

2010 Annual Report

*Lifetime Financial Partner for
Low and Moderate-Income People*





Contributing to the Development of the National Economy

Korea Housing Finance Corporation (HF)

is a quasi-government organization. It was founded on March 1, 2004 in accordance with the Korea Housing Finance Corporation Act in order to contribute to the promotion of national welfare and the development of the national economy by promoting stable and long-term supply of housing finance. Since its establishment, HF has been engaged in housing finance business including mortgage securitization, housing finance credit guarantees and reverse mortgage guarantees. It has been leading the sophistication and stable development of Korea's housing finance market.

04
Message from the CEO

06
Vision & Strategy

07
2010 Major Business Results

08
2010 Highlights

10
2010 Housing Economy

14
Business Review

Securitization
Housing Finance Credit Guarantee
Reverse Mortgage Guarantee

36
Corporate Governance

Housing Finance Management Committee
Board of Directors
Specialized subcommittees
Management Committee
Organization

44
Sustainable Management

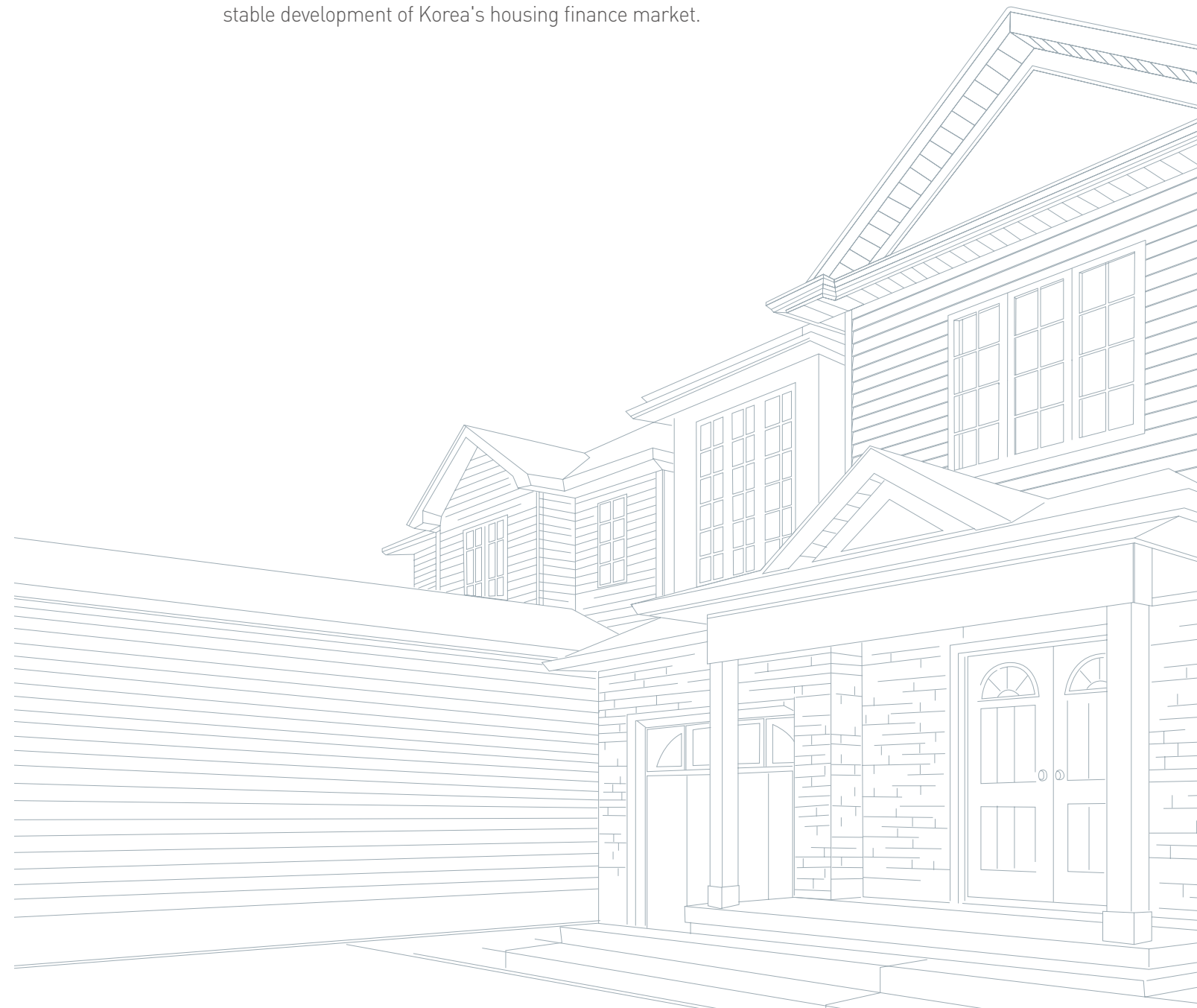
Organizational Culture
Ethical Management
Internal Control
Risk Management
Social Contribution
Customer Satisfaction
International Exchange & Cooperation

58
2010 Financial Review

Summary
Financial Statements

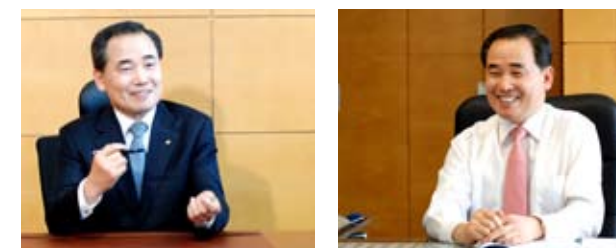
73
Domestic Branches

74
History





As a life-time financial partner for low and moderate-income households, HF is committed to improving the nation's housing finance as well as contributing to the stabilization of their housing and living.



The Korea Housing Finance Corporation (HF) is a public finance corporation that was established in March 2004 in order to improve people's housing welfare and national economy with a stable, long-term supply of housing finance.

Amid some challenging conditions in 2010, HF produced a significant outcome by concentrating its competence in securing a basis for growth with the goal of stabilizing housing for low and moderate-income people and advancing housing finance.

In the securitization business, HF provided KRW5.8 trillion in Bogeumjari loans, helping low and moderate-income households purchase their own homes. HF issued KRW7.8 trillion in MBS, effectively contributing to a stable capital supply in the housing finance market.

In the area of housing finance credit guarantees, HF provided a total of KRW11.5 trillion for guarantees on rental deposits(Chonseil) loans and install payments for new apartment purchases to low and moderate-income earners homeless, exceeding the previous mark of KRW11 trillion in annual housing finance credit guarantees. By reducing the share of costs and increasing the scope of JTYK (guarantees for reverse mortgages) recipients, HF also provided KRW3.04 trillion in JTYK to more than 4,300 senior citizens in last three years since the product was offered.

HF continued its efforts to consolidate the base for housing finance assistance to low and moderate-income people by developing new products and improving its system. Such efforts include the launch of the low-interest direct u-Bogeumjari loan, the issuance of Asia's first statutory covered bond in the amount of USD500 million, the launch of the Bogeumjari fund to attract more MBS investors, the rise in the guarantee approval ratio following the rebuilding of the individual credit scoring system (CSS), the reduced housing finance credit guarantee fee, the widened scope of housing eligible for JTYK, and the reduction in initial costs. HF also eased the government's financial burden with a surplus in its proprietary account for two consecutive years, an increase in the base capital of its fund account, and a stable guarantee operation.

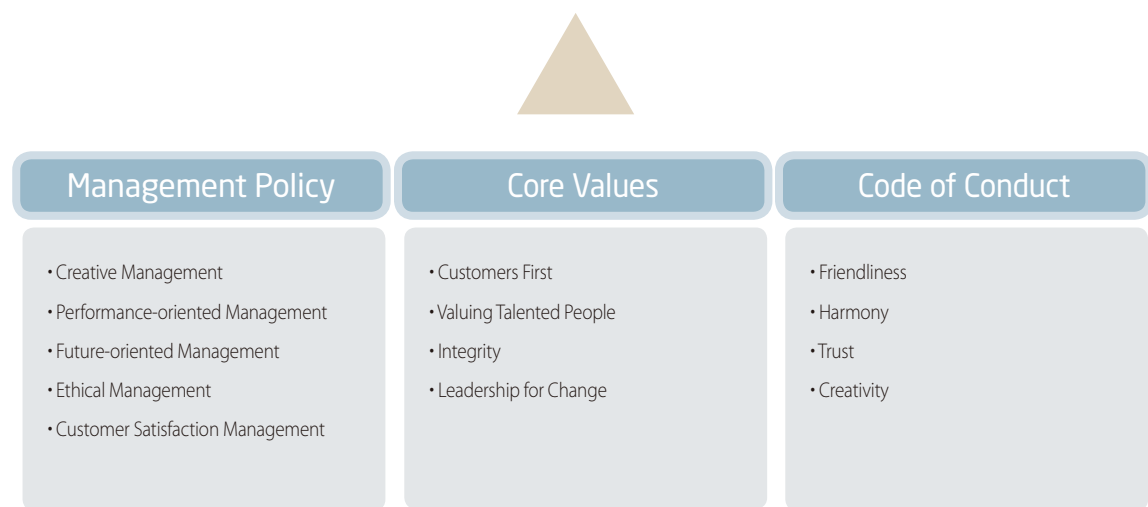
This year, HF will work to stabilize the housing finance market by expanding Chonseil (rental deposit) guarantees support for 7 million households without home ownership and assisting financial companies in the issuance of structured covered bonds abroad. In line with the government's finance policy for low and moderate-income people, HF will work to develop Bogeumjari loans for marginalized people, introduce new products like mortgage guarantees, and expand the JTYK base by increasing the number of financial institutions handling JTYK.

As "Lifetime Financial Partner for Low and Moderate-Income People," HF will work harder to improve the housing situation and financial lives of low and moderate-income people and become established as a public finance corporation that is trusted and loved by the people.

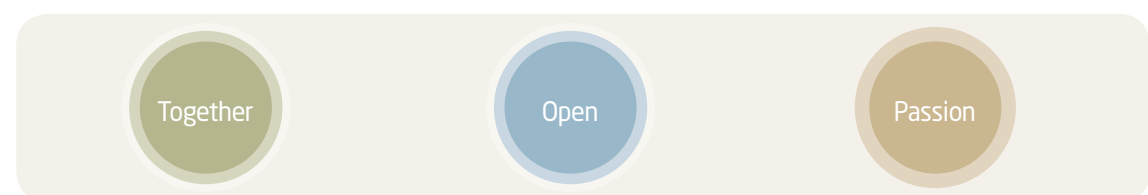
We look forward to your continued support and encouragement.

Thank you.

Lim, Joo Jae
President & CEO
Korea Housing Finance Corporation

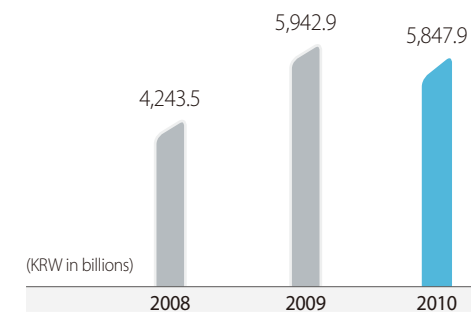


Organizational Culture (T.O.P)

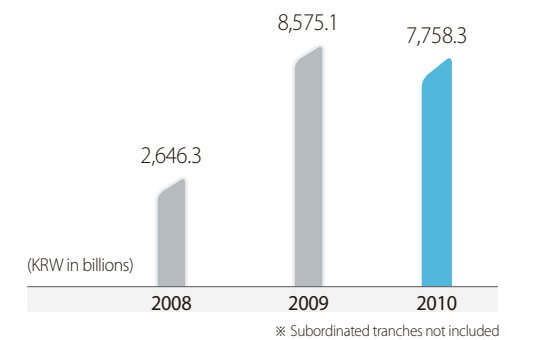


Securitization Business

Supply of Bogeumjari Loans

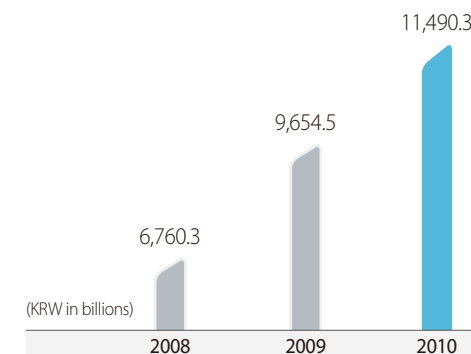


Issuance of MBS

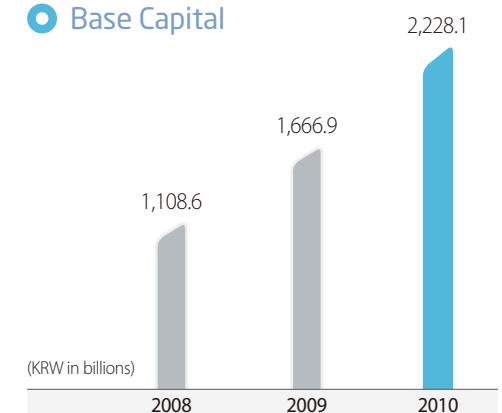


Housing Finance Credit Guarantee

Housing Finance Credit Guarantee Amount

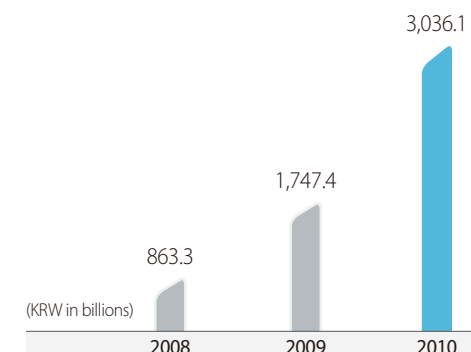


Base Capital

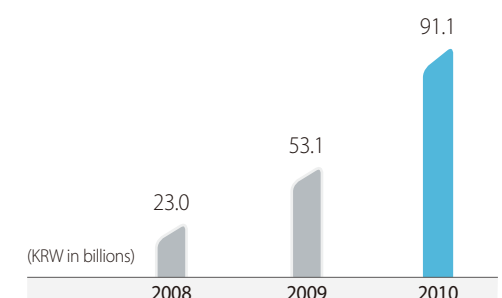


JTYK (Reverse Mortgage) Guarantee

JTYK Guarantee Amount

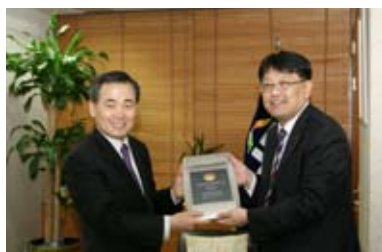


Payments under JTYK Loans



Most Admired Company in Korea in the Guarantee Insurance Category

In February 2010, HF was selected as one of Korea's Most Admired Companies based on the results of an annual survey by the Korea Management Association Consultants (KMAC). HF topped the list in the category of guarantee insurance and was honored with award of the title for three consecutive years.



Call Center of Excellence

In April 2010, HF's Contact Center was selected as a Call Center of Excellence in the 2010 Korea Service Quality Index announced by the Korea Management Association Consultants (KMAC).



Highest Rating in Pension Funds in Public Institution Management Performance Evaluation

In June 2010, HF received the highest A rating in the category of pension funds in the 2009 public institution management performance evaluation made by the Ministry of Strategy and Finance.



Asia's First Overseas Statutory Covered Bonds

In July 2010, HF successfully issued Asia's first overseas statutory covered bonds, securing financing at a low cost and creating a base for supplying long-term, fixed rate loans.



Grand Prize in Senior Welfare Category of Social Contribution Corporate Awards

In November 2010, HF was awarded the Grand Prize in the category of Senior Welfare at the Social Contribution Corporate Awards hosted by the Korea Economic Daily for two consecutive years.



Prime Minister Award in Merit Category at National Quality Management Contest

In November 2010, HF received the Prime Minister Award in the Merit category at the 36th National Quality Management Contest hosted by the Ministry of Knowledge and Economy and organized by the Korean Standards Association.



Gold Prize in Service Category in Korea e-Finance Award

In June 2010, HF's 'Housing Finance Credit Guarantee e-Finance Service' was awarded the Gold Prize in the service category at the 10th Korea e-Finance Award Ceremony hosted by the Korea Economic Daily.



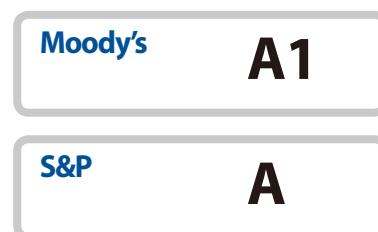
New u-Bogumjari Loan

In June 2010, HF launched the u-Bogumjari loan in response to the needs of its customers. The new online product, u-Bogumjari loan offers lower interest rates (0.4%p lower compared to the rate of the existing Bogumjari loan) and is expected to promote long-term fixed interest rate loans.



International Credit Rating Equivalent to Sovereign Credit Rating

In June 2010, HF received the international credit rating of A1 from Moody's and A from S&P. The rating is equivalent to sovereign credit rating.



Award in Economy Public Institution Category at Seoul Success Awards

In December 2010, HF was awarded in the economy public institution category at the Seoul Success Awards hosted by the Seoul Daily.



Highest rating in Public Institution Customer Satisfaction

In December 2010, HF received the highest rating for Public-service Customer Satisfaction Index (PCSI) announced annually by the Ministry of Strategy and Finance. HF received the honor for two years in a row.



First place in Quasi-Government Institution Category of Integrity Index

In December 2010, HF took first place among 76 quasi-government institutions in the Integrity Index of the Korean public sector in 2010. Evaluation announced by the Anti-Corruption & Civil Rights Commission. It also received the highest rating in the Public Institution Anti-corruption Policy Evaluation.



General Economy

In 2010, the Korean economy maintained an upward trend in all sectors except construction investment. Owing to favorable export conditions and domestic demand rising in facilities investment and private sector consumption, the annual growth rate in GDP rose sharply from 0.3 percent last year to 6.2 percent this year.

Backed by an increase in household income and higher consumer sentiment resulting from an improved job market and higher wages, final consumption rose 3.9 percent year-on-year. Fixed investment rose by 7 percent, largely driven by a significant increase in corporate facilities investment, and especially in machinery investment, though construction investment fell by 1.4 percent due to a sluggish housing market. Gross exports were up 14.5 percent owing to a recovery of the global economy and greater competitiveness among Korean businesses. Gross imports rose by 16.9 percent, owing to a rise in facilities investment in the IT sector and base effects from a steep fall in the previous year.

