

Korea Student **Aid Foundation**

Annual Report 2010



Korea Student Aid Foundation **KOSAF**

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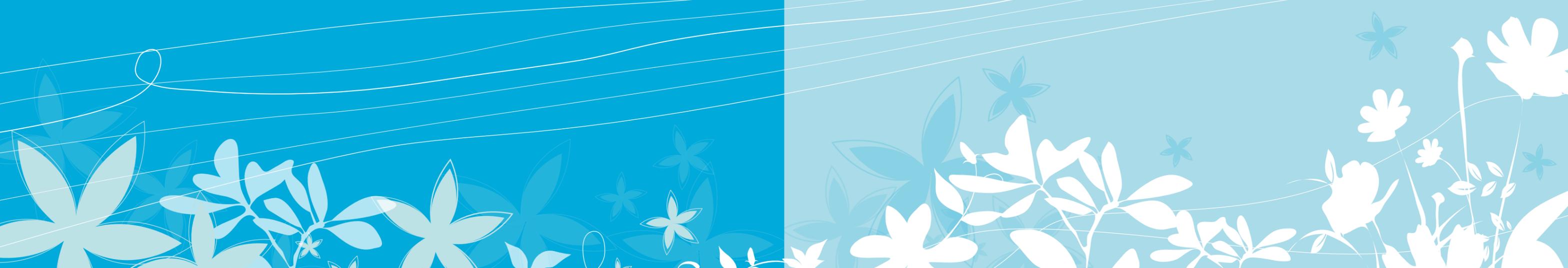
History

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A STEPPING STONE TOWARD DREAMS AND HOPES

We regard KOSAF as a stepping stone for individuals nurturing hopes and dreams who have the confidence to develop their talents despite challenging personal financial conditions.



BEGINNING

Hope is budding for
a splendid **tomorrow.**

Dandelion seeds are preparing for a long journey. Spread by the wind, some of them have set down in sunny places while others have landed on a gravelly field or lie wedged between rocks. Still, they bud and blossom against all odds. We provide constant support and encouragement to anyone who is dreaming of a better tomorrow and is hoping to overcome difficulties.

An efficient student loan system to relieve students of their financial burdens

Established in May 2009, KOSAF introduced an on-line loan system thus improving user accessibility. As a result, a total of 792,484 students took out loans of approximately KRW 2.8673 trillion in 2010 through the Income Contingent Loan Program which includes Student Amortization Loans as well as Loans for Students from Agricultural Areas. The number of students showed record high since the implementation of the customized national scholarship system.

