90,740</b>	<b>118,897</b>	<b>△ 28,157</b>
<b>VII. Operating Multiples</b>	<b>17.58</b>	<b>22.08</b>	<b>△ 4.5</b>

## Audit Report by External Auditor



Daejoo Accounting Corporation  
629, Daechi-dong, Gangnam-gu  
Seoul 135-280 Korea  
Tel: 02)563-5967, FAX: 02)553-8146

To: The BOD of the Student Loan Credit Guarantee Fund

The financial statements of the Student Loan Credit Guarantee Fund (hereinafter "the Guarantee Fund") 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, 2005. 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 express opinions thereon.

The audit was performed in accordance with the Financial Auditing Standards of the ROK. The Standards required 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 the Guarantee Fund for the fiscal year ending December 31, 2005. The statements are sufficiently expressed in view of materiality in accordance with the corporate accounting standards of the ROK and the accounting guidelines of the Student Loan Credit Guarantee Fund.

January 27, 2006  
CEO **Lim Hun-Kyung**

This Audit Report is effective as of January 27, 2006. 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 1: as of December 31, 2005

(Unit: million KRW)

Item	Term 1 Amount	
<b>I. Current Assets</b>		<b>62,748</b>
1. Deposits	62,127	
Demand Deposits	8,027	
Time Deposits	40,000	
Repurchase	14,100	
2. Other Current Assets	621	
Accrued Revenue	621	
<b>II. Fixed Assets</b>		<b>1,310</b>
1. Bonds held to Maturity	1	
2. Tangible Assets	1,309	
<b>Asset Total</b>		<b>64,058</b>
<b>I. Current Liabilities</b>		<b>7,189</b>
1. Other Current Liabilities	7,189	
Accounts Payables	586	
Unearned Revenue	6,603	
<b>Liabilities Total</b>		<b>7,189</b>
<b>I. Basis Capital</b>		<b>53,314</b>
1. Government Contribution	108,230	
2. (Contribution to Cover Interest Difference)	(54,916)	
<b>II. Retained Earnings Carried Forward</b>		<b>3,555</b>
1. Net Income	3,555	
<b>Capital Total</b>		<b>56,869</b>
<b>Liability and Capital Total</b>		<b>64,058</b>

## 2. Summary Income Statement

Term 1: August 11, 2005 ~ December 31, 2005

(Unit: million KRW)

Item	Term 1 Amount
<b>I. Operating Revenue</b>	<b>6,438</b>
1. Guarantee Fees	5,093
Regular Guarantee Fees	3,895
Low Interest Guarantee Fees	501
Interest-free Guarantee Fees	697
2. Interest Revenue	1,345
Interest on Deposits	1,345
<b>II. Operating Expenses</b>	<b>2,883</b>
1. Guarantee Fee Refund	61
2. Fees Paid	2,816
Trust Fees	2,313
Guarantee Trust Fees	503
3. Administrative Expenses	6
<b>III. Operating Income</b>	<b>3,555</b>
<b>IV. Net Income</b>	<b>3,555</b>

### 3. Summary Basis Capital Statement

Term 1: as of December 31, 2005

(Unit: million KRW)

Item	Term 1 Amount
<b>I. Basis Capital</b>	<b>53,314</b>
1. Contributions	53,314
Government Contributions*	108,230
(Contribution to Cover Interest Difference)	(54,916)
<b>II. Retained Earnings Carried Forward</b>	<b>3,555</b>
1. Net Income	3,555
<b>III. Capital Total</b>	<b>56,869</b>

\* Government contribution (KRW108,230 million) is a sum of contributions for credit guarantees (KRW40,000 million) and contributions for interest difference coverage (KRW68,230 million).

Name	Zip code	Address	Telephone
Seoul Branch	100-998	3rd floor, YTN Bldg., 6-1, Namdaemunro 5-ga, Jung-gu, Seoul	02)2014-8114
Seoul Nambu Branch	135-080	18th floor, Keungil Tower, 677-25, Yeoksam-dong, Gangnam-gu, Seoul	02)3290-6500
Busan Branch	614-844	5th floor, KEB Seomyeon Branch, 260-1, Bujeon-dong, Busanjin-gu, Busan	051)804-3977
Daegu Branch	700-742	23rd floor, Samsung Financial Plaza Bldg., 110, Deoksan-dong, Jung-gu, Daegu,	053)430-2400
Incheon Branch	405-220	7th floor, Hanjin Tower Bldg., 1146-9, Guwol-dong, Namdong-gu, Incheon	032)441-2155
Gwangju Branch	501-711	7th floor, Mudeung Bldg., 20-2, Geumnamno 2-ga, Dong-gu, Gwangju	062)233-2515
Daejeon Branch	302-859	3rd floor, Nonghyup Tanbang-dong branch, 651, Tanbang-dong, Seo-gu, Daejeon	042)223-2620
Suwon Branch	441-822	9th floor, Seoul Guarantee Insurance Bldg., 1023-3, Gwonseon-dong, Gwonseon-gu, Suwon	031)898-5040
Jeonju Branch	561-853	6th floor, Korea Teachers Pension Bldg., 1573-1, Inhu-dong 2-ga, Deokjin-gu, Jeonju	063)241-2745
Chuncheon Branch	200-042	6th floor, Kookmin Bank Chuncheon branch, 27-1, Jungang-dong 2-ga, Chuncheon	033)259-3600
Cheongju Branch	361-822	Rm. 402, La Defense Bldg., 1238, Bunpyeong-dong, Heungdeok-gu, Cheongju	043)299-2800
Jeju Branch	690-813	3rd floor, Daeshin Securities Bldg., 251-1, Yeon-dong, Jeju	064)726-5160
Collection Management Center	135-080	18th floor, Keungil Tower, 677-25, Yeoksam-dong, Gangnam-gu, Seoul	02)3290-6600



KOREA HOUSING FINANCE CORPORATION

YTN Building 6-1 Namdaemunro 5-ga,  
Jung-gu, Seoul, Korea, 100-998  
Tel : 82-2-2014-8114 Fax : 82-2-755-1638  
[www.khfc.co.kr](http://www.khfc.co.kr)