Domestic Economic Indicators

	2008	2009	2010				
			Annual	1Q	2Q	3Q	4Q
GDP	2.3	0.3	6.2	2.1 (8.5)	1.4 (7.5)	0.6 (4.4)	0.5 (4.7)
Final Consumption	2.0	1.2	3.9	1.2 (5.9)	0.6 (3.4)	1.0 (3.4)	0.1 (3.0)
(Private)	1.3	0.0	4.1	0.5 (6.6)	0.7 (3.5)	1.4 (3.6)	0.3 (2.9)
(Government)	4.3	5.6	3.0	3.6 (3.4)	0.3 (2.9)	-0.1 (2.5)	-0.4 (3.2)
Fixed Capital Formation	-1.9	-1.0	7.0	2.1 (12.5)	0.2 (6.8)	1.9 (6.8)	-0.9 (3.4)
(Construction)	-2.8	3.4	-1.4	2.0 (4.3)	-4.2 (-2.3)	-0.8 (-3.1)	-1.0 (-2.9)
(Facilities)	-1.0	-9.8	25.0	2.8 (29.1)	7.9 (30.5)	5.6 (26.6)	-1.0 (15.9)
Exports	6.6	-1.2	14.5	2.2 (16.7)	7.8 (14.5)	2.3 (11.6)	2.6 (15.7)
Imports	4.4	-8.0	16.9	4.2 (21.5)	5.7 (18.0)	3.2 (14.7)	0.5 (14.2)

Note: Figures are quarter on quarter real growth rates, figures in () represent year-on-year real growth rates
Source: The Bank of Korea

Bond Market

Despite a solid recovery of the Korean economy, interest rates in the bond market marked a general fall in 2010 owing to concerns of a slowing global economy, the expectation of a delay in the policy interest rate hike, and favorable supply and demand resulting from abundant global liquidity, quantitative easing in the U.S.. Thus, the yields on three-year and five-year treasury bonds fell by 103 and 84 basis points, respectively, from the end of the previous year.

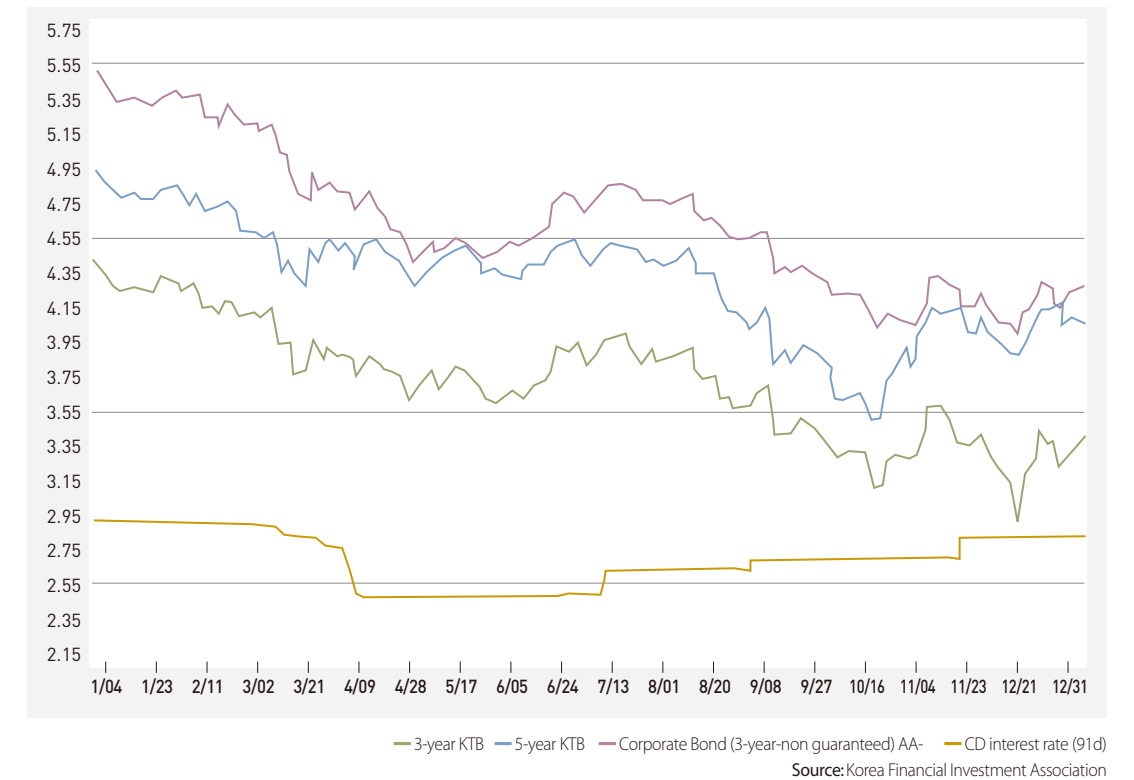
In the first quarter, interest rates fell amid concerns of a slowing economic recovery and an expected delay in the rise of benchmark interest rates, coupled with heightened external uncertainties resulting from the fiscal crisis in some European countries.

In the second quarter, interest rates picked up amid inflationary pressure and the government's control on exchange forward positions. In the third quarter, interest rates were down again as the dollar weakened following the Fed's decision to renew quantitative easing and the delay in normalizing policy interest rates inside and outside Korea.

Amid rising prospects that an additional increase in the benchmark interest rate would not come through before the end of the year due to local and external uncertainties, market rates fell overall in the fourth quarter, hitting record lows on October 15, 2010 (3.05 percent and 3.45 percent for 3-year and 5-year KTBs, respectively). The rates picked up from time to time amid fears of control of capital inflow from overseas.

The difference in long-term and short-term yields (3-year KTB vs. 1-day call rate) narrowed relative to the previous year. The rise in call rates, which resulted from a rise in the base rate, was offset by a fall in treasury bond yields, which followed a large inflow of foreign investment capital. Meanwhile, the difference between the yield of corporate bonds with 3-year maturity (rated AA-) and that of three-year treasury bonds, which reflects the risk premium of corporate bonds, narrowed rapidly until April with credit risks easing amid improving economic conditions and moved in the range of 90 basis points until the end of the year.

Key Interest Rates, 2010

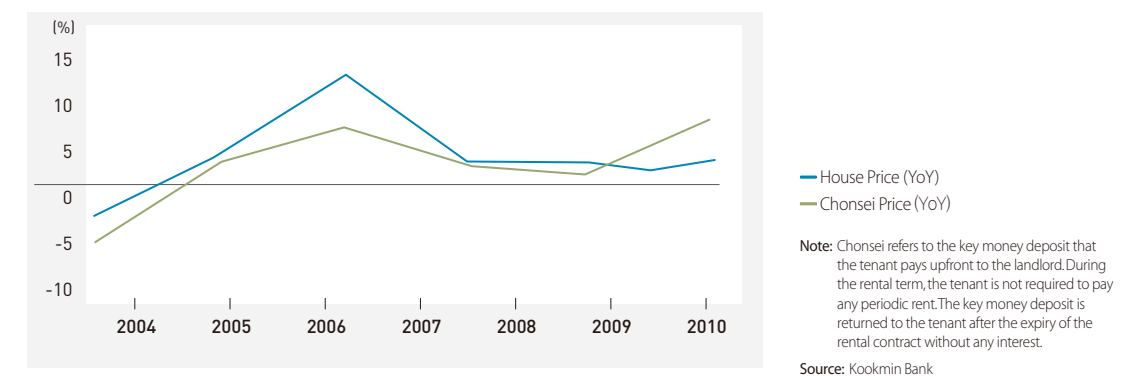


Housing Market

The housing market was steady slightly until the first quarter, mostly affecting the area in and around Seoul, mid and large-sized homes, due to the government's announcement in the second half of the previous year that LTV and DTI regulations would be strengthened in the Seoul metropolitan area. From the second quarter, the market rebounded on the back of higher demand for small and mid-sized homes in provincial regions. A rise in Chonseil (rental deposit) led to a higher demand for home purchases, and mortgage loans continued to be offered at low interest rates.

In 2010, housing prices rose by a small margin of 1.9 percent over the previous year and the change was mostly driven by homes in provincial regions and small to medium-sized homes. The rise in prices followed the announcement to ease DTI control, tax reductions on unsold new houses, and stronger purchase demand due to a shortage of Chonseil (rental deposit) homes. The price of Chonseil was up 7.1 percent over the previous year as a result of a sustained imbalance in supply and demand. The situation resulted from an aggravated shortage of Chonseil homes and a stronger demand to keep Chonseil contracts until Bogeumjari apartments are supplied in and around Seoul.

House and Chonseil Price Appreciation



The number of authorized and permitted new homes (housing construction) was 387,000, up 1.1 percent from the previous year, owing to new constructions of Bogeumjari apartments in Seoul and in provincial regions, those of private home builders. Due to LH's cessation of its home building projects in some new towns and development areas and sluggish investment resulting from government regulations, the size of newly built homes remained below 400,000 homes for three years in a row.

The number of new, unsold housing units dropped for seven consecutive months as some construction firms offered discounts on apartment prices or made rental options available. At the end of the year, there were 88,000 new, unsold units nationwide, down 28.1 percent over the previous year. In the Seoul metropolitan area, the number was 29,000, up 13.7 percent year-on-year owing to an increase in the number of new, unsold units. Owing to no-interest loans for install payments for new apartment purchases and the government's support to sell new, unsold units, the number was 59,000 in other areas, down 39.3 percent from the previous year.

Housing Construction (Approval) and Unsold New Houses



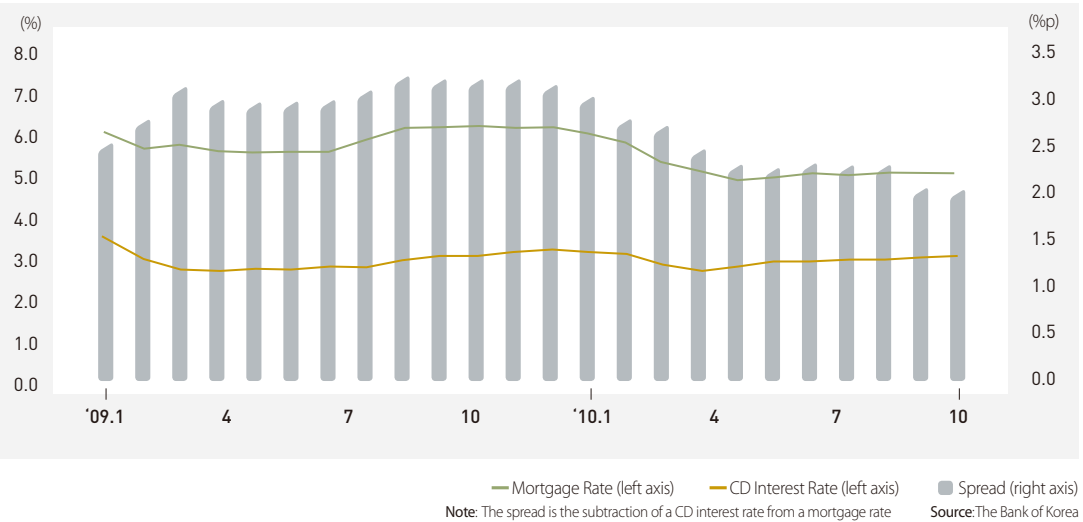
Housing Finance Market

At the end of 2010, banks' new mortgage loans were offered at a weighted average rate of 4.67 percent, down by 1.23%p from the same period in the previous year. The lower rate resulted from a combination of a fall in CD interest rates, reduction in spread, and introduction of COFIX-linked mortgage loans. Most mortgage loans had adopted the CD interest rate as the base rate, but more and more moved to the Cost of Funds Index (COFIX) from February. Also, the downward adjustment of the spread led to lower rates compared to those offered by CD-linked mortgage loans.

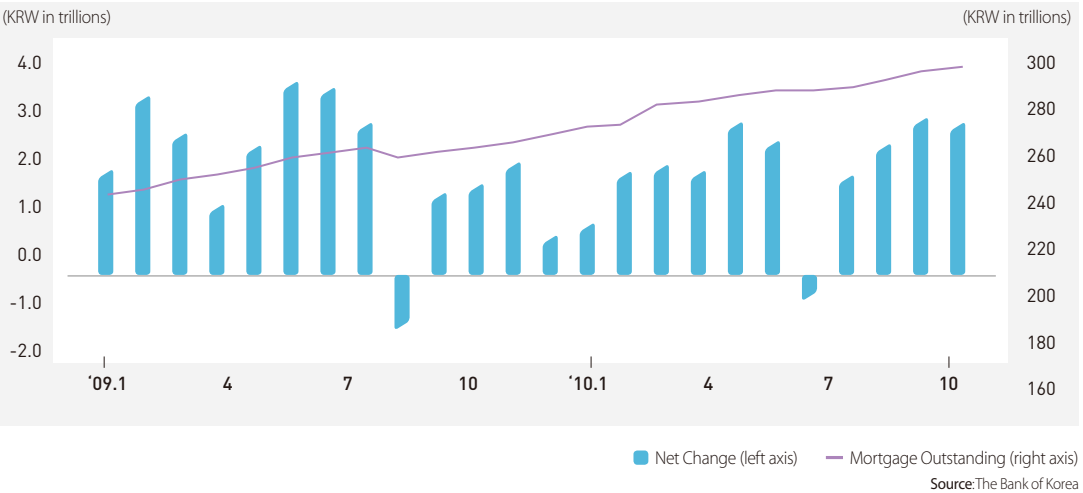
The number of mortgage loans offered by banks rose steadily, owing to low interest rates, banks' efforts to increase size, and greater install payments for new apartment purchases taken up by people moving into newly built apartments. The size of new mortgage loans rose even further following the government's August 29 announcement of plans to vitalize real estate transactions and the subsequent easing of DTI restrictions on all housing, except those in the three speculative districts in the Gangnam area.

Compared to the previous year, the growth in mortgage lending slowed due to sluggish transactions in the housing market with more people wanting to keep their Chonse (rental deposit) contracts. However, banks' outstanding mortgage loan balance at the end of 2010 was KRW284.5 trillion, up KRW20.3 trillion over the same period in the previous year.

Mortgage Rate and Spread



Mortgage Outstanding and Net Change



Contributing to the Happiness of People's Lives

HF is contributing to the home ownership of low and moderate-income households and the stability of seniors' lives by operating various businesses of securitization, housing finance credit guarantee and JTYK reverse mortgage guarantee, and continuously improving financial support systems.

Business Review

Securitization

Housing Finance Credit Guarantee

JTYK reverse mortgage Guarantee



SECURITIZATION

HF is providing low and moderate-income households with long-term fixed-rate installment mortgage loans named at "Bogeumjari Loan" and serving the stabilization of the Korean housing finance market by issuing mortgage-backed securities

HF provided Bogeumjari loans of KRW5.8 trillion in 2010. Accumulated amount of Bogeumjari loans until the end of 2010 since the inception in 2004 reached KRW28.6 trillion.

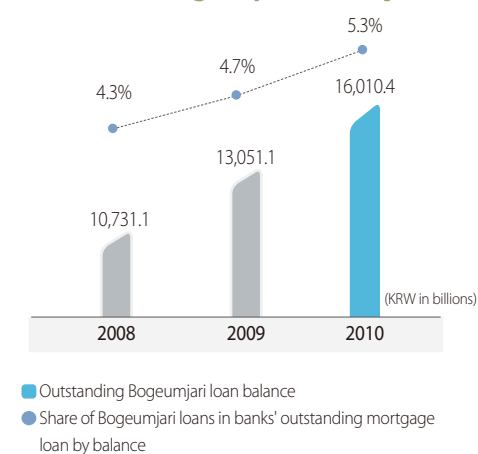
Supply of Bogeumjari
Loans in 2010
KRW 5.8 trillion

Supply of Bogeumjari Loans

The Bogeumjari loan is the long-term, fixed-rate loan with amortization that HF introduced in Korea for the first time in 2004. Following continuous efforts by HF to improve the terms of the loan, a total of KRW28.6 trillion was lent to 330,000 households by the end of 2010. Despite the aftereffects of the global financial crisis and a sluggish housing market, the size of new Bogeumjari lending in 2010 was KRW5.8 trillion, resulting in a 22.7 percent increase in the outstanding balance of the loan compared to the previous year. The share of Bogeumjari loans in banks' total mortgage loan balance increased to 5.3 percent. At a time of heightened interest rate variability, the Bogeumjari loan played a key role in transforming the mortgage loan market structure from one marked by short-term, variable rates with a final one-time balloon payment into one with a larger share of long-term, fixed-rate loans with amortization, thus contributing to the stabilization of the housing finance market.

In particular, HF launched the web-based u-Bogeumjari loan in 2010 and established a more advanced online supply network. After overcoming the reluctance of financial institutions at the planning stage, the new product was offered to allow HF to receive applications directly over the internet and perform loan servicing on its own. The benefit of cost reduction was returned to borrowers who enjoyed a rate that is 0.4%p lower than the existing t-Bogeumjari loan. As such structural improvements, a significantly greater number of Bogeumjari loans were extended in the second half of 2010 with a total of KRW3.9 trillion lent, up 205.3 percent from KRW1.9 trillion in the first half. By type of Bogeumjari loan, 53.7 percent were the Regular Type that applies a stable fixed interest rate from beginning to maturity, and 43.9 percent were the Switch Option Type, which allows borrowers to switch from a variable rate to a fixed rate during the loan period. Also, 2.4 percent of the loans were the Prime Rate Type, which gives up to 1%p in interest rate discounts to low-income earners with annual income not exceeding KRW20 million.

Share of Bogeumjari Loans by Balance



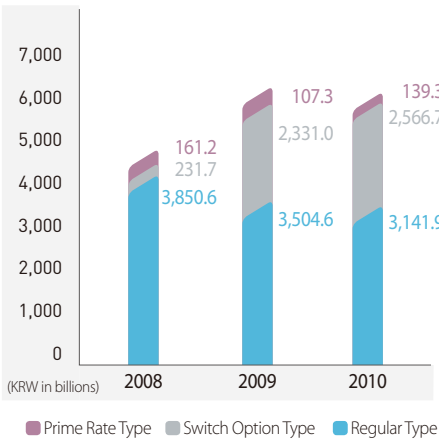
Major Loan Conditions

Maturity	10~30 years
Repayment Method	Installment Repayment
Application Requirement	No. of houses owned ≤ 1, Adults aged between 20 and 70
Maximum Loan Amt.	KRW500 million
Eligible House	House valued at no more than KRW900 million
LTV	Maximum 70%

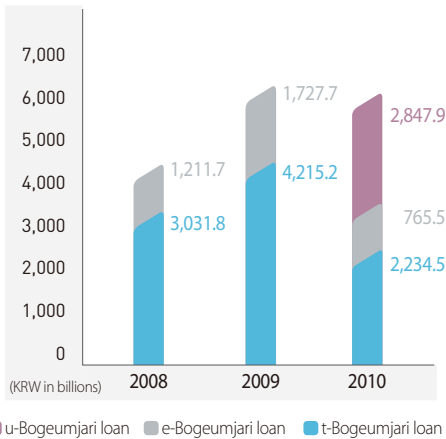
Meanwhile, HF increased lending to home buyers following the easing of DTI and LTV rules, relaxed the eligibility for the Prime Rate Type of Bogeumjari loans in support of low-income residents, and raised the loan limit for households with more than three under ages.