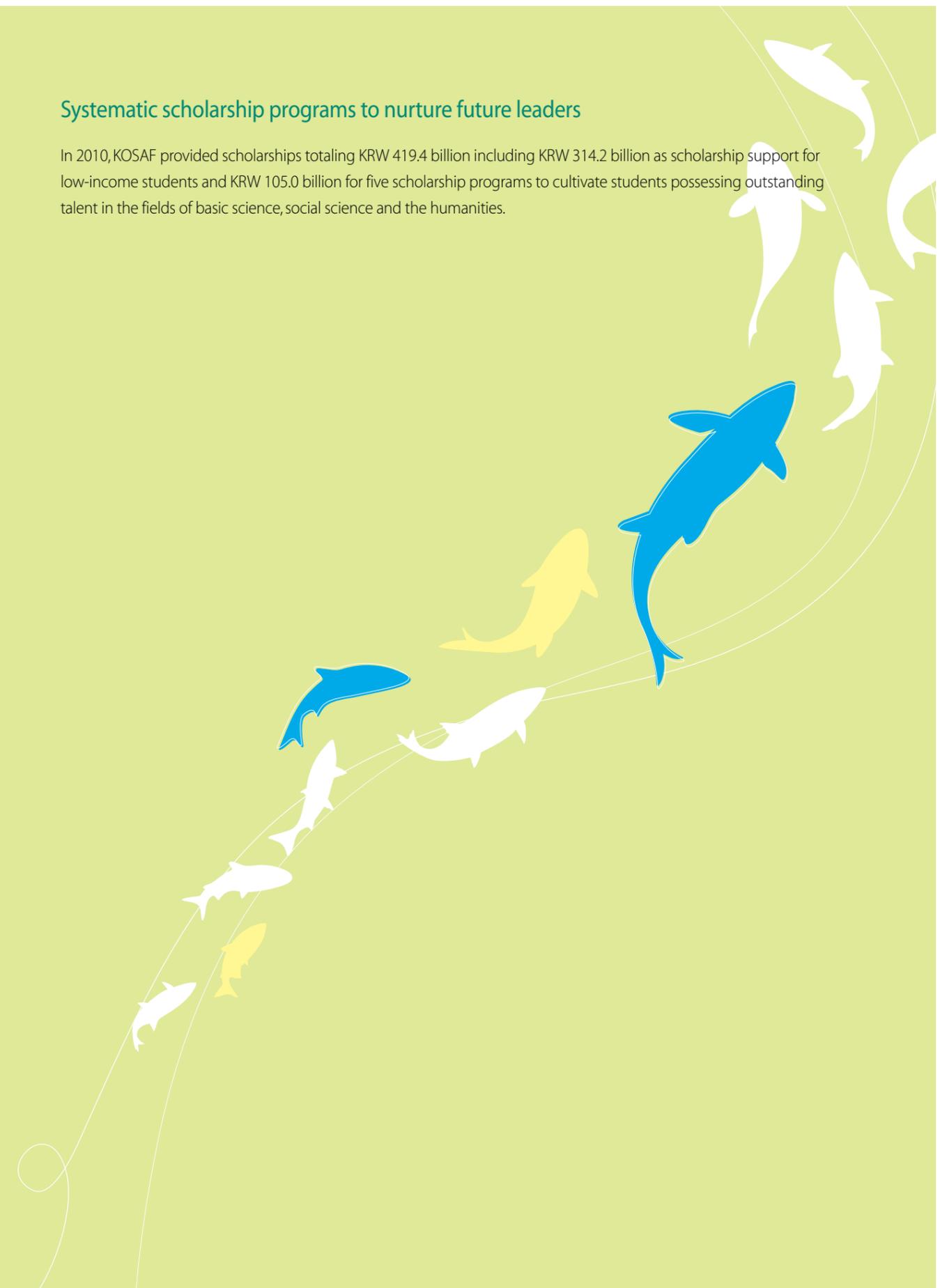
CHALLENGE

The **youth** who constantly take on **challenges** deserve admiration.

Salmon are hatched in rivers and then make their way downstream to the sea. They undergo a long journey only to eventually return to where they were born. Baby salmon that make for the sea have to fight high tides and ferocious fish to survive. As a result, they become stronger and more mature through fierce competition. Eventually, they make their way back to their hometown after coming up the river. In just such a way, we believe in your unwavering determination to succeed by facing and overcoming challenges.

Systematic scholarship programs to nurture future leaders

In 2010, KOSAF provided scholarships totaling KRW 419.4 billion including KRW 314.2 billion as scholarship support for low-income students and KRW 105.0 billion for five scholarship programs to cultivate students possessing outstanding talent in the fields of basic science, social science and the humanities.





SOARING

We will **support** you to soar higher
toward your **dreams**.

In the beautiful hours of morning, a bird flying high above the blue sky flaps its wings above flowering trees, rough seas and then soars into the beyond. Because of its continuous early training, it discovers it can now fly farther, higher and stronger than ever before. Despite encountering various obstacles and making minor errors, its enthusiasm toward the new world is enough to overcome any difficulty. Like this, we will give full consideration and interest to anyone who genuinely wishes to soar higher toward their dreams.

Establishment of a support program for nurturing diverse talents

KOSAF established the Korea Talent Mentoring Network in which social leaders offer life wisdom to university students, the future leaders of Korea, while they, in turn, share knowledge with elementary and middle school students, thus forming a network of talent sharing which the nation will surely benefit from in the future.



MESSAGE FROM THE CHAIRPERSON



“불휘 기픈 남간 바라매 아니 뵈새, 꽃 도쿄 여름 하나니”

These Korean words are taken from a canto of the Songs of Flying Dragons, a cycle of poems written during the reign of King Sejong in the Joseon Dynasty. A translation of this excerpt reads,

“The tree that strikes deep root
Is firm amidst the winds.
Its flowers are good,
Its fruit abundant.”

The Korea Student Aid Foundation, in these early stages following its establishment, is striving to firmly plant its roots to become the best that the world has to offer for talent development through financial aid for higher education.

In 2010, we further stabilized our government-supported loans, national scholarships and national talent development programs. While not without its challenges, the year was a significant step forward in setting a strong foundation for our work.

In administering government-supported loans, we successfully introduced an Income Contingent Repayment system that allows individuals to begin repaying education loans after entering the work force. The Foundation also streamlined loan

“We will re-establish ourselves as the world’s top institute for talent cultivation and student loan support to challenge and facilitate student’s growth”



procedures and decreased the interest rate on loans. These improvements, as well as others, enabled us to expand loan support to KRW 2.9 trillion to annually serve approximately 800,000 students.

Our management of the national scholarship programs also served to reduce the financial burden of higher education costs on students and to create equitable opportunities for the pursuit of higher education. Donations from various organizations, including the Ministry of Education, Science and Technology, made it possible to create a new scholarship in 2010. The contributions of donors increased the support that the Foundation was able to offer to students this past year.

