

Korean MBS Market Grows With Largest Cross-Border Issue

550,000,000

Korea First Mortgage No. 3 plc

Largest Cross-Border MBS of Korean Mortgages

With a vibrant, industrialized economy and an expanding middle class, Korea has experienced a surge in consumer lending activity. The mortgage sector and Korean financial institutions are increasingly exploring ways to manage and capitalize on this trend. Korea First Bank (KFB) met with success in issuing the country's first-ever bank mortgage-backed securities offering in 2004. With the bank's mortgage portfolio continuing to grow, KFB decided to enter the MBS market again in late 2004. The bank had teamed with Ambac Assurance on their first transaction, benefiting from the financial guarantee company's extensive experience in mortgage-backed securities analysis and structures. Hoping to replicate the efficient process used in the earlier 2004 deal, KFB again asked Ambac to help structure and guarantee a 550 million offering.

Securitized assets were comprised of first ranking, prime residential KFB mortgages domiciled in South Korea. A balance guarantee swap was included in the structure to exchange Korean won to Euro dollars on each note payment increasing the bank's access to offshore markets. Ambac's experience with previous Korean MBS deals helped ensure an efficient structuring process, even with the additional complexity of the cross-currency swap, which was included in the Ambac guarantee.

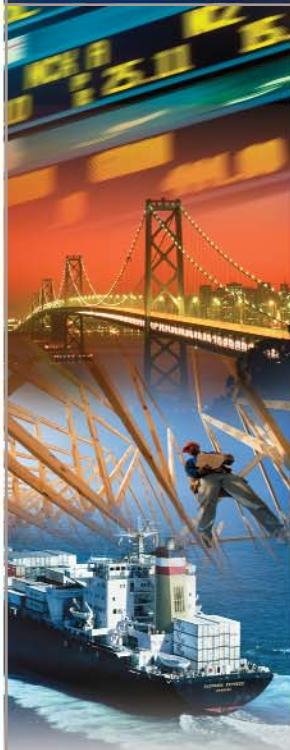
The triple-A-rated 550 million deal was successfully placed in the Euro 144A market in December 2004. This transaction, the third Korean MBS deal to include Ambac's triple-A guarantee and the second with KFB, was notable as the largest cross-border MBS deal from Korea with the longest legal maturity ever issued in the Korean MBS market.

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