In the first half of 2011, HF plans to enhance service accessibility by increasing the number of banks handling u-Bogeumjari loans from two to eleven banks, while working to improve the terms of the loan such as lowering the cost of borrowing for low and moderate-income people.

● Bogeumjari Loans by Interest Rate

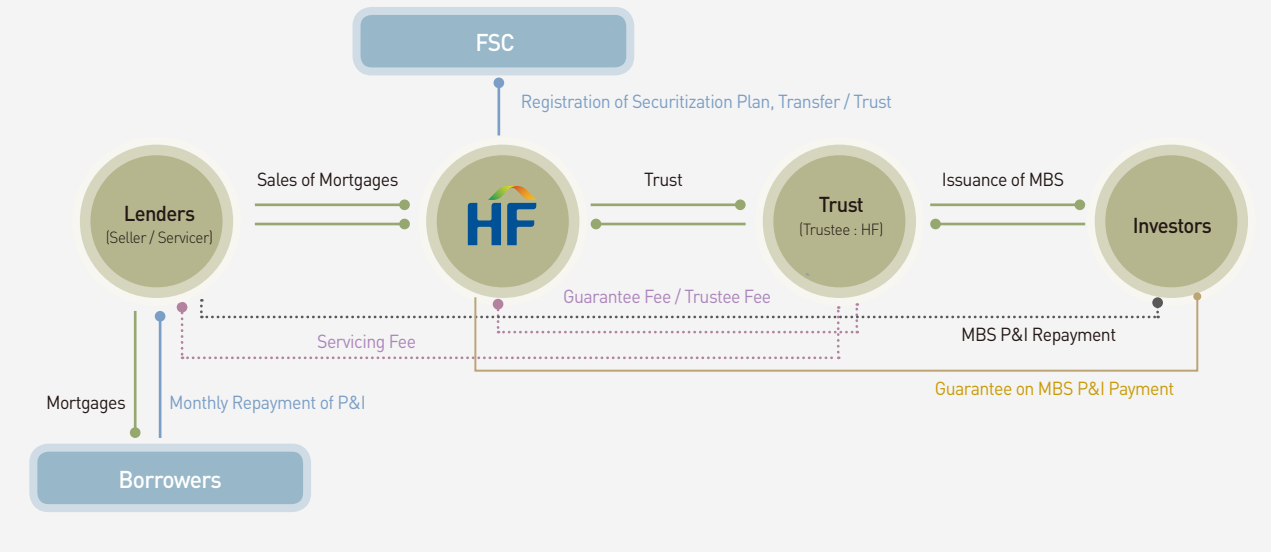


● Bogeumjari Loans by Channel



Note: 1) t-Bogeumjari loan: The first in the type of Bogeumjari loans of which applications and management are handled via financial institutions
 2) e-Bogeumjari loan: Loan applied for via the internet and managed by financial institutions; offers 0.2%p lower interest rate than the existing t-Bogeumjari loan
 3) u-Bogeumjari loan: HF receives applications over the internet and manages the loan; offers 0.4%p and 0.2%p lower interest rates than the existing t-Bogeumjari and e-Bogeumjari loans, respectively

● HF MBS Issuance Structure



● Summary of HF MBS Issuance

Underlying Assets	• Mortgage loans originated by financial institutions based on mortgage securitization commitment program
Amount Issued	• KRW300 to 600 billion (per issuance)
Issuer	• Trust (HF is the trustee.)
Issuance Structure	• HF provides 100% guarantee on senior MBS P&I payment • Multiple tranches with various maturities are issued (maturity tranching). • Short-term tranches with a maturity of three years or less shall be repaid in their entirety by the expiration of the maturity. • Tranches with maturities longer than three years are sequentially callable on a quarterly basis. Grace period not allowing exercise of call option is devised for each tranche.
Conditions	• Credit rating of AAA; listed in the bond market division of Korea Exchange; public offering • Coupon : fixed rate (treasury bond yield plus spread)
Servicers	• The financial institutions that transferred the loans shall provide loan servicing and receive monthly fees

The yield on HF MBS is determined by adding a spread to the benchmark treasury bond yield. Since the foundation of HF, the spread level had narrowed gradually on the back of a stronger reputation and improved marketability of MBS, widened temporarily after the global financial crisis in 2008, and returned to its previous level as market conditions stabilized. In 2010, HF offered improved coupon rates on its MBS through a series of cost-reduction efforts: it brought the number of credit rating institutions down to one for rating securitization bonds it issued from 2010 and cut the acceptance commission when selecting a financial institution for securitization.

In 2010, HF issued senior MBS 18 times for a total of KRW7,785.3 billion, of which KRW2,084.1 billion were from mortgage-MBS swap transactions and KRW411.6 billion from variable interest rates. Except mortgage-MBS swap transactions, 38.1 percent of all senior MBS issued in 2010 was long-term MBS with seven years or longer maturity. Since its foundation, HF issued a total of KRW22,801.6 billion in senior MBS, of which 46.9 percent, or KRW10,685 billion, were long-term securities with maturities of seven years or longer, thereby contributing to the vitalization of the long-term bond market.

Issuance of Mortgage-backed Securities (MBS)

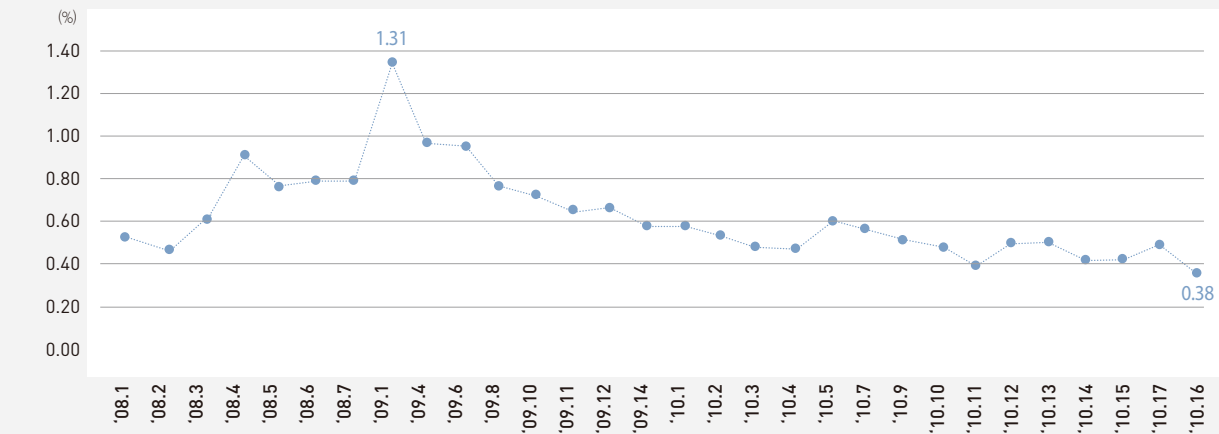
HF's mortgage-backed securities (MBS) are beneficiary certificates issued by HF of which underlying assets are Bogeumjari loans that were handled by financial institutions based on the pre-acquisition agreement with HF and that HF took over in accordance with acquisition standards. The payment of principal and interest is guaranteed by HF. HF's MBS is generally issued in eight types of senior tranches with maturities of 1, 2, 3, 5, 7, 10, 15, and 20 years and a subordinate tranche with a maturity of 21 years. They are listed on the bond market division of the Korea Exchange and are traded as general bonds.

Despite an immature market environment where there was little demand for variable-rate bond in 2010, HF continued to issue variable-rate MBSs secured by switch-option Bogeumjari loans to which variable rates apply for up to three years, issuing twice the volume issued during the previous year. HF also issued the nation's first variable-rate MBS secured by COFIX-linked Bogeumjari loans with an interest-rate switch option, further laying the basis for future securitization of mortgage loans held by financial institutions.

In view of supplying more liquidity to the market in the aftermath of the global financial crisis, HF continued to execute mortgage-MBS swap transactions (maturity exceeding 21 years) in which MBS were swapped for mortgage loans held by financial institutions. First started in 2009, HF's mortgage-MBS swap transactions helped financial institutions improve their BIS ratio and secure liquidity.

Meanwhile, further to a MOU signed with a securities company, HF launched the Bogeumjari Fund to open the pool of its MBS investors to individual investors. The fund had previously been restricted to institutional investors.

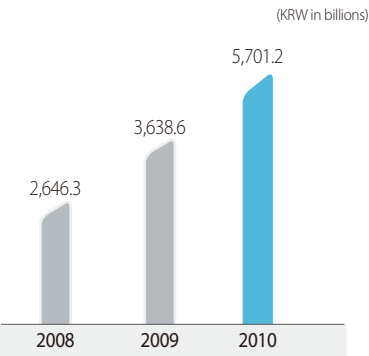
Weighted Average Spread of MBS against Benchmark 5-year KTB



Note: Mortgage-MBS swap transactions and Floating-rate MBS not included (2009, 2010)

Major investors in HF's MBS were banks, insurance companies, pension funds, investment trust companies, and securities companies. In 2010, banks held the largest share at 29.9 percent with investments amounting KRW1,704.3 billion, except mortgage-MBS swap transactions, followed by insurance companies with KRW1,596.9 billion and investment trust companies with KRW917.3 billion.

MBS issued in last three years



Note: Mortgage-MBS swap transactions and subordinated tranches not included

MBS Investment by Maturity and Investors in 2010

	1-year	2-year	3-year	5-year	7-year	10-year	15-year	20-year	Total
Banks	254.3	410.0	310.0	530.0	100.0	70.0	20.0	10.0	1,704.3 (29.9)
Insurance companies	6.9	50.0	0.0	210.0	460.0	520.0	250.0	100.0	1,596.9 (28.0)
Investment Trust	87.3	50.0	40.0	290.0	250.0	130.0	60.0	10.0	917.3 (16.1)
Securities Companies	187.7	305.0	220.0	70.0	10.0	60.0	0.0	0.0	852.7 (15.0)
Pension Funds	0.0	90.0	290.0	130.0	110.0	0.0	0.0	10.0	630.0 (11.0)
Total	536.2 (9.4)	905.0 (15.8)	860.0 (15.1)	1,230.0 (21.6)	930.0 (16.3)	780.0 (13.7)	330.0 (5.8)	130.0 (2.3)	5,701.2 (100.0)

Note: 1) Figures in () represent percentage of total.
 2) Insurance accounts of banks were classified as insurance companies.
 3) Mortgage-MBS swap transactions and subordinated tranches not included

Issuance of Asia's First Statutory Covered Bond

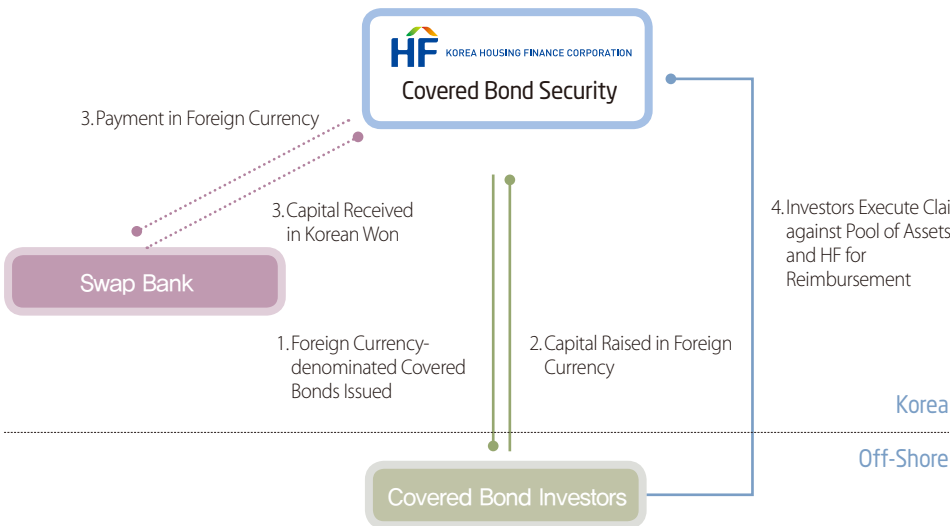
In July 2010, HF made a successful inaugural issue of US\$500 million of foreign currency-denominated covered bonds in the first of Asia. Covered bonds are securities backed by primed assets like mortgages of which investors have a double preferential claim against a pool of assets and a claim against HF for reimbursement. They have emerged as an attractive means of financing following the recent global financial crisis.

Overview of Covered Bond issued by HF

Classification	Content
Amount	US\$500 million
Issued Date	July 15, 2010
Maturity	5.5 years
Coupon Rate	4.125% (fixed rate)
Credit Rating	Aa3 (Moody's)
Payments of Interest	Post-payment every six months
Payment of Principal	One-time balloon payment at maturity

HF is the only entity legally allowed to issue statutory covered bonds in Korea (based on Korea Housing Finance Corporation Act).

Flow of Covered Bond Transaction



※ After issuing foreign currency-denominated MBB and receiving the capital, HF signs a currency rate swap (CRS) with a swap bank to hedge against foreign currency and interest rate risks.

The market yield of HF's covered bonds was the lowest of all foreign currency bonds issued by Korean financial institutions, including public finance corporations. This not only indicates the bond's symbolic meaning as the first statutory covered bond in Asia but also overseas investors' positive assessment of the legal credibility and soundness of the underlying assets of Korea's covered bonds.

HF plans to raise the covered bonds' marketability and reputation through regular issuance and develop it as a leading index bond in Korea.

Servicing and Administration

As of the end of 2010, the outstanding balance of HF's underlying assets for securitization was KRW27,513.2 billion, consisting of KRW22,114.7 billion in Bogeumjari loans and KRW5,398.5 billion in student loans. The outstanding balance of HF's Bogeumjari loans increased by KRW4,115.7 billion over the previous year, and the outstanding balance of student loans fell by KRW798.9 billion year-on-year as the inflow of new assets was discontinued in 2010 following the transfer of student loan operations to the Korea Student Aid Foundation. Cash-equivalent assets secured on time or through loan prepayment amounted to KRW4,347.2 billion.

Underlying Assets and Debts as of the End of 2010

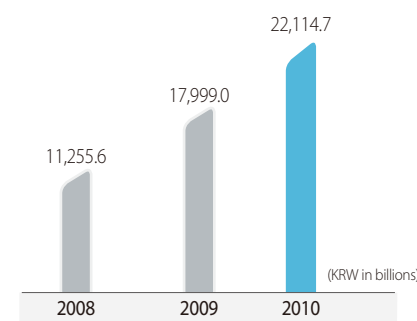
(Units: no., account, KRW in billions)

Category	Trust Pool	Underlying Assets		Cash-equivalent Assets	MBS/SLBS
		Account	Loan Balance		
Bogeumjari Loan ¹⁾	73	32,183.9	22,114.7	3,847.9	21,874.6
Student Loan	17	173,932.2	5,398.5	499.3	5,817.7
Total	90	206,116.1	27,513.2	4,347.2	27,692.3

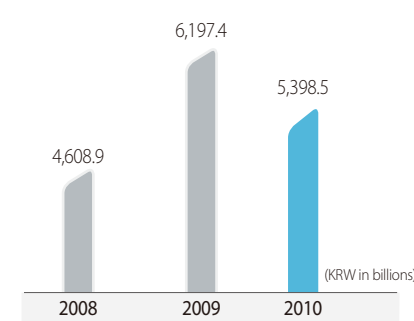
Note: 1) Including KRW277.5 billion in KOMOCO issued assets, KRW5,826.8 billion in mortgage-MBS swap transactions

Balance of Securitization Assets by Year

Balance of Bogeumjari Loans



Balance of Student Loans



Since its foundation, HF issued a total of KRW32,727.1 billion (including KRW2,876.4 billion acquired from KoMoCo) in MBS and KRW7,777.9 billion in SLBS, for a grand total of KRW40,505 billion. Of this amount, KRW12,812.7 billion was repaid.

At the end of 2010, the outstanding balance of securitization bonds totaled KRW27,692.3 billion, comprising KRW21,874.6 billion in MBS and KRW5,817.7 billion in SLBS. Compared to the previous year, the outstanding balance of MBS increased by KRW3,958.4 billion, while the outstanding balance of SLBS dropped by KRW856.6 billion after its issuance was discontinued in 2010.

MBS/SLBS Balance as of the End of 2010

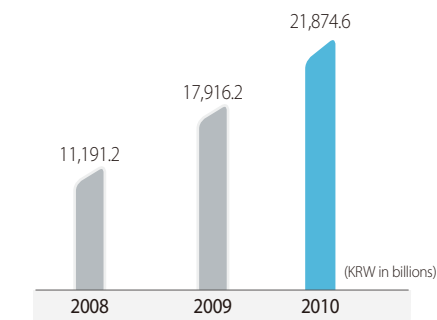
(KRW in billions)

	Cumulative Issuance Amount	Repayment			Outstanding Balance
		Repaid at Maturity	Prepaid (Call Option)	Total	
MBS	32,727.1	5,208.0	5,644.5	10,852.5	21,874.6
SLBS	7,777.9	1,567.7	392.5	1,960.2	5,817.7
Total	40,505.0	6,775.7	6,037.0	12,812.7	27,692.3

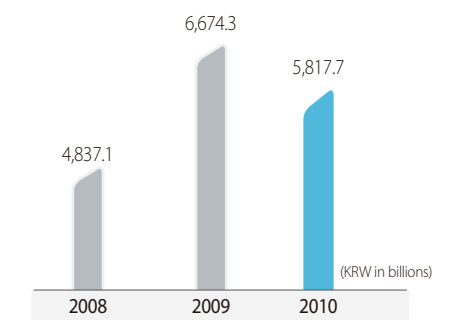
Note: 1) Subordinated tranches included

MBS/SLBS Balance by Year

Balance of MBS



Balance of SLBS



The default rate on Bogeumjari loans at the end of 2010 was 0.33 percent, the lowest level since HF was founded. This outcome resulted from HF's sustained and systematic efforts to reduce Bogeumjari loan default rate over many years. HF's Bogeumjari loan default rate is 0.19%p lower than the banks' mortgage loan default rate, which stands at 0.52 percent.

The Default Rate on Bogeumjari Loans by Year



In 2010, HF made efforts on several fronts to advance its securitization asset and bond management system. To efficiently manage its assets, it launched an IT system to directly service the u-Bogeumjari loan, simplified its asset acquisition procedures by improving the asset due diligence process, and computerized the way it exercises call option on securitization bonds as part of an upgrade of its securities management system. HF also regularly offered MBS service management information to investors and institutions of varying interests and conducted an investor satisfaction survey to enhance customer service.