In addition, we continued to pave the way for national talent development through very popular programs and services like our global mentorship network and ‘knowledge volunteers’ for college students.

Of course, for a tree to have deep roots is certainly not the end. To see the tree grow, and then multiply into a rich forest, the Korea Student Aid Foundation will make every effort to further strengthen and develop our programs for student aid and support for national talent development. As we give our love in serving as a stepping stone for students, the future leaders of Korea, I ask for your continuing encouragement and support.

Chairperson of KOSAF *Kyungsook Lee*

BOARD OF DIRECTORS & COMMITTEES



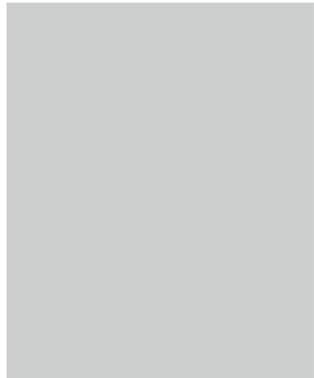
Kyung-Sook Lee

- B.A. in Political Science and Diplomacy, Sookmyung Women's University
- Ph.D. in Political Science, University of South Carolina, U.S.
- Member of the 11th National Assembly
- President of Sookmyung Women's University
- Chairperson of the 17th Presidential Transition Committee
- Chairperson of Special Committee on Future Strategy of the Korean Red Cross



Choon-Sun Kim

- B.A. in Geography, Seoul National University
- M.A. in Economics, University of Manchester, U.K.
- Deputy Director General for General Administration/Deputy Director General for Finance Office for Government Policy Coordination
- Head of Ports and Logistics Dept., the Ministry of Land, Transport and Maritime Affairs
- Head of Planning and Coordination Office, Yeosu Expo 2012



Eun-Sub Kim

- B.A. in Law, Jeonju University
- M.A. in Public Administration, Yonsei University
- Auditor of Ministry of Education Human Resources Development
- President of National Training Institute of Education Science and Technology
- Secretary General of National Academy of Science

Board of Directors

As the highest executive body, the BOD is comprised of 12 directors including 9 non-executive directors. The BOD decides important matters concerning basic management policies of the foundation and program implementation.

The Chairperson of the foundation is appointed by the President from among the candidates recommended by the nomination committee and seconded by the Ministry of Education, Science and Technology according to the Act on the Management of Public Institutions Article 26. Except for the Chairperson, executive directors are appointed by the Chairperson and non-executive directors are appointed by the Minister of Education, Science and Technology among the candidates recommended by the nomination committee in accordance with the Act on the Management of Public Institutions and the articles of association. A public officer of the Ministry of Education, Science and Technology, the Ministry of Strategy and Finance and the Financial Services Commission is appointed by the head of each organization as an ex-officio director.

Non-executive Directors (Ex officio members)

- Ki-Bong Lee** Director General for Education Advancement, Ministry of Education
- Ki-Hong So** Deputy Director General for Social Budget Ministry of Strategy and Finance
- Eun-Bo Jeong** Director General of Financial Policy Bureau, Financial Services Commission

Executive Director

- Dong-Hyun Hong** Statutory Auditor of KOSAF

Non-executive Directors

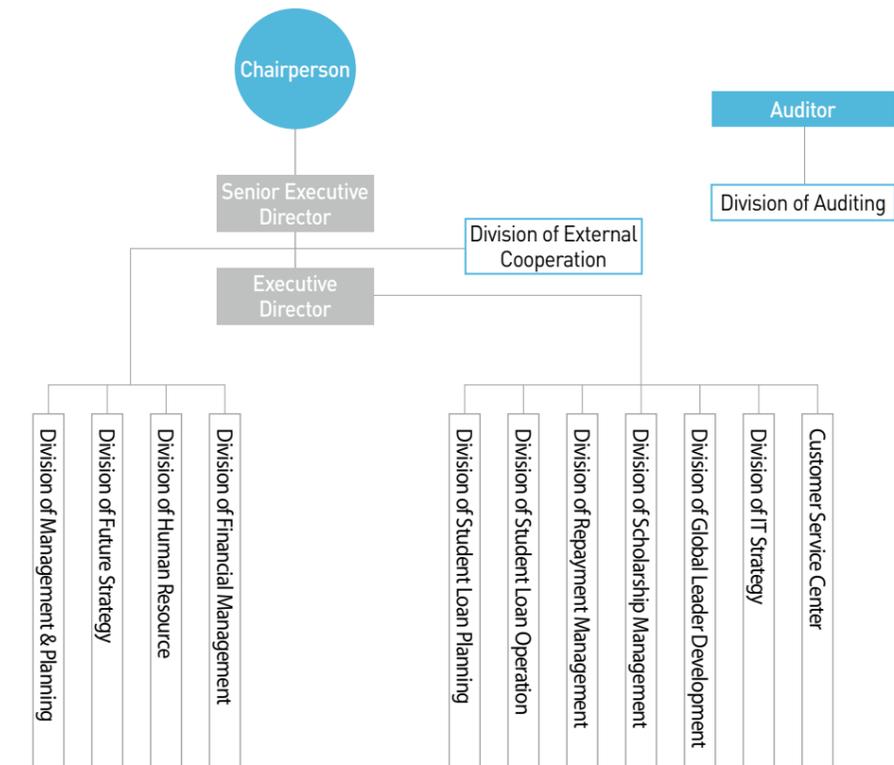
- Myeong-Hwan Kim** Executive Director of the Korean Institute for the Scientifically Gifted
- Tae-Hyeon Mun** Professor of Andong National University (Public Administration)
- Hyeon-Bong Lee** Vice Chairman of Nexen Tire
- Hae-Ryong Jung** Professor of Pukyong National University (English Literature)
- Se-Yeong Chun** President of Korea Education & Research Information Service
- Gyu-Deok Hong** Head of Defense Reform Office Defense Ministry

Committees

Asset Operation Committee	Board Nominating Committee	Auditor Nomination Committee	Customer Service Committee
<ul style="list-style-type: none"> · Criteria and procedures on investment decisions and risk management · Items on distribution of investment assets · Evaluation and disclosure of asset management performances · Items on asset management strategy · Items on asset management evaluation and risk management · Items on valuation of asset management performances 	<ul style="list-style-type: none"> · Decision on director candidate recruitment methods · Candidate screening · Recommendation of candidates in accordance with the Act on Management of Public Institutions Article No.26 · Discussion of contractual issues with the chairperson candidate and notification of results to the Minister of Education, Science and Technology · Other tasks for the operation of the committee 	<ul style="list-style-type: none"> · Enactment, revision and abolition of regulations · Evaluation and nomination of auditors · Conclusion and cancellation of auditing contracts · Change of auditors · Other issues on the committee and auditor 	<ul style="list-style-type: none"> · Decisions on important customer service strategies · Selection of customer service improvement tasks and examination of proceedings · Revision of customer service charter · Other issues which the committee acknowledges are necessary for providing customer service

Organization

In November, 2010 we divided our organization into 9 departments, 3 offices and 1 center for efficient and effective work.



VISION & MISSION

We will provide full support to those who have talent and the determination to develop it.



Creativity
Creative works by enhancing capabilities

Credibility
Credible management which acts with integrity

Commitment
Fulfillment of social responsibility to enthusiastically stand behind both its customers and society

Collaboration
Cooperative corporate culture through effective communication

Vision & Mission

Mission Statement We remain committed to talent cultivation through efforts to expand access to higher education.

Vision We seek to become the world's top institute of talent cultivation and student loan support.

Strategic Goals	Providing optimal financial support service for student loans	Establishing a specialized scholarship support system and promoting its integration	Establishing a talent cultivating management and support system	Establishing infrastructure to promote customer value-oriented integrated projects	Building managerial infrastructure for sustainable growth
Strategic Tasks	Expansion of customer-oriented student loan support services	Provision of an integrated national scholarship service and advancement of a scholarship support system	Development of future talent development support programs and establishment of its operation system	Enhancement of our integrated business promotion function to develop future growth engines	Establishment of a value-creating corporate culture
	Establishment of a financial management system for stable provision of student loans	Development of a differentiated scholarship support program	Establishment of a network providing a talent development support system	Establishment of a student support service system considering the higher education study lifecycle	Preparation of financial soundness for sustainable growth and establishment of a corporate-wide risk management system
					Foundation of KOSAF's reputation as a socially-responsible organization and promotion of customer satisfaction management

KOSAF strives to build its reputation as the world's top institution for talent cultivation and student loan support by operating efficiently developing student loan and Scholarship Programmes to build up the customized national scholarship system. To that end, we set up 4C for our core management value and 5 strategy directions and 11 strategy tasks by expanding business strategies to develop future growth engines.

2010 HIGHLIGHTS

KOSAF operates various programs to support nurturing Korea's future talent.

5.2%

Decrease the interest rate of student loans

Through our continuous efforts to diversify financing methods, including issuance of foundation bonds, we have decreased the interest rate of student loans from 7.3 %, which was the rate prior to the establishment of the foundation, to 5.2% as of the second semester of the 2010 school year. The number of students taking out student loans increased to a total of 790,000 (KRW 2.9 trillion).