HOUSING FINANCE CREDIT GUARANTEE

HF is providing credit guarantees not only to loans for leases and install payments for low and moderate-income individual households but to construction loans for home builders.



Despite the slowdown in the domestic housing market, our provision of credit guarantee increased KRW1.84 trillion over the previous year to KRW11.49 trillion in 2010, surpassing KRW10 trillion for the first time.

Housing Finance Credit
Guarantee in 2010
KRW 11.5 trillion

Status of Fund

Housing Finance Credit Guarantee Fund (HFCGF) is financed by contributions from the Korean government and financial institutions, guarantee fees, collection of claims against indemnity rights, and returns from fund investment, and other sources. In 2010, without contributions from the government, a total KRW1,427.5 billion was amassed with KRW458.3 billion in contributions from financial institutions, KRW71.4 billion in guarantee fees, KRW106.9 billion from collection of claims against indemnity rights, and KRW81.7 billion from returns of fund investment, among other sources.

In particular, HF ensured a more stable management of funds by having the Fund Management Review Council deliberate and vote on key decision-making issues. It also raised the efficiency of fund management by consigning fund management to more entities, while lowering the burden on low and moderate-income people with a cut in guarantee fees and a reduction in arrears and additional guarantee fees.

Base Capital and Operating Multiple

The base capital of HFCGF consist of the contributions from the government and financial institutions. The base capital plus retained earnings, or accumulated deficit, are used as the financial resource for credit guarantees. In 2010, the soundness and profitability of the guarantee fund was enhanced with a larger contribution of financial institutions and a decline in guarantee events. Net base capital significantly rose to KRW2,228.1 billion, up 33.7 percent over the previous year.

Contributions and Net Base Capital

(KRW in billions)

Classification	2004	2005	2006	2007	2008	2009	2010
Government Contributions	200.0	130.0	100.0	100.0	-	-	-
Financial Institution Contributions	125.9	136.9	142.5	246.7	430.6	421.0	458.3
Net Basis Capital	300.6	305.9	381.3	617.0	1,108.6	1,666.9	2,228.1

The operating multiple is an index calculated by dividing the outstanding guarantee balance by total guarantee funds (net base capital + borrowings from IBRD). This indicates the stability of the guarantee operation. The operating multiple of HFCGF, legally capped at thirty times, fell to 8.4 times in 2010, its lowest since 2000.

Operating Multiple

(KRW in billions)

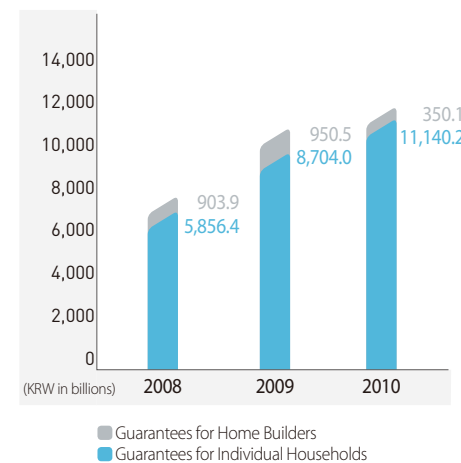
	2004	2005	2006	2007	2008	2009	2010
Net Base Capital (A)	300.6	305.9	381.3	617.0	1,108.6	1,666.9	2,228.1
Borrowings from IBRD (B)	238.0	210.0	182.0	103.1	113.2	81.7	56.9
Total Guarantee Funds (C=A+B)	538.6	515.9	563.3	720.1	1,221.8	1,748.6	2,285.0
Guarantee Balance (D)	11,889.7	9,074.0	8,110.7	8,721.3	11,406.4	15,733.7	19,205.3
Operating Multiple (E=D/C)	22.1	17.6	14.4	12.1	9.3	9	8.4

Supply of Credit Guarantee

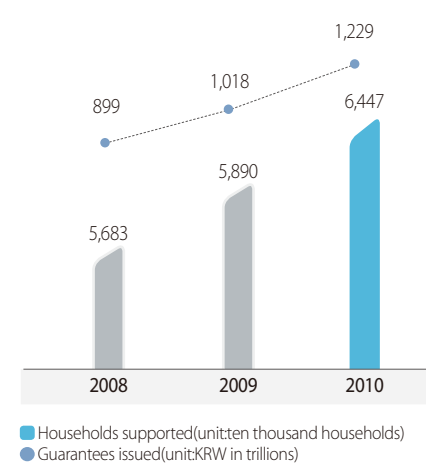
In 2010, HF ran a customer-oriented operation of the housing finance credit guarantee fund by offering guarantees on Chonsei (rental deposit) loans to low and moderate-income residents, improving the terms of guarantees on install payments for new apartment purchases for home buyers, and enlarging the scope of eligibility for home builders' guarantees. The corporation also developed new guarantee products of public nature to complement market failures, including the re-launching of the rental deposit refund guarantees and introduction of guarantee on loans to repay loans from the national housing fund.

Despite a sluggish housing market in 2010, HF supplied a total of KRW11,490.3 billion in guarantees in 2010, up KRW1,835.8 billion from the previous year. It was the first time since HFCGF was founded that its annual supply of guarantees exceeded KRW10 trillion. Of the total supply, KRW11,140.2 billion, or 97 percent, was extended for guarantees on individual households, indicating the priority HF places on the housing stability of low and moderate-income residents.

Credit Guarantee Amount by Guarantee Type



Cumulative Credit Guarantee Amount Since HFCGF's Establishment



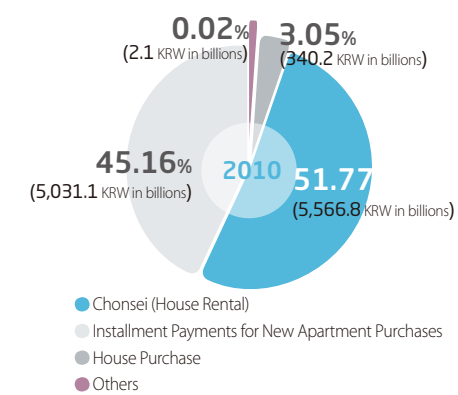
Following its founding in 1998, the HFCGF provided guarantees amounting to KRW123 trillion to a total of 6.66 million households by 2010. KRW9,532.1 billion was provided to 4.39 million households by way of direct guarantees for individual households and another KRW27,911.8 billion was extended to 2.27 million households indirectly through housing suppliers, a clear manifestation of HF's commitment to improved housing stability among low-income households and a stable supply of financing for small and medium-sized homebuilders.

The total supply of guarantees on Chonsei (rental deposit) loans, a major guarantees on individual households for low and moderate-income earners, amounted to KRW5,766.8 billion, up 23.3 percent year-on-year. The increase came on the back of a higher guarantee approval rate resulting from the revamped individual credit scoring system (CSS), a wider eligibility and higher guarantee limit. Thus, HF contributed to easing the rental deposit crunch of low and moderate-income people homeless.

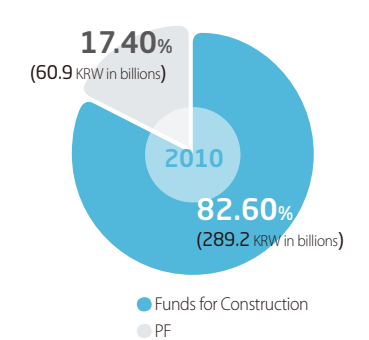
Despite sluggish conditions for apartment sales, the total guarantees on install payments for new apartment purchases amounted to KRW5,031.1 billion in 2010, up 37.5 percent from the previous year. The increase was the result of HF's easing of eligibility and active marketing to financial institutions and home builders. With guarantees on install payments for new apartment purchases, HF helped home buyers reduce the financial burden of purchasing homes.

Despite a sluggish housing market, HF increased the eligibility and marketing of Guarantees for Home Builders. As a result, HF supplied a total of KRW350.1 billion in Guarantees for Home Builders, up 14.5 percent from KRW305.7 billion (excluding the total for P-CBO guarantees for which there was no supply in 2010) in the previous year, helping to relieve the financial crunch of home builders.

Credit Guarantee Amount for Individual Households by Guarantee Type



Credit Guarantee Amount for Home Builders by Guarantee Type



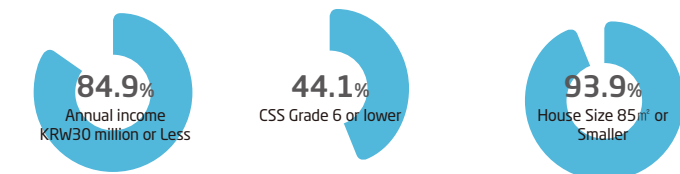
In 2010, HF also responded promptly to a changing market environment by offering preferential guarantee rates on environment-friendly housing and instituting guarantees for urban lifestyle homes. It also conducted a study for medium to long-term development of a housing finance credit guarantee fund and, based on the findings of the study, drew a medium to long-term roadmap for development of new guarantee products.

Major Customers

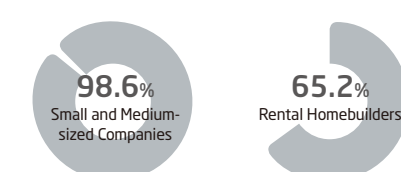
Guarantees on individual households are mainly offered to people with an annual income of KRW30 million or less, the CSS rating of 6 or below, and homes sized 85 square meters or below. Major users of Guarantees for Home Builders are small and medium-sized builders with relatively weak financing and builders of public rental homes offered to people homeless.

HFCGF Customers at the End of 2010 (Based on No. of Guarantees)

Guarantees for Individual Households



Guarantees for Home builders



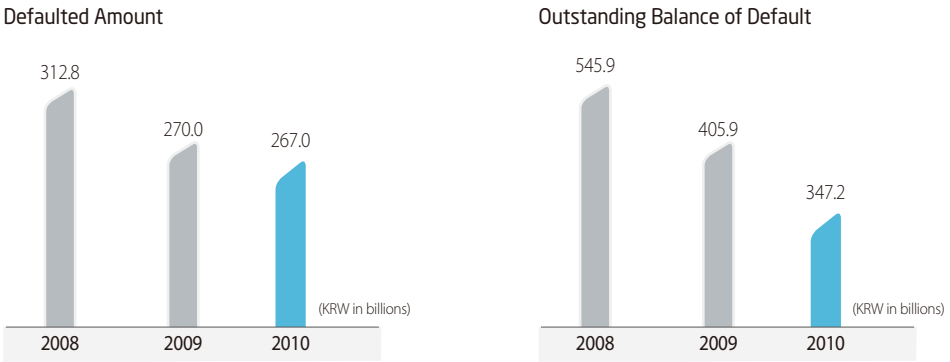
Management of Guarantee Events

In 2010, HF developed the individual behavior scoring system (BSS) to monitor the risk of guarantee events, thus strengthening post-management at the micro level (per customer). Meanwhile, the development of the credit risk assessment model to perform corporation-wide risk management allowed HF to strengthen its control of risk at the macro level (gross amount). HF also revamped its individual credit scoring system (CSS) to strengthen the significance of credit scores and enhance the guarantee approval rate.

These efforts allowed HF to minimize the size of events. Despite an increase in the guarantees supplied, the total amount of events fell to KRW267 billion, accounting for 1.4 percent of the total guarantee balance. This enhanced the soundness of HF's guarantee operation. Accordingly, the amount of subrogated payments was only KRW211.8 million, which is 1.1 percent of the outstanding balance of guarantees.

The outstanding balance of non-performing accounts of KRW1.7 trillion that HFCGF held at the time of HF's foundation in 2004 was diminished to KRW350 billion as of the end of 2010 as a result of strenuous efforts to cure the default loans and timely subrogation. This accorded HF much greater financial independence to completely cover subrogation only with contributions from financial institutions.

Defaulted Amount and Outstanding Balance



Net Increase in Default and Outstanding Balance of Default

(KRW in billions, %)

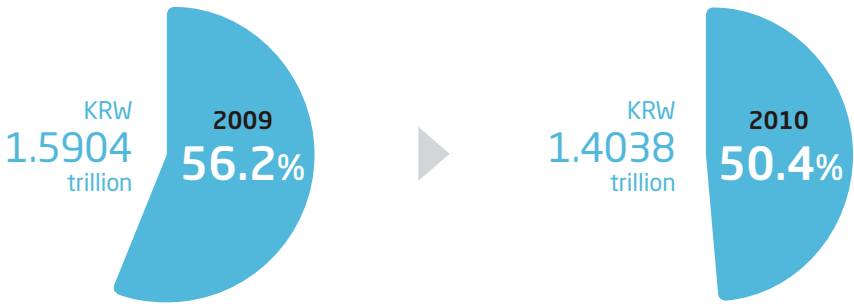
	2007	2008	2009	2010
Credit Guarantee Outstanding Balance (A)	8,721.3	11,406.4	15,733.7	19,205.3
Defaulted Amount (B)	248.5	312.8	270.0	267.0
Defaults Cured (C)	340.0	295.7	255.5	164.9
Net Increase in Default (D=B-C)	(91.5)	17.1	14.5	102.1
Default Rate (E=B/A)	2.8	2.7	1.7	1.4
Net Default Rate (F=D/A)	(1.0)	0.1	0.1	0.5



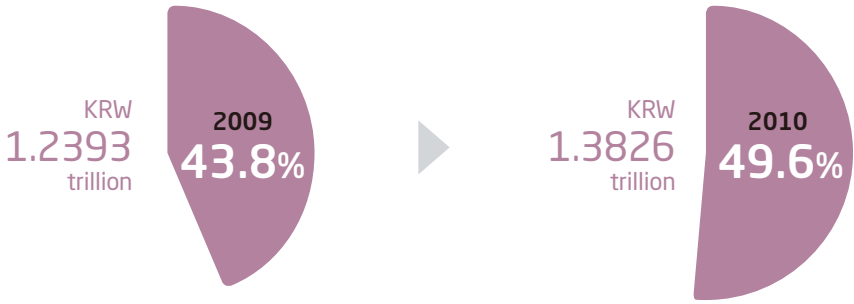
Management of Indemnity Rights

In 2010, HF established an efficient system of collection by outsourcing the collection of depreciated special loans with low possibility of recovery as well as indemnity rights with no worthy of preserving.

In-house Management

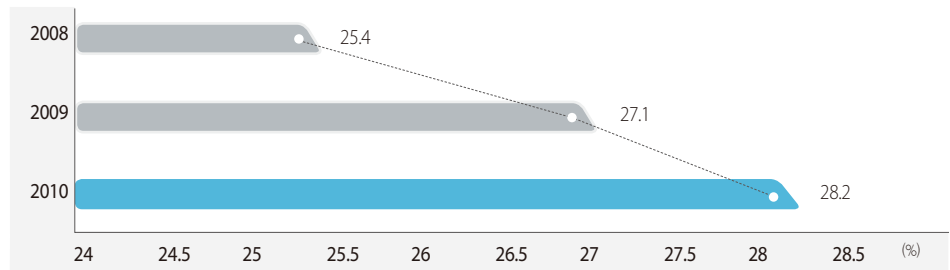


Consigned Management



HF also improved its computerized loan management system to concentrate on the management of obligatory rights that are worthy of preserving. By inducing fair competition among debt collection agencies, HF collected KRW106.9 billion in indemnity rights, thereby increasing its fund.

Cumulative Aggregate Recovery Ratio of Indemnity Rights



Note: Aggregate recovery ratio = Total amount of indemnity rights recovered / Total fulfillment of subrogation × 100 (since HFCGF's establishment in 1988)

JTYK REVERSE MORTGAGE GUARANTEE

Credit guarantees of HF make it possible for seniors, aged 60 or older, to receive monthly payments while residing in their own homes for the rest of their golden years.



Backed by continuous efforts for expanding the base of reverse mortgage products, the amount of reverse mortgage loans provide in 2010 increased 71.6% year on year to KRW91.1 billion and the amount of reverse mortgage guarantee also rose 73.7% to KRW3.04 trillion.



Base Capital

Following the amendment of the Korea Housing Finance Corporation Act in April 2007, reverse mortgage guarantee accounts were set up within Housing Finance Credit Guarantee Fund, which is the financial base for the JTYK guarantee business. The base capital consists of contributions from the government and financial institutions, and the sum of base capital and retained earnings is used as a base for credit guarantees. In 2010, the net base capital increased by 27.4 percent to KRW26.5 billion, and the operating multiple rose to 6.19 from 3.72 of the previous year.

Net Base Capital

(KRW in millions)

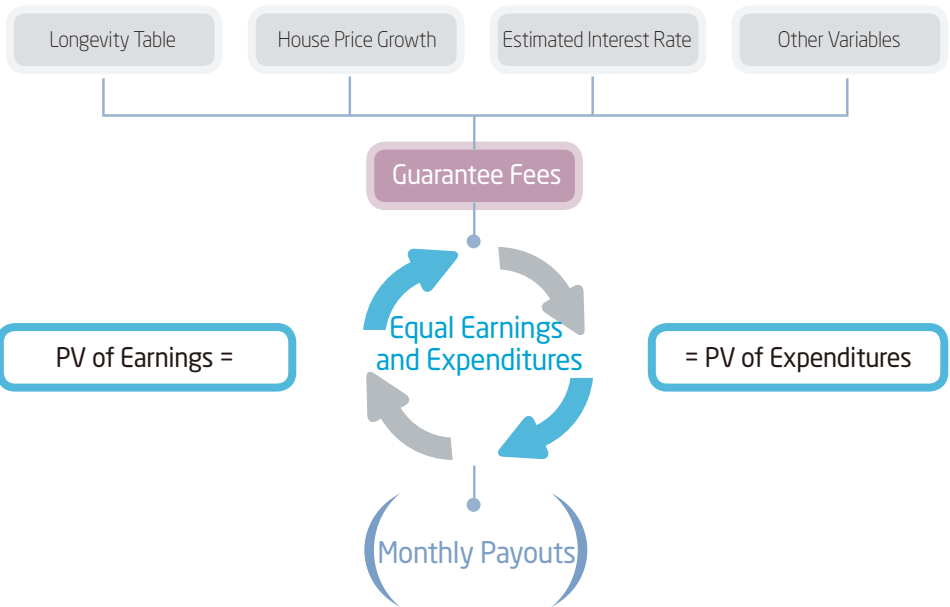
	2009	2010
Base Capital (A)	19,417	19,633
Retained Earnings (Deficit) (B)	1,360	6,839
Net Base Capital (C)	20,777	26,472
Guarantee Balance (D)	77,205	163,885
Operating Multiple (E=D/C)	3.72	6.19

Product Design

The two main features of JTYK are: i) seniors and their spouses can receive monthly payments throughout their lives while living in their own home and ii) they always have the option of setting aside a certain part of their loan and withdrawing the money at any time for contingencies such as expenses for urgent medical treatments.