230,000

students

Introduction of Income Contingent Loan Program

By introducing the Income Contingent Loan Program in 2010, we were able to support 230,000 students by allowing them to focus on their studies without having to worry about repaying the principal and interest on their loans.



KRW 420 billion

Increased scholarship

KOSAF increased its scholarships by KRW 40 billion from 2009 by providing KRW 420 billion to 250,000 students in 2010.



Talent Development Support

Introducing our talent development program

In an effort to nurture young men and women who have dreams, passion, integrity and leadership skills, KOSAF has introduced a global talent development program (2-Layer Mentoring) in which social leaders share life wisdom with outstanding university students and then encourage these students to share, in turn, their own life wisdom with elementary and middle school students. Through this network of sharing we hope to contribute to the development of nation's future leaders.



International Scholarship Policy Forum

Hosting of the international scholarship policy forum

In June 2010, KOSAF hosted the first international scholarship policy forum under the banner of "the current status of international scholarship support and cooperative measures" with 250 talent development and student loan support institution officers from Korea as well as from foreign countries such as the Netherlands, New Zealand, and Japan.



KRW 2 billion

Securing funding through raising donations

Without relying on government subsidies, in 2010 KOSAF was able to secure funding for its scholarship program for talent development within underprivileged communities by raising donations amounting to KRW 2 billion.



A1

Securing the first overseas credit rating

In July 2010, KOSAF was issued its first overseas credit rating by a top international credit rating agency. Moody's gave A1 and Fitch A+ to KOSAF, the same level as government bonds.





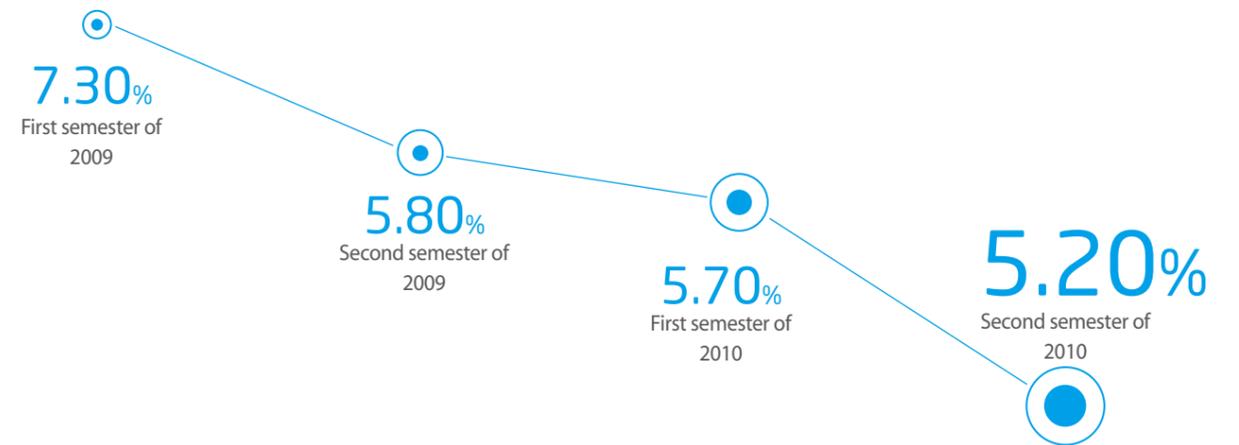
STUDENT LOANS

A Reliable Friend Supporting Those Passionate About Education.

KOSAF has been developing various student loan programs in order to reduce the financial burdens of students who are often forced to give up their dreams due financial pressures. With it tailored scholarship and financial support system, KOSAF will go to almost any length to help people who believe in themselves and refuse to give up their dreams as they look toward the future.

We strive to provide substantial assistance to financially challenged students and their families through improving convenience by introducing our online loan services, subsidizing student loan interest and reducing the burden of interest payments.

Interest rate of student loan



Development and Management of Financial Resources for Student Loans

KOSAF issued bonds worth KRW 2.51 trillion 21 times between January and October in order to create a student loan fund. As a result, we succeeded in lowering our base interest. This was a major priority of ours since high interest rates-as prevailed prior to the establishment of this fund-limited our ability to approve loans using Student Loan Backed Securities(or SLBS) or through conventional banks.