From the standpoint of HF, JTYK, as a reverse mortgage program, presents three major risks. The first is the volatility in the value of properties, when house prices do not increase as much as HF projected. The second is the volatility of interest rate, which can be a problem when the interest rate of the loan is higher than the level HF forecasted. Third, there is a longevity risk, meaning that borrowers may live longer than HF anticipates. HF underwrites all of these risks from financial institutions through public guarantees, and going beyond merely underwriting the risks, it has designed a model to calculate optimal monthly payouts under the principle of "equal earnings and expenditures" based on reasonable assumptions. Under the principle of balancing expected income with expected expenditure, HF manages risk factors by computing the optimal level of monthly payments.

Product Design



Benefits

Benefit	Description
Housing and Benefits for Life	• The residence and pension benefits shall be guaranteed throughout the lifetime of the borrower and his/her spouse.
Government Ensured	• The guarantee is government-backed and thus risk-free.
Low-Interest Loan	• Variable rates are applied (3-month CD interest rate plus 1.1%) which are lower than normal mortgage rates.
Low Upfront Costs	• Borrowers are exempted from registration tax, education tax, special rural aid tax, and the obligation to buy national housing bonds; they also benefit from a reduction in revenue-stamp duty and appraisal fees.
Tax Breaks	• Borrowers shall be given a 25% discount on property tax (applied up to KRW500 million out of total property value). • Income deduction for tax calculation shall be granted for up to KRW 2 million of interest payment amount on loans.

Borrower Qualifications

Age	• The borrower and his/her spouse must be aged 60 or older.
Number of Houses Owned	• The borrower and his/her spouse must own one house in total.
House Price	• The house price must not exceed KRW900 million

Mandatory Residence Qualifications

Category	Qualification	Additional Conditions
Type of Residence	Housing prescribed in Housing Act and senior welfare housing	• House, residence in a multi-family building, residence in a tenement house, or apartment unit, senior welfare housing.
Residence Status	De-facto occupancy	• The owner or his/her spouse must physically live in the residence at the present time.
Value of Residence	KRW900 million or less	• The market value shall be decided based on the assessed value at time of application
Ownership Infringement	Not allowed	• No auction, seizure, provisional seizure, provisional disposition, or provisional registration is allowed.
Real Rights	Not allowed	• Home without limited real rights: such as mortgage and rental rights (can apply for JTYK conditional upon cancellation of real rights prior to guarantee)
Rental Contract	Not allowed	• No deposit-based rental agreement is allowed.

Product Description

JTYK reverse mortgage loans allow seniors to put up their home as collateral and receive monthly pensions. It is designed to let them stay in their homes and receive funds during the remainder of their golden years.

Seniors aged 60 years or older with ownership of a home valued at KRW900 million or less are eligible. The subscriber and his/her spouse offer their home in return for life-long residence at the home and monthly pension payments from HF for the remainder of their life.

The interest rate on the JTYK is the variable rate calculated by adding 1.1%p to a 3-month CD rate, which is lower than mortgage rates offered by private financial institutions.

Borrowers are exempted from paying registration tax, education tax, special rural development tax, and the obligation to buy national housing bonds, and they also benefit from a reduction in revenue-stamp duty and appraisal fees, so the initial cost is low. They also benefit from a 25 percent discount on property taxes and an income deduction for their interest payments.

The JTYK has two payment plans. One is the tenure plan under which monthly payments are provided throughout the lifetime of the borrowers without a credit line set for discretionary withdrawals; and the other is the modified tenure plan under which a portion of the loan proceeds is set aside as a standby credit line for discretionary withdrawals and monthly payments are provided out of the remaining loan amount. The line of credit can be set within 50 percent of the loan limit and the monthly payments under the modified tenure plan become smaller than those under the tenure plan accordingly.

The borrowers of JTYK can choose a monthly payment option. If they choose the fixed amount option, the monthly payment amount is fixed throughout their lives. If they choose the decreasing payment option, which pays the largest amount in the first year, the monthly payment decreases by 3 percent each year. If they choose the increasing payment option, the monthly payment amount increases by 3 percent each year. The monthly payment options can be selected both for the tenure plan and the modified tenure plan.



Supply of JTYK

HF steadily fueled the supply of JTYK by customizing the terms of JTYK to meet the needs of senior borrowers, which include low initial costs, higher monthly payments compared to any reverse mortgage products offered in the private sector, a line of credit set for discretionary withdrawals, and tax benefits.

In 2010, HF worked to further improve the terms of JTYK. As a result, the scope of eligible homes, which was limited to homes under the Housing Act, was expanded to include senior welfare homes, and all JTYK borrowers became eligible for a reduction in property tax. Also, the revenue-stamp tax and appraisal fee were reduced and more collateral securities were registered directly by HF.

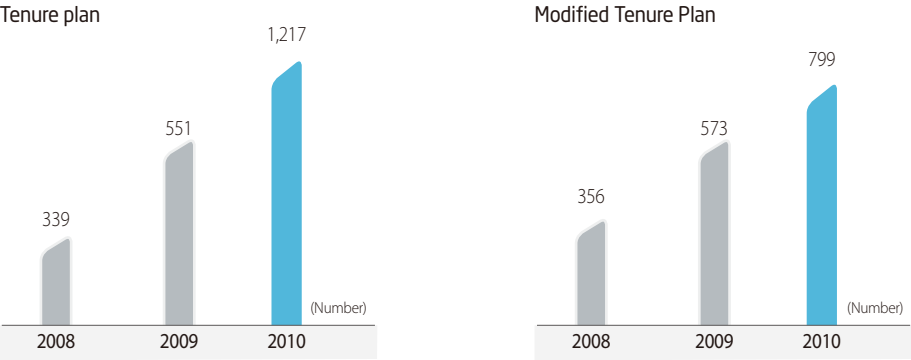
HF also enhanced the convenience of JTYK borrowers by introducing a pre-contract system so that customers wouldn't have to visit HF again to contract on additional terms and by simplifying the requirements for discretionary withdrawals for existing customers. It also raised the competence of its internal staff by hiring more experienced advising representatives and running in-house vocational training.

HF also exerted efforts to increase the JTYK base through mass media promotion, on-site marketing, and joint marketing with associated institutions.

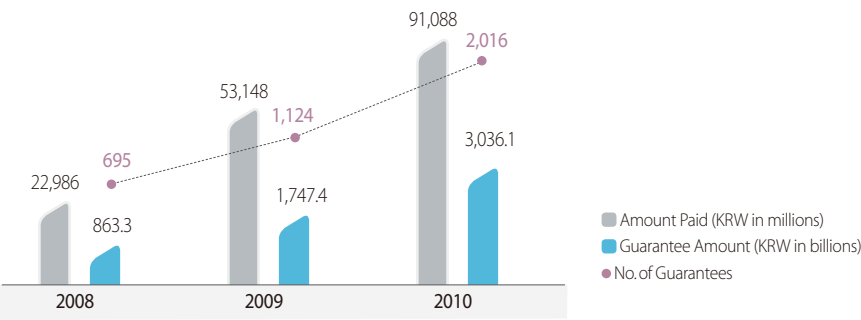
As a result, a total of 2,016 seniors signed up for JTYK in 2010, about a 79.4 percent increase from 1,124 seniors in 2009. The amount of monthly payments rose by 71.6 percent to KRW91.1 billion, and the guarantee amount totaled KRW3,036.1 billion, up 73.7 percent over the previous year. Since its introduction in July 2007, JTYK offered KRW171.7 billion in pension payments and KRW6,249.3 billion in guarantees to a total of 4,350 seniors.

If we look at the supply of JTYK in 2010 by payment plan, there were 1,217 tenure plans, accounting for 60 percent, and 799 modified tenure plans, accounting for 40 percent of total cases.

Supply of JTYK in 2010 by Payment Plan



Supply of JTYK



Benefits of JTYK

JTYK affords both housing and financial security for seniors. In effect, it has allowed the government to provide a social safety net for seniors with minimal financial support. In addition, houses can be liquidated into cash to encourage consumption by seniors and relieve the pressure on the younger generation to support their elders, which in turn benefits the national economy by boosting consumption, investment, and employment.

HF will continue to improve the terms of JTYK lending and marketing to promote JTYK as a safety net for senior life and increase its subscriptions.



Leading the Change with Creative Thinking

HF has secured high-level corporate governance structure for management transparency and reformed the organizational structure for customer-oriented management. HF is always spearheading future-oriented and advanced management on the basis of creative ideas.

Corporate Governance

Housing Finance Management Committee
Board of Directors
Specialized subcommittees
Management Committee
Organization





Housing Finance Management Committee

The Housing Finance Management Committee (HFMC) is the highest decision-making body within HF. It reviews and makes decisions on all important issues. The agenda includes formulation of and amendments to the basic operational policy and business plan; amendment to the articles of incorporation; budget planning, revision, and settlement; mortgage underwriting criteria, JTYK reverse mortgage guarantee criteria; establishment and modification of operating plans for Housing Finance Credit Guarantee Fund; and write-offs of indemnity rights.

The Housing Finance Management Committee comprises six members who each serve for a term of two years. The members include the CEO of HF, who serves as the Committee chairman; a public official attached to the Financial Services Commission and nominated by its Chairman; one person attached to the Ministry of Land, Transport and Maritime Affairs and nominated by its Minister; one person appointed by the Financial Services Commission who is either an executive of a financial institution or is recognized for having vast professional knowledge in housing finance; one person recommended by the Minister of Land, Transport and Maritime Affairs; and another person recommended by the Bank of Korea who is appointed by the Financial Services Commission.

Members of Housing Finance Management Committee

(As of the End of April, 2011)

Affiliation	Position	Name
Korea Housing Finance Corporation	President and CEO	Lim, Joo Jae
Financial Services Commission	Secretary General	Kim, Joo Hyeon
Ministry of Land, Transport and Maritime Affairs	Assistant Minister for Housing and Land	Park, Sang Woo
Korea University	Professor	Park, Kyung Suh
Woomi Construction Corp.	Senior advisor	Cho, Woo hyun
Korea Financial Telecommunications & Clearings Institute	Former CEO	Lee, Sang heon

Regular meetings are held in February, June, and December and extraordinary meetings may be held upon the request of the chairman or a majority of the members.

In 2010, the committee held six meetings and dealt with 22 items on the agenda.

Major Agenda of Housing Finance Management Committee in 2010

	Deliberation / Resolution Items
1st Meeting (Feb. 23)	<ul style="list-style-type: none">• Revision of mortgage underwriting criteria• Revision of JTYK guarantee Criteria• FY 2009 HF settlement and disposition of gains• 2009 financial settlements of Housing Finance Credit Guarantee Fund
2nd Meeting (Apr. 3)	<ul style="list-style-type: none">• Special measure cap on house purchase guarantee
3rd Meeting (Jun. 23)	<ul style="list-style-type: none">• 2011 operating plan of Housing Finance Credit Guarantee Fund• Revision of asset management guidelines for Housing Finance Credit Guarantee Fund(including Reverse Mortgage Guarantee Account)
4th Meeting (Sept. 6)	<ul style="list-style-type: none">• Change of limit on Chonseil(rental deposit) guarantee
5th Meeting (Sept. 14)	<ul style="list-style-type: none">• Setting-up of rental deposit refund guarantee limit
6th Meeting (Dec. 22)	<ul style="list-style-type: none">• Reappraisal of determinant factors for JTYK guarantee amount• 2010 indemnity right write-offs of Housing Finance Credit Guarantee Fund• 2011 HF business plan• 2011 HF budget

SENIOR
MANAGEMENT



President & CEO Lim, Joo Jae



Auditor Rho, Sung Dae



Vice President Tae, Eung Youl



Executive Director Ahn, Sang Mo



Executive Director Lee, Sung Woo



Executive Director Kim, Kyu Ho



Executive Director Chun, Woo Young

Board of Directors

The board of directors (BOD) is HF's chief executive body, chaired by the president and CEO of HF. In addition to the president & CEO, it consists of executive directors and non-standing directors. The BOD examines and makes decisions on issues requiring the review and decision of the Housing Finance Management Committee; borrowing and repayment plans; recommendations for executives; establishment, elimination, and revision of human resource-related and organizational rules; establishment, elimination, and revision of BOD rules and the rules of its specialized subcommittees; changes in capital stock; matters requiring the government's approval; sales of indemnity rights; and other matters regarded as necessary by the BOD or the president & CEO. The auditor may attend the BOD meetings and state his/her opinions.

The president and CEO of HF is appointed or dismissed by the President of the Republic of Korea (ROK) upon nomination by the chairman of the Financial Services Commission (FSC) after multiple recommendations from the Executive Recommendation Committee. The auditor is appointed and dismissed by the President of the ROK upon nomination by the Minister of Ministry of Strategy and Finance, following multiple recommendations from the Executive Recommendation Committee and deliberation and voting by the Public Organization Operation Committee. The executive directors are appointed or dismissed by the president & CEO, while non-standing directors are appointed or dismissed by the FSC after multiple recommendations from the Executive Recommendation Committee. The term of the president & CEO is three years, while that of other members is two years. Based on the findings from performance evaluations in accordance with applicable laws, their terms may be extended on a year-by-year basis.

The BOD holds a regular meeting every month and may hold extraordinary meetings upon the request of the chairman of the BOD or at least one-third of its full membership.

In 2010, the BOD held 14 meetings and handled 65 items.

Members of the Board of Directors

(As of the End of April 2011)

Title	Name	Title	Name
President & CEO	Lim, Joo Jae	Senior Non-standing Director	Oh, Jong Nam (Seoul National Univ. Professor)
Vice President	Tae, Eung Youl	Non-standing Director	Choi, Chang Kyu (Myongji Univ. Professor)
Executive Director	Ahn, Sang Mo	Non-standing Director	Choi, Jong Myung (Tax Accountant)
Executive Director	Lee, Sung Woo	Non-standing Director	Lee, Jong Uk (Korea Venture Times, Advisor)
Executive Director	Kim, Kyu Ho	Non-standing Director	Kim, In Hwan (Former Executive Director of Industrial Bank of Korea)
Executive Director	Chun, Woo Young	Non-standing Director	Kang, Jung Ai (Sookmyung Women's Univ. Professor)
		Non-standing Director	Han, Jin Soo (Dongguk Univ. Professor)

Specialized Subcommittees

The BOD has two subcommittees in place to which it delegates some of its authority: the Risk Management Committee and the Specialized Review Subcommittee.

Consisting of at least one executive director and one non-standing director appointed by the BOD and an executive director in charge of risk management, the Risk Management Committee deliberates and makes decisions on such issues as establishing risk management policies and strategies; determining risk limits for total capital as well as each type of risk; and revising risk management rules. The Risk Management Committee holds a regular meeting once per quarter and may convene extraordinary meetings when deemed necessary by its chairman. The committee notifies each BOD member of its decisions and the BOD may engage in another resolution process regarding such decisions.

The Risk Management Committee held four meetings and dealt with 12 items in 2010.

Specialized Review committees are in charge of discussing in advance key agenda items to be passed by the Board of Directors. They include the Strategic Review Committee, Operation Review Committee, and Finance Review Committee. Each committee comprises two or more BOD members, including one or more non-standing members appointed by the Board of Directors, and an executive director in charge of the department that proposed an agenda. The term of the committee chair and members is one year and the head in charge of the department that proposed a certain agenda summons a committee meeting upon consultation with the committee chair.

The outcomes of deliberations conducted by the Specialized Review Subcommittee are reported to the BOD.

The Specialized Review Subcommittee convened 12 meetings and handled 24 items in 2010.

Deliberations by Specialized Subcommittees



- Establishment and revision of basic guidelines for business operations
- Establishment and revision of business plans
- Amendment of the articles of incorporation
- Establishment, abolition, and revision of the rules of the BOD and the specialized subcommittees



- Matters related to mortgage underwriting criteria
- Matters related to JTYK guarantee criteria
- Unrecovered receivables and write-offs of indemnity rights
- Exceptions to issuance of MBS, etc.
- Extension of repayment period
- Establishment, abolition, and revision of the rules subject to resolution by the BOD



- Establishment, revision, and settlement of budget
- Establishment and revision of HFCGF management plan
- Establishment and revision of asset investment guidelines
- Disposition of retained earnings
- Use of extra budget

Management Committee

The Management Committee comprises the president, vice president, and executive directors of the Board of Directors, and is chaired by the president. Its duties include deliberation and decision-making on establishment, abolition, and revision of all rules with the exception of the rules of the Housing Finance Management Committee and those requiring resolution by the Board of Directors; consignment of business; key issues concerning securitization, credit guarantees, JTYK, and performance of surety obligations; postponement and special management of the use of the right of indemnity, matters delegated to it by the Housing Finance Management Committee and the Board of Directors; and other issues deemed necessary by the president.

The Management Committee holds its regular session once a month. In 2010, it convened 33 meetings and handled 59 agenda items.

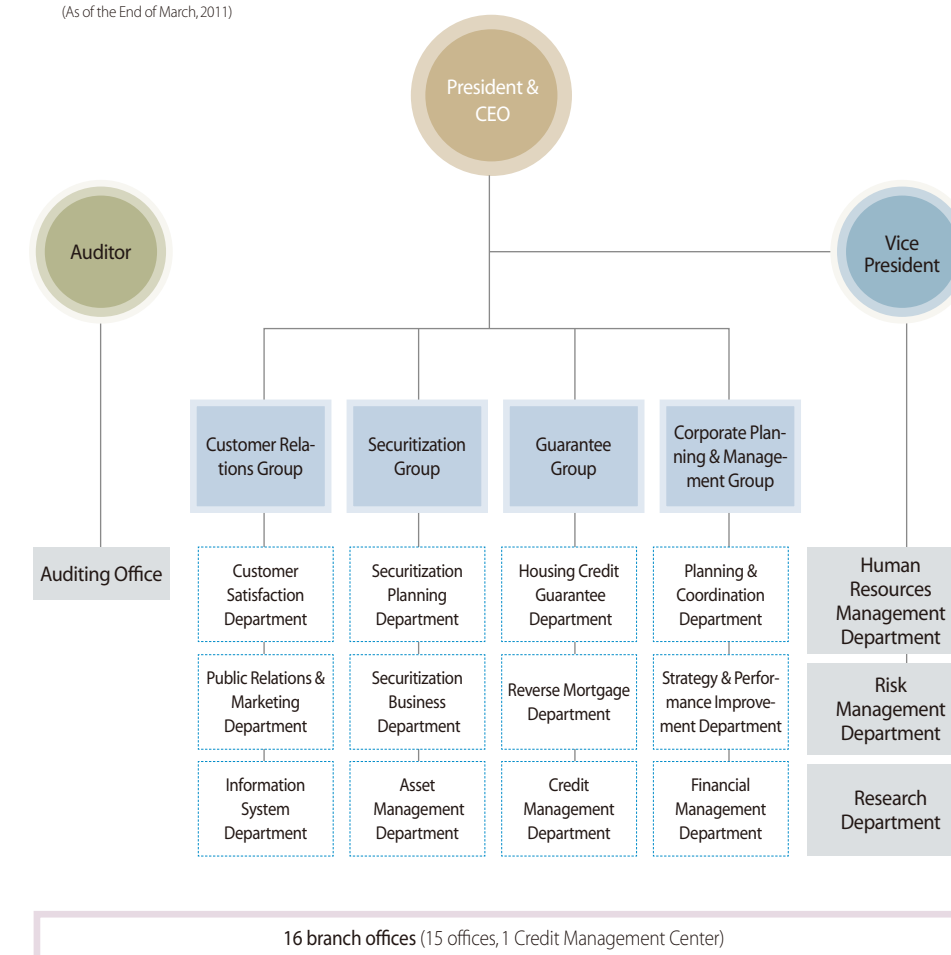
Organization

In December 2010, HF revamped its organization around the values of customer, future, and efficiency: the Customer Relations Group and the Customer Satisfaction Department were created to strengthen customer-oriented business management; the creation of a specialized force charged with finding prospective business items was designed to secure a sustainable growth engine for HF; and the new, integrated marketing department was designed to strengthen marketing competence. With the restructuring, HF reorganized its previous structure of 4 groups, 19 departments, and 15 branch offices into a structure of 4 groups, 16 departments, and 16 branch offices, thereby integrating back-office functions and opening branch offices in metropolitan areas. The new organization allows HF to focus on customer satisfaction and expand its sales channels.

Organizational Chart

4 Groups, 15 Departments, 1 Office, 16 Branch Offices

(As of the End of March, 2011)



Creating Sustainable Value through Future-oriented Activities

HF is always committed to conducting transparent and ethical management based on the corporate culture that values win-win and mutual cooperation internally, and contributing to the development of society through social contribution activities and international cooperation externally.

Sustainable Management

- Organizational Culture
- Ethical Management
- Internal Control
- Risk Management
- Social Contribution
- Customer Satisfaction
- International Exchange & Cooperation



Organizational Culture

Aside from new systems and technologies, HF recognizes organizational culture (i.e. the 'people' who develop and run them and/or the way they think and work) as a necessary condition of sustainable management. Thus, HF is striving to establish and promote a unique organizational culture.

TOP Culture is HF's slogan for the type of organizational culture it inspires. Standing for "Together, Open heart, and Passion", it signifies HF's determination that all the members of the organization work together with a open heart and passion to establish a top-notch organizational culture and grow to be an organization loved and trusted by the people.

As part of TOP Culture programs, HF listens to the opinions of its executives, employees and shares business management information by CEO spending a day as head of a branch office or running the Blue Board to reflect the views of young employees in policy-making. HF works to promote a open management by raising the transparency of its business management through the disclosure system, improving regulations and services based on customers' views, and offering job opportunities to socially marginalized or disadvantaged people.

Meanwhile, HF also encourages the Employee Work Proposal initiative and study group activities to raise the creative competence of its staff.

In addition, HF draws a TOP Organizational Culture Execution Plan in the beginning of every year to promote the culture throughout HF with a mid to long-term view. Some of the programs proposed in the plan are the dialogue with the CEO, Family Invitation Event for Management-Labor Harmony and TOP Contest.



Ethical Management

HF endeavors to practice ethical management for a public corporation trusted by the people.

Ethical Management Operation System

HF established the Ethics Charter that provides standards of behavior and value judgement observed by all executives and employees. The Code of Conduct was drawn up to provide detailed standards for officers and employees in the practice of ethical management.

To practice ethical management at the organization level, HF runs the Ethical Management Council, Ethical Management Ombudsman System, Ethical Management Practice Ombudsman System, and Integrity Promotion Working Committee, as well as ethical management systems such as the direct channel with the CEO, clean report center, sexual harassment prevention counseling center, customer participation center and voluntary report system. Diverse educational programs are offered to help HF staff internalize ethical management, including posting of educational materials, workshops and practicum training.

Establishment of Anti-Corruption System

For preventing of corruption, HF established the e-inspection system and strengthened internal inspection activities. It strives to manage the risks at the working level by reviewing the possibility of corruption when a new system is implemented for the first time and seeing that ethical management is appropriately in place.

To eliminate the abuse of authority, HF collected pledges of ethical management practice and of integrity from its staff and inspected them for any wrongdoing. It strengthened preventive monitoring activities by focusing on corruption-prone areas and changing rules and regulations accordingly.

Higher Transparency in Business Management

HF discloses information in accordance with the government's integrated disclosure standards and OECD disclosure standards. The information is disclosed on the website dedicated to public institutions' disclosure of management information (www.alio.go.kr) and the public disclosure site on the HF homepage (www.hf.go.kr). It established and enforced bylaws detailing content, method, and time of public disclosure, and continues to identify items for public disclosure in response to the public's right to know.

Specifically, HF customized its public disclosure system to offer MBS investors with information on pre-payment rates, loan default rates, updates of management of surplus capital, and weighted average maturity. To increase transparency in management, HF also disclosed the minutes of the meetings of the Board of Directors, Housing Finance Management Committee, and Executive Recommendation Committee, so that the public could conveniently verify the process and the results of key decisions made.



Internal Control

HF has its own audit system that runs with an independent organization, evaluation system, and budget. Responsibilities within the organization are allocated based on the principle of mutual control to achieve an efficient system of internal control. In accordance with the rules governing organizational management, responsibilities are allocated, adjusted, and controlled in such a way as to allow for mutual checks and balances. Also, HF faithfully applies the principle of matching authority with responsibility, and each position is duly invested with the authority to perform its functions.

The standing auditor functions independently of HF's decision-making and execution bodies and attends the meetings of the Board of Directors and of the Management Committee and can deliver opinions on internal controls. The Auditing Office, a unit directly under the auditor, conducts comprehensive audits of the organization and its operations in general, special audits targeting specific cases or operations, and regular auditing of key operations undertaken by each department.

HF conducts auditing activities preemptively using the system for financial transactions audits, real-time monitoring of financial accounts, monitoring of budget execution, informatization of auditing, and management of electronic documents, which allow HF to closely monitor, as needed, areas where accidents and irregularities are most likely to occur.

In areas of budget, HF achieves internal control by separating budget planning departments and budget execution departments. In addition, it effectively controls the management of fund by inviting experts from the private sector to sit in HF's Fund Management Review Council for maximum transparency and objectivity in asset management.

Meanwhile, HF also sought to bring innovation by external experts. For this purpose, it operated the Audit Consulting Committee and introduced cross-auditing. It also worked to enhance the expertise of auditors by offering vocational training by level of position and by stages, and assigning auditors in line with their competence, while raising auditors' ethical conduct through a series of ethics education.



Risk Management

Overview

To ensure management stability through risk management at an appropriate level of risk relative to equity capital and for sustainable growth, HF operates an independent and professional risk management organization system by which it comprehensively and proactively manages various risks and uncertainties that may arise in management in general.

Basic Principles

Separation of the risk management organization from the business organizations ensures that the organization properly executes checks and balances. To prevent an excessive concentration of risk in any certain area, it decentralizes and allocates risks appropriately in consideration of equity capital as well as each business unit's profit generation capacity. Then, it monitors compliance and takes into account the findings in maintaining an appropriate level of risk throughout HF. Meanwhile, HF is preparing against unexpected risks with contingency plans.

Organization

As the top decision-making organization in risk management, the Risk Management Committee is set up as a specialized subcommittee of the BOD to oversee corporate-wide risk management affairs. To ensure independency and transparency, non-standing directors are included on the Risk Management Committee as members. The committee draws up basic policies and strategies with regards to risk management and decides on the total limit of risk capital and the limits for each risk type. To assist the committee, HF operates the Risk Management Review Council, which deliberates and makes decisions on individual risk limits for each risk type, issuance of securitization bonds, mortgage portfolio, criteria of housing finance credit guarantee · JTYK reverse mortgage guarantee, development of new products, and introduction of new systems as well as the Working-Level Risk Management Meeting, a working-level consultation body.

Organizational Chart for Risk Management





Major Risks and Management System

Major risks subject to HF's management are credit risk, market risk, liquidity risk, interest rate risk, and operational risk related to securitization, housing finance credit guarantees, and reverse mortgage guarantees.

Credit Risk

Credit risk is the risk of loss caused by a debtor's non-payment of a loan or failure to perform an obligation under a contract. HF sets up a credit policy for each business area and operates a credit evaluation model to manage credit risk. To manage credit risk at an appropriate level, it sets and allocates the risk capital limits for business units and assesses them regularly to ensure their compliance with the limits.

HF controls risks across all of its operation processes using the credit risk measurement model that it developed to assess the risk related to loans and guarantees and the risk of securitization bonds payment guarantees. To improve the soundness of loans and guarantees, HF also strengthened the power of the individual credit scoring system (CSS) by rebuilding its individual credit scoring model, introduced the mortgage scoring system (MSS) for the u-Bogumjari loan, quantified elements of the screening of guarantees for home builders, strengthened the requirements for PF guarantees, and performed post-loan monitoring of guarantors using its self-developed individual behavior scoring system (BSS).

Market Risk

Market risk is the risk of loss due to unexpected changes in the market including changes in interest rates, stock prices, and foreign exchange rates. To manage this risk, HF sets limits on the risk and allocates the risk capital appropriately, and through the market risk management system, continuously monitors and reports whether the risk limits are conformed daily, monthly, and quarterly and how much of the limits are reached to enable effective and rapid response to the risk when necessary.

Liquidity Risk

Liquidity risk is the risk of having a shortage of liquidity due to a mismatch of maturities in financing and management of funds and occurrence of unexpected needs for capital. HF uses ALM (Asset and Liability Management) and STM (Structuring Model) systems to conduct cash flow analysis, liquidity gap and liquidity ratio monitoring. It is also working to manage liquidity risks in advance by improving the simulation and scenario analysis functions of ALM system.



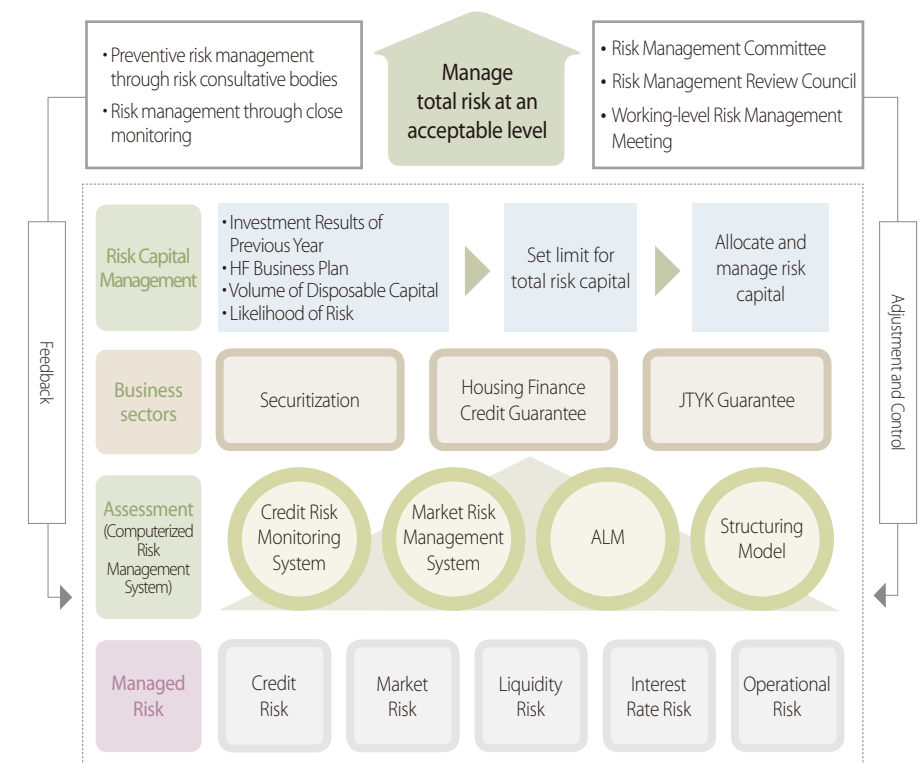
Interest Rate Risk

Interest rate risk is the risk of falling net asset worth and net interest margin due to increased uncertainty in cash flows of assets and liabilities following changes in market rates. To manage this risk, appropriate limits are set on interest rate risk capital, which is allocated and monitored continuously. Net interest margin, maturity gap, interest rate levels for balanced profit and loss are assessed and interest rate policy and ALM strategy to maximize net interest rate margin are set up and executed within the tolerable risk limits.

Operational Risk

Operational risk is the risk of loss due to inappropriate or wrong internal procedures, errors by personnel and systems, or external occurrences. The possibility of occurrence of operational risk is minimized through regular monitoring of operational risk and internal auditing, training for system failures, ethics and vocational training of officers and employees.

Organization-wide Risk Management System



Social Contribution

HF is committed to respond actively to society's demand for corporate social responsibility (CSR). As part of efforts to contribute to society, HF launched its Bogeumjari Volunteer Group for sustainable and balanced growth of local communities.

In 2010, HF focused its community service activities in areas associated with its key businesses, including housing welfare for low and moderate-income households and support for seniors. As a leading company in the area of CSR, HF worked to spread a "culture of unity and sharing" by engaging its executives and staff to participate in the voluntary one person-one social contribution activity program and monthly Bogeumjari fund-raising program.

● Social Contribution Programs Practiced By Year

(units: person, KRW in millions)

Year	Number of Participants	CSR Budget Executed				
		Housing Welfare	Support for the Elderly	Support for Students	Other	Total
2006	458	2	8	0	22	32
2007	1,068	22	37	0	63	122
2008	1,103	20	23	16	59	117
2009	1,137	16	101	46	105	268
2010	668	20	205	17	153	395

Briquette Donation

In February 2010, before the Lunar New Year holidays, HF donated briquettes and supplies to the Korean Red Cross Seoul branch and delivered the 'Briquette of Love' to unsupported seniors living alone and other low-income households in the Angol area in the Dobong-gu district. In July and December, heating oil and briquettes were also delivered to marginalized people in the Nowon-gu and Seodaemun-gu districts, respectively.

Cultural Programs on Family Month

In May 2010, which is the family month in Korea, HF joined hands with the Child Fund Korea and held various cultural events for parentless children living with their grandparents. The events, which included a visit to a broadcast station and the Goyang International Flower Fair, gave the children a chance to experience a rich cultural program. Carnation flowers were tied on the chests of grandparents and gifts presented to the children. HF also visited the Yangcheon Senior Center to donate sacks of rice and deliver supplies to unsupported elderly people living in solitude.

HF-Rural Village Sisterhood

In May and November 2010, HF visited its sisterhood village in Chocheon-ri, Eumseong, North Chungcheong Province, to help plant red pepper seedlings and sweet potatoes and pick apples. Donations were also presented for remodeling the village senior hall.



Habitat for Humanity

In May and November 2010, HF employees participated in home-building activities in Asan, South Chungcheong Province, where they delivered donations to the Asan branch of Habitat for Humanity and got their hands dirty by hammering nails, carrying lumber and gluing plywood.

In June, HF made a donation through the Habitat for Humanity Seoul branch to improve the facilities of a community youth center in Gwangjin-gu district and donated books. The staff visited the community youth center, which offers free meals, education, and counseling services to underprivileged children and papered or painted the walls of the facility.

Hope Scholarship for Young Students

In August 2010, HF delivered a scholarship to 10 financially distraught young students in the district of Jung-gu, Seoul.

Community Service during Thanksgiving Week

In September, before the Chuseok Thanksgiving holiday, HF delivered Onnuri gift certifications to 90 social welfare associations nationwide, including senior centers as well as those for people with disabilities and children, to help seniors living alone and families of parentless children living with their grandparents.

Sponsoring of Care Service for Socially Disadvantaged People

In November 2010, HF made a donation to the social enterprise Cheonan Care Service Center based on an agreement with the Work Together Foundation. The donation will be used to provide stable jobs to low-income, unemployed elderly women and care services to seniors and people with disabilities.

Other Activities

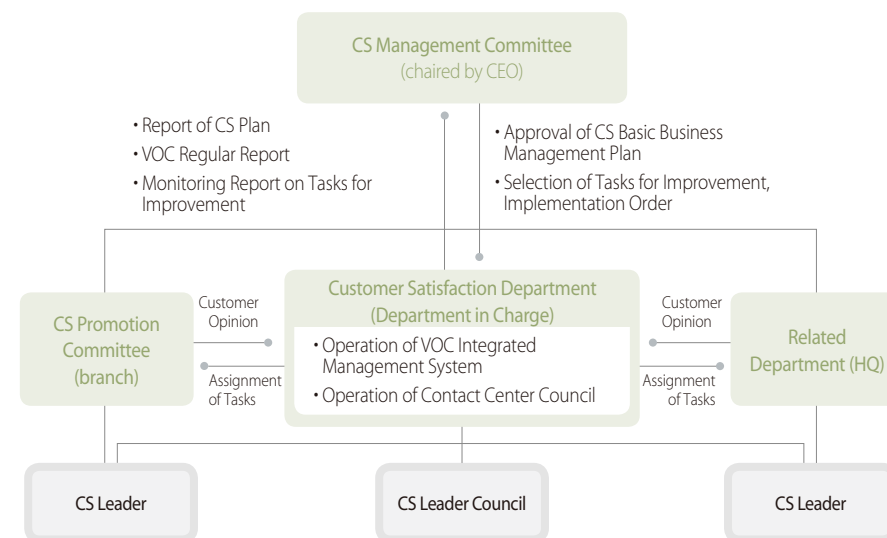
HF was also involved in various other activities, including the fundraising for bereaved families who lost their sons in the sinking of the Cheonan ship, sponsorship of multi-cultural families, blood donation drive, delivery of Kimchi during end-of-year holidays and supplies to the Red Cross, donations to various organizations, volunteering at Ilsan Holt Children's Services (every month) and environmental cleanup in local communities (regular).

In 2011, HF plans to launch a variety of programs to actively respond to the society's demand for corporate social responsibility. HF will play a leading role in the field of CSR by strengthening its network with social welfare associations, establishing a support system that is systematic and timely, and continuously identifying programs custom-tailored to new trends and needs.