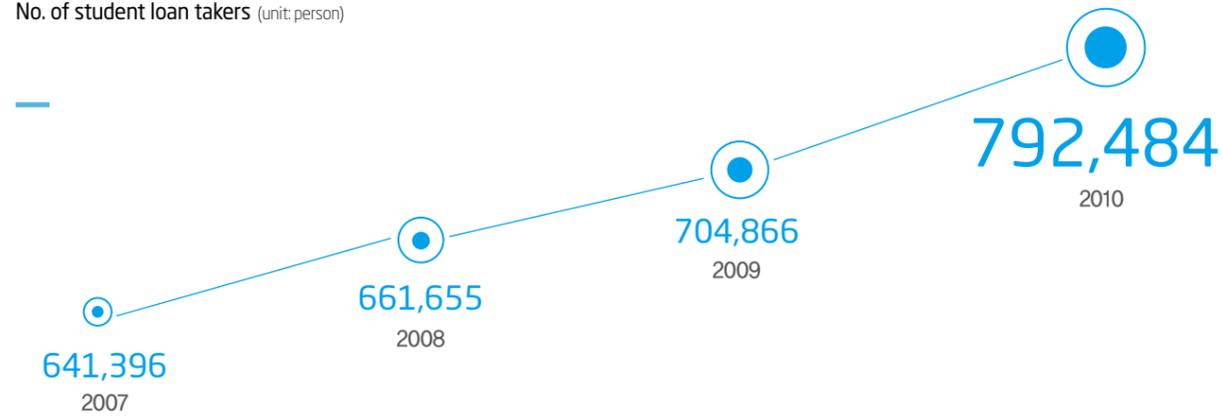


Current Status of KOSAF Bond by maturity

(unit : KRW 100 million)

	2009	2010												Total	
		Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.		
2-year maturity	1,600	1,600	1,500		700				700						2,900
3-year maturity	5,400	5,400		2,100	1,600			1,100							6,600
5-year maturity	4,200	4,200	1,000			1,700		2,900							9,200
7-year maturity	1,300	1,300						1,200	1,100		300				2,600
10-year maturity				300				1,200	2,000	300					3,800
Total	12,500	12,500	2,500	2,400	2,300	1,700	-	6,400	3,800	300	300				25,100

No. of student loan takers (unit: person)



Student Loan Support

In order to realize the goal of equal opportunity in higher education as well as to increase the efficiency of financial support through its student loan program, KOSAF has been providing direct student loans since its establishment in 2009. In providing a way to transition from taking out a loan from a bank to applying for one directly from our foundation's online system, we have greatly increased the efficiency of the student loan process while also improving convenience for students and their parents while at the same time reducing costs.

Since 2010 we've made it possible for minors to receive student loans(Income Contingent Loan Program and Student Loan with Amortization) without requiring a cosigner. We've also streamlined the document submission process by utilizing an integrated administrative information system and, separate from the loan period for tuition, loans are now available which can be used to pay for basic living expenses. In addition, the time required to get a loan has decreased by a maximum of two due to the improved income bracket identification processes of the National Health Insurance Corporation. In 2010 alone we provide student loans with a value of KRW 2.8673 trillion to 792,484 students(Income Contingent Loan Program, Student Loans with Amortization and Student Loans for University Students from Agricultural Areas).

Performance of student loan support

(unit : KRW 100 million, person)

Student loan		2006	2007	2008	2009	2010
Student Loan with Amortization	Amount	16,257	21,295	23,486	25,219	19,205
	Person	514,706	615,063	634,934	675,900	528,943
Income Contingent Loan Program	Amount	-	-	-	-	8,456
	Person	-	-	-	-	232,448
Sub-total	Amount	16,257	21,295	23,486	25,219	27,661
	Person	514,706	615,063	634,934	675,900	761,391
Student Loans for University Students from Agricultural Areas	Amount	677	769	837	929	1,012
	person	24,964	26,333	26,721	28,966	31,093
Total	Amount	16,934	22,064	24,323	26,148	28,673
	Person	539,670	641,396	661,655	704,866	792,484



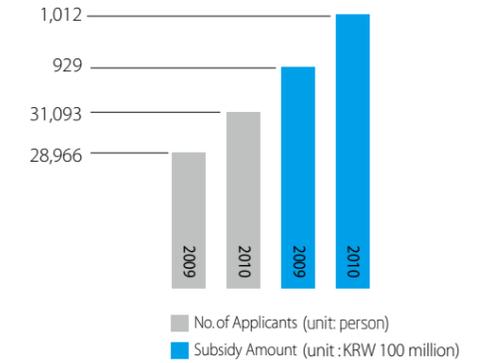
Student Loans for University Students from Agricultural Areas

Increase Rate of No. of Applicants

115%

Increase Rate of Subsidy Amount

106%



Income Contingent Loan Program

KOSAF introduced the Income Contingent Loan Program in which the principals are amortized only when income accrued after graduation meets a certain standard. This program was established to help university students focus on their studies without worrying about tuition fees. The program relieves students of the burden of having to repay the principal and thus of the risk of delinquency. In addition, students with limited credit are eligible for loans and are not penalized by having to pay a steep interest. This further reduces their risk of having to drop out due to mounting financial pressure. In addition, through this program students are eligible to receive loans covering tuition, textbooks and basic living expenses for as long as they remain in school. Because there's no borrowing limit, students are free to pursue their education as long as they have the will and capacity to study without having to worry about loan ceilings and payment deadlines.