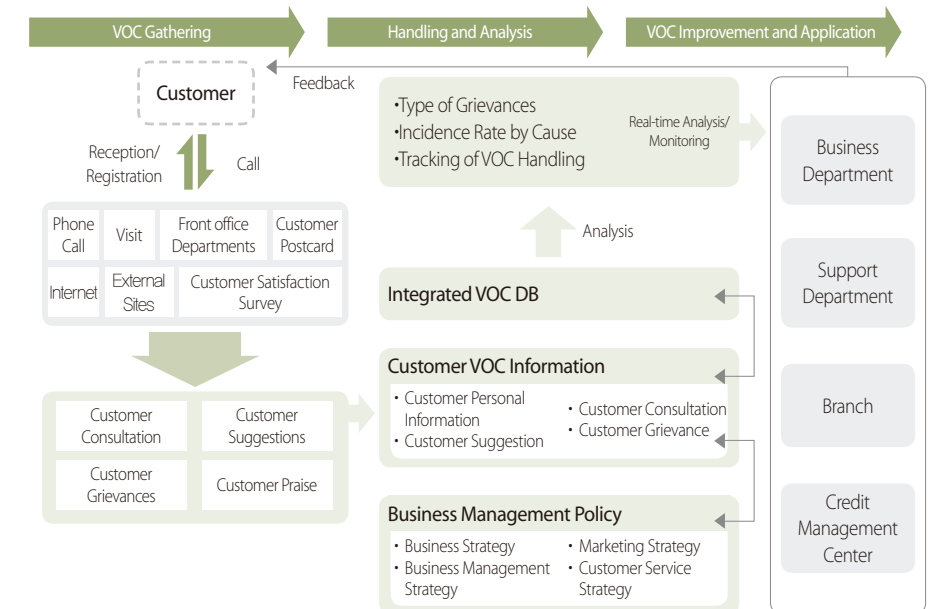


Operation of CS Force

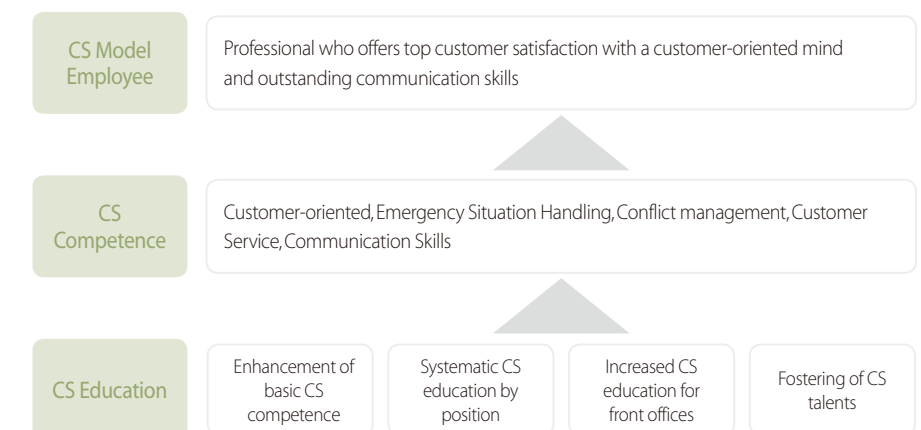
CS Organization



For an efficient management of multiple business channels, customer voices are received via the VOC Integrated Management System only and step-by-step processes are defined to respond promptly to customer needs. The systematic process allows customers to check, in real time, the progress of their VOC on HF's website and evaluate the quality of handling using the feedback system.



HF launched various CS activities to strengthen the CS readiness of all its staff. To promote a voluntary CS culture, a comprehensive reward system was established to recognize outstanding CS activities, including sectoral CS reward and CS-T.O.P point system. To promote an organizational culture of praising and encouragement, HF has launched the year-round Whale Done Campaign and offered a systematic CS education program to its staff based on the criteria for CS Model Employee and CS Competence.



International Exchange & Cooperation

By exchanging housing finance-related information with relevant international institutions, HF improves understanding of its business and delivers its know-how abroad. Through exchange programs, HF has enlarged the base for international cooperation.

Based on a Memorandum of Understanding that HF signed with the Mongolian Housing Finance Corporation in November 2007, a joint workshop was organized in 2010 for consultation on HF's overall services and discussions on future cooperation. The Hong Kong Housing Mortgage Corporation Limited benchmarked HF's reverse mortgage guarantee product (JTYK).

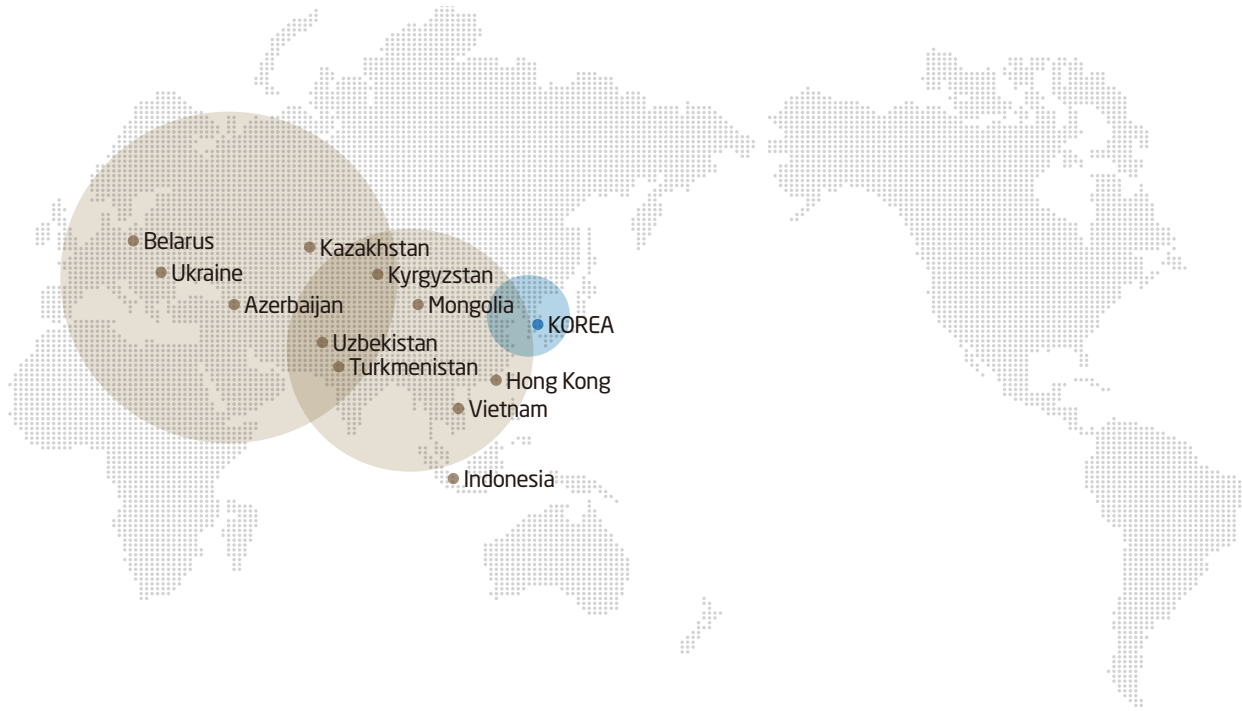
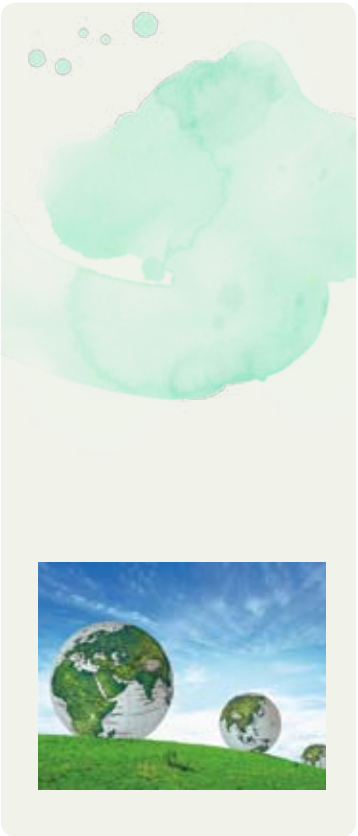
HF also received delegations from Vietnam, Indonesia, seven CIS (Commonwealth of Independent States) member countries (Azerbaijan, Belarus, Uzbekistan, Ukraine, Kazakhstan, Kyrgyzstan, and Turkmenistan) to workshops on Korea's housing finance market and the corporation's overall business, laying the foundation for international cooperation in areas of housing finance.

Meanwhile, HF was invited by the World Bank to attend the Global Conference on Housing Finance, which drew representatives of housing finance institutions from 35 countries, and made a presentation on the housing finance market and supervision system in Korea. HF further raised its status as an institution specialized in housing finance by offering consultation on the housing finance market in Korea and HF's general business at IMF's annual consultation meeting.

In 2011, HF plans to organize an international seminar on the development of the housing finance market in Asia. This seminar will allow HF to further strengthen international exchange and cooperation programs with institutions abroad by forming new ties, learning about the housing finance systems and markets in other countries, and establishing a network for international consultation.

International Exchange & Cooperation Programs in 2010

Month	Institution	Program
May	Mongolian Housing Finance Corporation (MHFC)	HF organized a workshop for the MHFC delegation and gave an overview of HF's overall business
Oct.		HF organized a joint workshop with MHFC for consultation and discussions on housing finance and MBS
May	World Bank	On invitation by the World Bank, HF attended the Global Conference on Housing Finance for a presentation and panel discussion on the housing finance market and supervision system in Korea
Jul.	Azerbaijan Mortgage Fund	HF organized a workshop for the delegation from Azerbaijan and gave an overview of HF's overall business
Jul.	IMF annual consultation meeting	HF offered consultation on the housing finance market in Korea and HF's general business during IMF's visit to Korea for annual consultation meeting
Aug.	Delegation of public officials from 7 countries of the Commonwealth of Independent States (CIS)	HF organized workshops for senior public officials from CIS member countries and gave an overview of HF's overall business
Sep.	PT Sarana Multigriya Finansial(SMF)	HF organized a workshop for SMF delegation (Institution specialized in securitization in Indonesia) and gave an overview of HF's overall business
Dec.	Vietnam Housing Fund System	HF organized a workshop for the Vietnam Housing Fund System delegation and gave an overview of HF's overall business
Dec.	The Hong Kong Housing Mortgage Corporation Limited(HKMC)	HF organized a workshop for HKMC and delivered know-how of its JTYK reverse mortgage guarantee



Growing Steadily by Delivering Unwavering Trust

HF is continuously innovating and taking on challenges with a commitment to creating a better future and establishing solid trust in the housing finance industry. We are determined to be a reliable lifetime financial partner for low and moderate-income households by pursuing creativity and expertise.

2010 Financial Review

Summary

Financial Statements



Summary

In order to ensure transparency and maintain reliability in business management, HF had the financial statements of HF proprietary accounts, trust accounts, and Housing Finance Credit Guarantee Fund including the reverse mortgage guarantee accounts reviewed and audited by an external accounting firm. The financial statements of HF are to be submitted to the chair of the Financial Services Commission with the approval of the BOD and the Housing Finance Management Committee pursuant to paragraph 2, Article 43 (Submission of financial statements) of the Act on the Management of Public Institutions. The financial statements of Housing Finance Credit Guarantee Fund are also to be submitted to the chairperson of the Financial Services Commission following the approval of the BOD and the Housing Finance Management Committee pursuant to paragraph 1 of Article 73 (Settlement of Funds) and paragraph 2 of Article 74 (Deliberative Council on Fund Management) of the National Finance Act.

HF's proprietary and trust accounts were settled and reported as separate accounts according to the GAAP. The financial Statements of the Housing Finance Credit Guarantee account and the Reverse Mortgage Guarantee account were consolidated into and reported as a single account in accordance with the National Accounting Standards.

The financial statements of HF and the HFCGF for fiscal year 2010 were audited by Ernst & Young HanYoung Korea, which declared all of them "fair."

In 2010, HF realized a net income of KRW25.2 billion, recording a surplus for the two previous years. Total equity remained at the same level as the previous year at KRW884.9 billion.

The net total assets in the Housing Finance Credit Guarantee Fund account was KRW2,272.6 billion, up KRW579.9 billion from the previous year. In 2010, HF's financial management performance was KRW549.7 billion, down KRW8.7 billion from the previous year.

Korea Housing Finance Corporation (Proprietary Account)

The assets in HF's proprietary account totaled KRW4,584.6 billion, up KRW1,140.8 billion from the previous year, owing to an increase in loan receivables through borrowing. Liabilities totaled KRW3,699.7 billion, up KRW1,140.8 billion from the previous year. Total equity remained the same as in the previous year at KRW884.9 billion, including KRW25.2 billion in net income and KRW25.4 billion in valuation loss of cashflow hedged items.

(KRW in millions)

	2010	2009
Cash and due from banks	184,161	71,959
Securities	536,703	482,953
Loans receivable	3,755,923	2,805,258
Other assets	107,835	83,670
Total assets	4,584,622	3,443,840
Borrowing liabilities	3,543,777	2,484,782
Other liabilities	155,934	74,141
Total liabilities	3,699,711	2,558,923
Paid-in capital	1,076,600	1,076,600
Retained earnings	(163,264)	(188,504)
Capital adjustments	(28,425)	(3,179)
Total equity	884,911	884,917
Total liabilities and equity	4,584,622	3,443,840

In 2010, net income in HF's proprietary account totaled KRW25.2 billion, down KRW10.5 billion from the previous year. The gain on disposal of securities and loans receivable increased by KRW86.2 billion year-on-year as a delayed interest rate hike expected in 2010 led to a strong bonds market, while the net loss on derivatives transactions and Valuation rose by KRW120.2 billion, coupled with an increase in other expenses and a fall in corporate tax benefits.

(KRW in millions)

	2010	2009
Interest income	196,420	174,383
Gain on disposal of securities	4,211	-
Gain on disposal of loans receivable	73,690	65,415
Fees and commission income	81,341	65,507
Gain on derivatives transactions and valuation	1,166	94,419
Gain on transaction and valuation of fair value hedged items	4,924	-
Settlement revenue	35,127	36,949
Others	352	4,620
Total revenue	397,231	441,293
Interest expense	130,341	122,578
Fee expenses	10,963	10,637
Loss on disposal of loans receivable	4,430	78,128
Loss on derivatives transactions and valuation	161,095	79,394
Loss on transaction and valuation of fair value hedged items	-	49,807
Provision of allowance for possible loan losses and guarantees	5,252	11,722
General and administrative expenses	66,873	65,782
Others	2	-
Income tax expenses	(6,965)	(12,501)
Total expenses	371,991	405,547
Net income (loss)	25,240	35,746

Korea Housing Finance Corporation (Integrated Trust Account)

With the issuance of KRW5.7 trillion in MBS in 2010, the total assets and total liabilities of HF's integrated trust account increased by KRW3,194.4 billion year-on-year. Accumulated gains on trust were KRW604.8 billion, up KRW100.5 billion from the previous year, while accumulated losses on trust were only KRW8.5 billion in 10 trust accounts, up KRW1.5 billion over the previous year.

(KRW in millions)

	2010	2009
Cash and due from banks	3,134,015	2,081,434
Securities	1,213,228	1,602,132
Securitized assets	23,966,374	21,475,060
Other assets	158,502	120,565
Accumulated losses on trust	8,453	6,968
Total assets	28,480,572	25,286,159
Securitized liabilities	27,678,875	24,586,333
Other liabilities	196,877	195,482
Accumulated gains on trust	604,820	504,344
Total liabilities	28,480,572	25,286,159

An increased issuance of securitization bonds brought the total amount of income and costs up by KRW286.6 billion year-on-year. Trust profits rose by KRW1.6 billion, while the trust losses increased by KRW6 billion owing to a fall in reinvestment rate resulting from a fall in interest rates.

(KRW in millions)

	2010	2009
Operating revenue	1,591,140	1,310,587
Interest on due from banks and securities	173,036	157,562
Interest on mortgage loans and student loans	1,362,710	1,121,352
Commission income	55,394	31,673
Trust losses	10,702	4,674
Total revenue	1,601,842	1,315,261
Operating expenses	1,492,057	1,207,157
Interest on MBS and SLBS	1,330,528	1,061,294
Fees and commission	152,075	132,372
Other operating expenses	9,454	13,491
Non-operating expenses	92	26
Trust profits	109,693	108,078
Total expenses	1,601,842	1,315,261

Housing Finance Credit Guarantee Fund

Following the introduction of the National Accounting Standards in 2009, the Housing Finance Credit Guarantee account and the Reverse Mortgage Guarantee account were consolidated into a single account of the Housing Finance Credit Guarantee Fund. The assets in the account totaled KRW2,611.4 billion, up KRW525.1 billion as a result of financial management. Investment assets rose KRW361.3 billion over the previous year in consideration of the profitability of increased surplus capital.

Total liabilities were KRW338.8 billion, down KRW54.8 billion from the previous year. The size of borrowing from the IBRD made during the financial crisis and re-lent afterwards shrunk following fixed repayments and a fall in foreign exchange rates, while reversal of allowance for possible credit guarantee losses was made as a result of a fall in guarantee events.

With KRW549.7 billion resulting from financial management performance and KRW30.2 billion in valuation gain (loss) on investment securities, net assets totaled KRW2,272.6 billion, which was KRW579.9 billion more than in the previous year.

(KRW in millions)

	2010	2009
Current assets	1,461,050	1,291,840
Investment assets	1,140,352	779,090
Property and equipment	3,285	6,955
Intangible assets	-	60
Other non-current assets	6,702	8,339
Total assets	2,611,389	2,086,284
Current liabilities	94,202	93,441
Long-term borrowings	34,167	58,380
Long-term allowance	199,356	222,546
Other non-current liabilities	11,109	19,293
Total liabilities	338,834	393,660
Basic net assets	3,226,921	3,226,921
Retained earnings (deficits)	(991,358)	(1,541,047)
Adjustment for net assets	36,992	6,750
Total net assets	2,272,555	1,692,624
Total liabilities and net assets	2,611,389	2,086,284

The total cost of the program was KRW93.5 billion, up KRW50.7 billion from the previous year, resulting from an increase of KRW10.2 billion in provision for guarantees and an increase of KRW38.3 billion in provision for indemnity rights write-offs.

Program revenue fell to KRW111.6 billion, down KRW7.3 billion from the previous year. Despite an increase of KRW11.8 billion in guarantee fee income resulting from a net gain in the outstanding guarantee balance, the reversal of allowance for guarantee losses fell by KRW19.4 billion. General and administrative expenses fell KRW300 million to KRW9.4 billion.

Unallocated expenses were KRW9.3 billion, down KRW10 billion. Through fixed repayments of borrowings from IBRD, currency derivatives transaction and valuation losses went down by KRW7.5 billion year-on-year despite a fall in foreign exchange rates, while interest expenses also fell by KRW1.8 billion. Unallocated revenue rose to KRW89.2 billion, up KRW3.5 billion from the previous year, with higher interest income resulting from a larger working capital fund.