Through increased provision of the Income Contingent Loan Program, its ratio of total student loans increased from 29.0% in the first semester of 2010 to 32.2% in the second semester of 2010 (as of No. of students in December 2010).

Student Loan with Amortization

Students can amortize the principal of their loans over a period of 10 years according to the prescribed amortization schedule and grace period. Students in the low-income bracket who receive loans are not required to pay interest during the grace period and we adjust interest according to income level. In addition, through the Student Loan for Soldiers program soldiers may use the period of their military service as an opportunity to learn by listening to online lectures. Also, students have an opportunity to arrange overseas internships through our WEST Program (Work, English Study & Travel), which covers language course expenses.

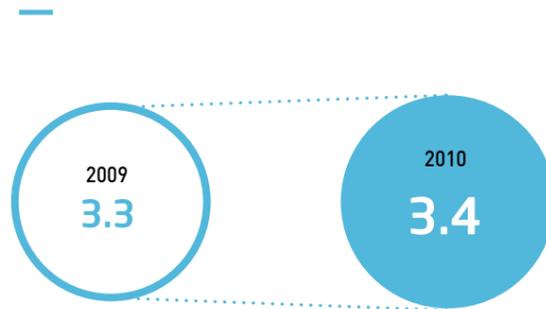
Student Loans for University Students from Agricultural Areas

Interest-free loans are offered to families living in agricultural and fishery regions in order to help alleviate the financial burden of education and to provide equal educational opportunities for all. As a consigned program of the Ministry for Food, Agriculture Forestry and Fisheries, interest-free loans are offered to university students who, with their parents, have lived in rural areas for more than six months. Through this program a total of KRW 101.2 billion was given to 31,093 students. The introduction of the e-certificate simplified the document submission process and enhanced both convenience and administrative efficiency.

Support of the interest of student loan for low income class (unit:KRW 100 million)



Delinquency rate of KOSAF (unit:%)



Reducing the Burden of Interest on Student Loans

By subsidizing interest on student loans, KOSAF has been able to reduce the financial burden of lower income families. As a result of this policy as well as efforts to expand interest-free loans to include one third of all lower income households, we were able to provide KRW 176.8 billion in 2010, an increase of KRW 11.1 billion over the previous year.

We also implemented a program which provides a three-year grace period to students performing military service by paying student loan interest on their behalf. We provided KRW 700 million in 2010 alone to alleviate the burden of having paying interest during military service and to allow soldiers to focus on their military duties. In addition, our program allows students to delay repaying the principal and interest on their loans for an additional year and, for students who are unable to secure employment after graduating, this deferment can be extended up to three years.

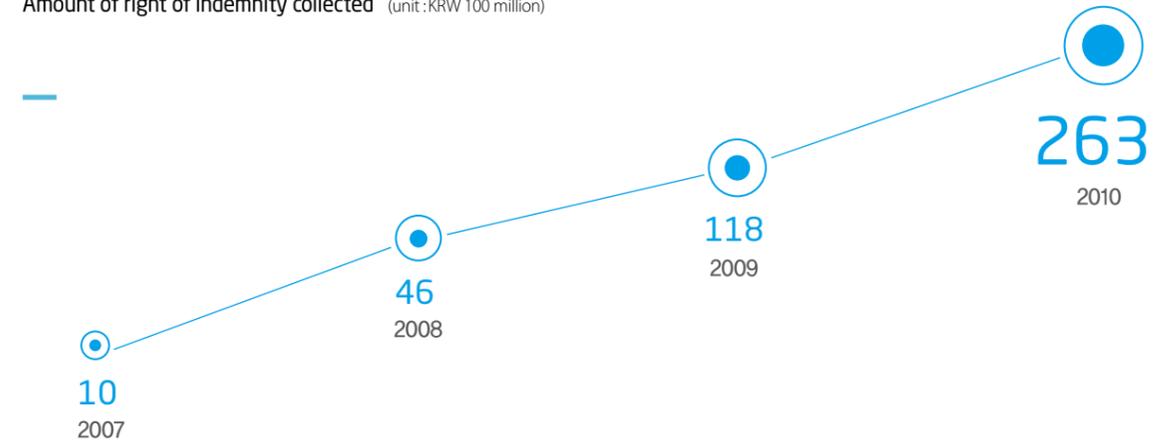
Duplicated Support Prevention System

KOSAF has increased the number of student loan recipients while strengthening its equity through a duplicated support prevention system which prevents students from receiving duplicate scholarships and loans. Currently five government-affiliated institutions (Government Employees Pension Service, Korea Teachers Pension, Korea Worker's Compensation & Welfare Service, Ministry of National Defense, and Ministry of Patriots and Veterans Affairs) and 16 local self-governing organizations (including cities and counties) utilize this system and share information in order to increase the efficiency of government budgeting.