Non-exchange revenue increased to KRW461.2 billion, up KRW35.6 billion year-on-year, with increased contributions from financial institutions resulting from increased mortgage lending.

In 2010, HF's result of finance management was down by KRW8.7 billion to KRW549.7 billion, as increases in unallocated revenue and non-exchange revenue were offset by a rise in net program costs.

(KRW in millions)

	2010	2009
I. Program cost	93,466	42,740
account of HFCGF	87,011	38,399
account of JTYK reverse mortgage guarantees	6,455	4,341
II. Program revenue	(111,566)	(118,881)
account of HFCGF	(99,564)	(112,144)
account of JTYK reverse mortgage guarantees	(12,002)	(6,737)
III. General and administrative expenses	9,441	9,695
IV. Non-allocated expenses	9,308	19,327
V. Non-allocated revenue	89,183	85,646
VI. Net cost for financial management (I-II+III+IV-V)	(88,534)	(132,765)
VII. Non-exchange revenue	461,155	425,575
VIII. Result of financial management (VI-VII)	(549,689)	(558,340)

Independent Auditors' Report

To the BOD of the Korea Housing Finance Corporation

February 21, 2011

We have audited the accompanying statements of financial position of the Korea Housing Finance Corporation (the "Corporation") as of December 31, 2010 and 2009, and the related statements of income, disposition of accumulated deficit, and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HF as of December 31, 2010, and as of December 31, 2009, and the results of its financial operations and the changes in cash flows for both fiscal years then ended, in conformity with the accounting principles (accounting rules governing public corporations, quasi-government institutions) provided for in Article 39 of the Act on the Management of Public Institutions.


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CEO Seung Wha Gweon

This audit report is effective as of Feb 21, 2011, the auditors' report date. Certain material subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements. Accordingly the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Summary Statements of Financial Position (HF Proprietary Account)

Term 7: as of December 31, 2010

Term 6 : as of December 31, 2009

(KRW in millions)

Item	Term 7	Term 6	Variance
I. Cash and due from banks	184,161	71,959	112,202
Due from banks	184,161	71,959	112,202
II. Securities	536,703	482,953	53,750
Available-for-sale securities	131,147	79,645	51,502
Held-to-maturity securities	405,556	403,308	2,248
III. Loans receivable	3,755,923	2,805,258	950,665
Mortgage loans	3,761,440	2,803,343	958,097
(Allowance for loan losses)	(10,099)	(7,843)	(2,256)
repurchase agreements	2,000	-	2,000
Advance payments on acceptance and guarantees	2,590	9,792	(7,202)
(Allowance for loan losses)	(8)	(34)	26
IV. Other assets	107,835	83,670	24,165
Derivative assets	2,870	3,402	(532)
Others	104,965	80,268	24,697
Total assets	4,584,622	3,443,840	1,140,782
I. Borrowing liabilities	3,543,777	2,484,782	1,058,995
Short-term borrowings	-	260,000	(260,000)
Bonds sold under repurchase agreements	130,000	185,000	(55,000)
Bonds payable	2,218,250	2,039,782	178,468
Commercial paper	640,000	-	640,000
Mortgage-backed bonds payable	555,527	-	555,527
II. Other liabilities	155,934	74,141	81,793
Allowance for possible losses on acceptance and guarantee	40,951	37,954	2,997
Derivative liabilities	92,288	16,071	76,217
Others	22,695	20,116	2,579
Total liabilities	3,699,711	2,558,923	1,140,788
I. Capital Stock	1,076,600	1,076,600	-
Paid-in capital	1,076,600	1,076,600	-
II. Retained earnings (deficits)	(163,264)	(188,504)	25,240
Earnings (Deficits) carryforward from prior year	(188,504)	(224,250)	35,746
Net income (loss)	25,240	35,746	(10,506)
III. Capital adjustment	(2,880)	(2,880)	-
Discount on stock issuance	(2,880)	(2,880)	-
IV. Accumulated other comprehensive losses	(25,545)	(299)	(25,246)
Gains (losses) on valuation of available-for-sale securities	(193)	(299)	106
valuation loss of cashflow hedged items	(25,352)	-	(25,352)
Total equity	884,911	884,917	(6)
Total liability and equity	4,584,622	3,443,840	1,140,782

Summary Statements of Income (HF Proprietary Account)

Term 7: January 1, 2010 ~ December 31, 2010

Term 6: January 1, 2009 ~ December 31, 2009

(KRW in millions)

Item	Term 7	Term 6	Variance
I. Operating revenue	396,906	436,716	(39,810)
(1) Interest income	196,420	174,383	22,037
Interest on due from banks and securities	46,046	23,617	22,429
Interest on loans receivable	149,758	150,025	(267)
Others	616	741	(125)
(2) Fees and commission income	81,341	65,507	15,834
Guarantee Fees & Brokerage fees	64,543	52,693	11,850
Others	16,798	12,814	3,984
(3) Other operating revenue	84,018	159,877	(75,859)
Gain on disposal of loan receivables	73,690	65,415	8,275
Gain on derivatives transactions and valuation	1,166	94,419	(93,253)
Valuation gain on fair value hedged items	4,924	-	4,924
Others	4,238	43	4,195
(4) Settlement revenue	35,127	36,949	(1,822)
II. Operating expenses	378,954	418,048	(39,094)
(1) Interest expense	130,341	122,578	7,763
Interest on borrowings	16,008	10,896	5,112
Interest on bonds payable	103,410	111,682	(8,272)
Interest on mortgage-backed bonds	10,923	-	10,923
(2) Fee expenses	10,963	10,637	326
(3) Other operating expenses	170,777	219,051	(48,274)
Loss on disposal of loans receivable	4,430	78,128	(73,698)
Loss on derivatives transactions and valuation	161,095	79,394	81,701
Loss on transaction and valuation of fair value hedged items	-	49,807	(49,807)
Provision of allowance for loan losses and guarantees	5,252	11,722	(6,470)
(4) General and administrative expenses	66,873	65,782	1,091
III. Operating income (loss)	17,952	18,668	(716)
IV. Non-operating revenue	325	4,577	(4,252)
V. Non-operating espenses	2	-	2
VI. Income (loss) before income taxes	18,275	23,245	(4,970)
VII. Income tax expenses	(6,965)	(12,501)	5,536
VIII. Net income (loss)	25,240	35,746	(10,506)

Summary Statements of Financial Position (Integrated Trust Account)

Term 7: as of December 31, 2010
Term 6 : as of December 31, 2009

(KRW in millions)

Item	Term 7	Term 6	Variance
I. Cash and due from banks	3,134,015	2,081,434	1,052,581
II. Securities	1,213,228	1,602,132	(388,904)
III. Securitized assets	23,966,374	21,475,060	2,491,314
(1) Mortgage loans	18,530,049	15,234,810	3,295,239
(2) Student loans	5,436,325	6,240,250	(803,925)
IV. Other assets	158,502	120,565	37,937
V. Accumulated losses on trust	8,453	6,968	1,485
Total assets	28,480,572	25,286,159	3,194,413
I. Securitized liabilities	27,678,875	24,586,333	3,092,542
(1) MBS	21,862,063	17,906,337	3,955,726
(2) SLBS	5,814,222	6,670,204	(855,982)
(3) Borrowing from HF	2,590	9,792	(7,202)
II. Other liabilities	196,877	195,482	1,395
III. Accumulated gains on trust	604,820	504,344	100,476
Total liabilities	28,480,572	25,286,159	3,194,413

Summary Statements of Income (Integrated Trust Account)

Term 7: January 1, 2010 ~ December 31, 2010
Term 6: January 1, 2009 ~ December 31, 2009

(KRW in millions)

Item	Term 7	Term 6	Variance
I. Operating revenue	1,591,140	1,310,587	280,553
Interest on due from banks and securities	173,036	157,562	15,474
Interest on mortgage loans and student loans	1,362,710	1,121,352	241,358
Commission income	36,194	21,508	14,686
Other operating revenue	19,200	10,165	9,035
II. Trust losses	10,702	4,674	6,028
Total revenue	1,601,842	1,315,261	286,581
I. Operating expenses	1,492,057	1,207,157	284,900
Interest on MBS & SLBS	1,330,528	1,061,294	269,234
Fees and commission	152,075	132,372	19,703
Other operating expenses	9,454	13,491	(4,037)
II. Non-operating expenses	92	26	66
III. Trust profits	109,693	108,078	1,615
Total expenses	1,061,842	1,315,261	286,581

Independent Auditors' Report

To the BOD of Housing Finance Credit Guarantee Fund:

February 21, 2011

We have audited the accompanying statements of financial position of Housing Finance Credit Guarantee Fund (hereinafter referred to as "the Fund") as of December 31, 2010 and the related statements of financial operation and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the special purpose auditing standards of the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2010, and the results of its operations and the changes in net assets for the fiscal year then ended, in conformity with the National Accounting Standards.



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CEO Seung Wha Gweon

This audit report is effective as of Feb 21, 2011, the auditors' report date. Certain material subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements. Accordingly the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Summary Statements of Financial Position (Integrated Housing Finance Credit Guarantee Fund)

Term 23: as of December 31, 2010
Term 22 : as of December 31, 2009

(KRW in millions)

	Term 23	Term 22	Variance
I. Current assets	1,461,050	1,291,841	169,209
1. Cash and cash equivalents	63,809	10,972	52,837
2. Short-term deposits	346,200	322,800	23,400
3. Investment securities	457,063	448,308	8,755
4. Account receivables	27,002	16,928	10,074
5. Indemnity rights	1,752,801	1,801,144	(48,343)
(Allowance for write-offs)	(1,195,031)	(1,309,795)	114,764
6. Other current assets	9,206	1,484	7,722
II. Investment assets	1,140,352	779,090	361,262
1. Long-term deposits	263,000	184,300	78,700
2. Long-term investment securities	877,352	594,790	282,562
III. Property and equipment, Intangible assets	3,285	7,014	(3,729)
V. Other non-current assets	6,702	8,339	(1,637)
Total assets	2,611,389	2,086,284	525,105
I. Current liabilities	94,202	93,441	761
1. Long-term borrowings transferred	22,778	23,352	(574)
2. Currency derivatives	10,814	12,638	(1,824)
3. Unearned revenue	51,368	50,544	824
4. Others	9,242	6,907	2,335
II. Long-term borrowings	34,167	58,380	(24,213)
III. Long-term liabilities (allowance)	199,356	222,546	(23,190)
1. Allowance for possible guarantee losses	194,410	218,479	(24,069)
2. Accrued severance benefits	4,946	4,067	879
IV. Other non-current liabilities	11,109	19,293	(8,184)
Total liabilities	338,834	393,660	(54,826)
I. Basic net assets	3,226,921	3,226,921	-
II. Retained earnings (deficits)	(991,358)	(1,541,047)	549,689
1. Retained earnings (deficits) carried forward	(1,541,047)	(2,102,387)	561,340
2. Result of financial management	549,689	558,340	(8,651)
3. Others	-	3,000	(3,000)
III. Adjustment for net assets	36,992	6,751	30,241
1. Valuation gain (loss) on investment securities	36,992	6,751	30,241
Total net assets	2,272,555	1,692,625	579,930
Total liabilities and net assets	2,611,389	2,086,285	525,104

Summary Statements of Financial Management (Integrated Housing Finance Credit Guarantee Fund)

Term 23: as of December 31, 2010
Term 22 : as of December 31, 2009

(KRW in millions)

	Term 23	Term 22
I. Program cost	93,466	42,740
1. Guarantee-related expenses	12,431	2,881
a. Provision for credit guarantees	9,883	-
b. Provision for JTYK guarantees	867	507
c. Management expenses for write-offs	1,681	2,374
2. Provision for indemnity rights write-offs	49,382	11,157
3. General and Administrative expenses	25,704	24,400
4. Fees and commission	5,850	4,133
5. Refunds	99	169
II. Program revenue	111,566	118,881
1. Guarantee fees	73,861	62,023
2. Reversal of allowances	34,819	54,236
3. Others	2,886	2,622
III. General and Administrative expenses	9,441	9,695
IV. Non-allocated expenses	9,308	19,328
1. Currency derivatives transaction and valuation losses	3,684	11,163
2. Interest expense	1,082	2,906
3. Depreciation expense	3,787	3,744
4. Others	755	1,515
V. Non-allocated revenue	89,183	85,647
1. Interest income	85,816	76,575
2. Gain on foreign currency translation	1,435	6,293
3. Gain on foreign currency transaction	826	964
3. Others	1,106	1,815
VI Net cost for financial management (I-II+III+IV-V)	(88,534)	(132,765)
VII. Non-exchange revenue	461,155	425,575
1. Contributions from Financial institutions	458,516	421,129
2. Others	2,639	4,446
VIII. Result of financial management (VI-VII)	(549,689)	(558,340)

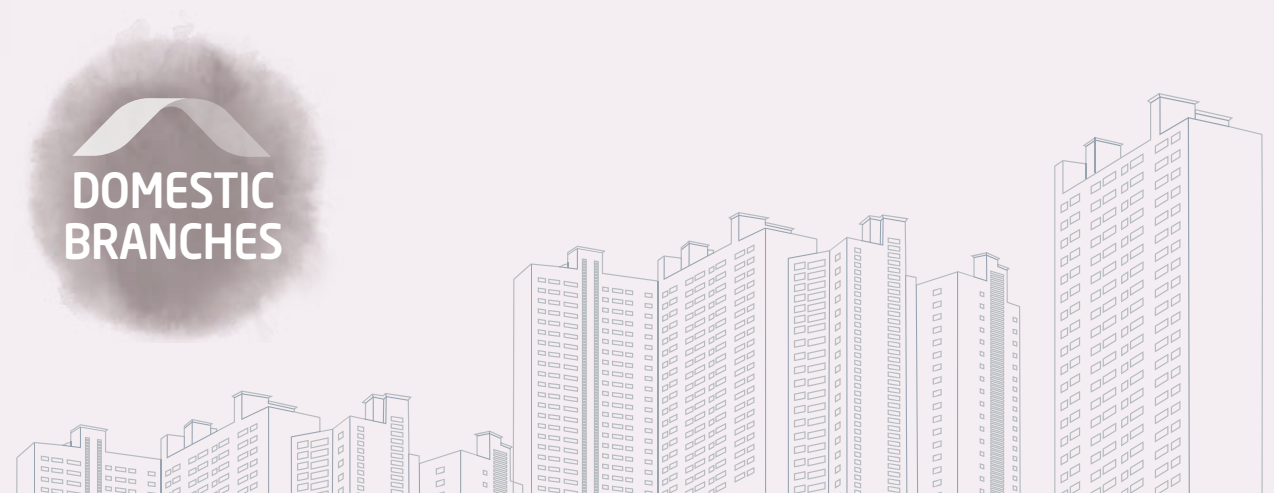
Summary Statements of Changes in Equity (Integrated Housing Finance Credit Guarantee Fund)

Term 23: as of December 31, 2010

Term 22 : as of December 31, 2009

(KRW in millions)

	Basic net assets	Retained earnings (deficit)	Adjustment	Total
I. January 1, 2009	3,226,921	(2,102,388)	(21)	1,124,512
1. Reported amount	3,226,921	(2,102,388)	(21)	1,124,512
2. Gain on prior period error corrections				
3. Cumulative effects of accounting change				
II. Result of financial management		(558,340)		(558,340)
III. Adjustments		3,000	6,772	9,772
1. Change in paid-in capital				
2. Valuation gain (loss) on investment securities			6,772	6,772
3. Others		3,000		3,000
IV. December 31, 2009 (I-II+III)	3,226,921	(1,541,048)	6,751	1,692,624
V. January 1, 2010	3,226,921	(1,541,048)	6,751	1,692,624
1. Reported amount	3,226,921	(1,541,048)	6,751	1,692,624
2. Gain on prior period error corrections				
3. Cumulative effects of accounting change				
VI. Result of financial management		(549,690)		(549,690)
VII. Adjustments			30,241	30,241
1. Change in paid-in capital				
2. Valuation gain (loss) on investment securities			30,241	30,241
3. Others				
VIII. December 31, 2010 (I-II+III)	3,226,921	(991,358)	36,992	2,272,555



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History

2004

- 2004.03** Korea Housing Finance Corporation established
Signed transfer agreement with Korea Mortgage-Backed Securitization Corporation
Took over housing finance credit guarantee fund business
Introduced Bogeumjari loan
- 2004.06** Mortgage loan sales surpassed KRW1 trillion
Issued MBS for the first time in Korea
- 2004.09** Introduced mortgage loan for install payments for new apartment purchases

2005

- 2005.07** Sciences Promotion and Credit Guarantee, etc., for Student Loans Act enforced
Designated as consignee for operation of student loan credit guarantee fund
- 2005.09** Applied for trademark of Bogeumjari loan
- 2005.10** Issued student loan asset-backed securities (SLBS) for the first time
Introduced Bogeumjari loan with prime rates for low-income people without home ownership
- 2005.11** Bogeumjari lending surpassed 100,000 loans

2006

- 2006.04** Introduced guarantee product to finance house purchase
- 2006.06** Introduced e-mortgage loan

2007

- 2007.05** Bogeumjari lending surpassed KRW10 trillion
- 2007.07** Introduced JTYK reverse mortgage guarantees
- 2007.08** Contact Center received Contact Center Qualified Mark (CQM) from Korea Contact Center Association
- 2007.11** Introduced switch-option Bogeumjari loan
Signed MOU with Mongolian Housing Finance Corporation

2008

- 2008.09** Launched electronic debt approval system
Subscription to JTYK pension surpassed 1,000 people
Issued KHFC bonds for the first time
- 2008.12** Offered P-CBO guarantees for supply of liquidity to home-builders

2009

- 2009.05** Transferred student loan credit guarantee fund to Korea Student Aid Foundation
Paid-in-capital surpassed KRW1 trillion
- 2009.07** Certified as Best Corporation for Excellent Service Quality (SQ)
KHFC homepage certified as Excellent Website
- 2009.09** Introduced mortgage-MBS swap for supply of liquidity to financial institutions
Issued nation's first variable-rate MBS
- 2009.11** Received international credit rating (A2 from Moody's, A from S&P)

2010

- 2010.01** Contact Center awarded Excellence in Service Quality certification (From Korean Agency for Technology and Standard)
- 2010.03** KHFC changed corporate identity to Housing Finance (HF)
- 2010.06** Introduced u-Bogeumjari loan
Received international credit rating (A1 from Moody's, A from S&P)
- 2010.07** Issued Asia's first dollar-denominated statutory covered bond of US\$500 million
- 2010.11** Surpassed KRW10 trillion in annual JTYK lending
- 2010.12** Introduced guarantee for chonse (rental deposit) loans from banks



*Lifetime Financial Partner for
Low and Moderate-Income People*