Management of Delinquency

By managing delinquency information and engaging in a delinquency reduction campaign, we are able to systematically manage this problem. For example, despite the increased number of outstanding student loans which are nearing their principal repayment date, the delinquency rate was only 3.4%, which is similar to the preceding year at the end of 2010.

Amount of right of indemnity collected (unit:KRW 100 million)



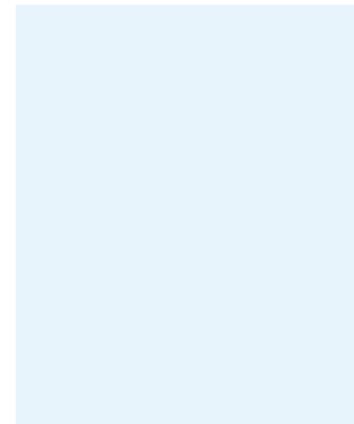
Credit Restoration

KOSAF has several programs for helping restore credit, such as an amortization program and a delinquency registration postponement system. Through these programs we help registered delinquent people to restore their credit by signing an amortization contract for the debt, thus allowing them to return to normal economic activity as soon as possible.

The delinquency registration postponement system is designed to help those who are registered as being delinquent to focus on their studies or employment and to restore their financial solvency. Under this program, those who are delinquent are allowed a grace period from delinquency registration not only while they are in school but for two years after they graduate. Moreover, we're also able to exempt the interest of those who are delinquent and who are having difficulty repaying their debts as they lack a regular income or other assets. By clearing their delinquency registration we are able to improve the situation of those who have the desire to repay their loans but who, for the moment at least, find it difficult to do so.

Managing the Right to Indemnity

KOSAF engages in follow-up activities in order to create a useful profile of delinquent students which includes an assessment of their intention to repay, their ability to repay, their total debt load, their enrollment status, as well as other considerations. By doing so, we were able to collect KRW 26.3 billion, KRW 4.5 billion more than the amount that was targeted 2010.





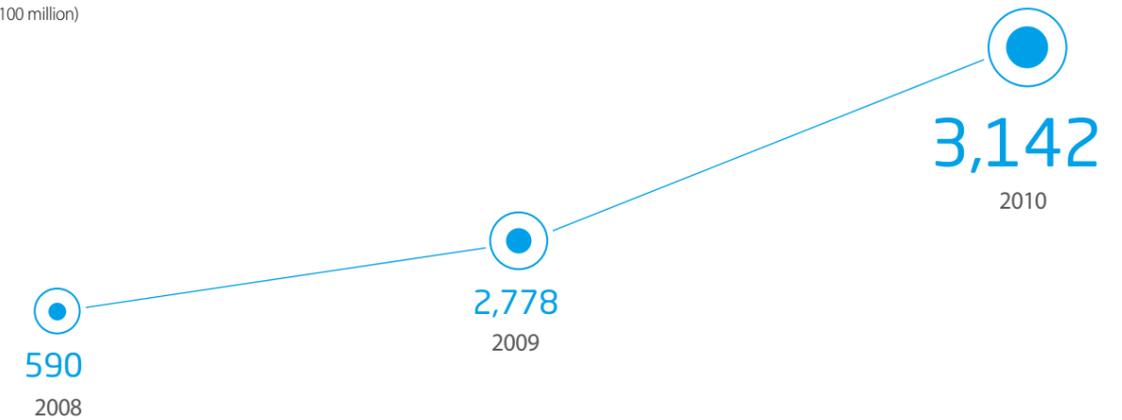
SCHOLARSHIP PROGRAM

We will stand firmly behind you as you seek to realize your dreams.

KOSAF plans and operates various projects efficiently as the sole responsible organization of the national scholarship programs. We will continue to support talented students as they seek to realize their hopes and dreams by pursuing higher education. We will do so by expanding our scholarship programs, including our programs to assist low income and underprivileged students, and by carefully managing these programs using an integrated management system.

KOSAF is able to manage scholarship programs more systematically by integrating and expanding existing merit-based scholarship programs as well as programs for lower income students, thus providing more opportunities for students with an enthusiasm for learning.

Current Status of National Basic Livelihood Security Scholarship
(unit : KRW 100 million)



Scholarship Support for the Low-Income Bracket

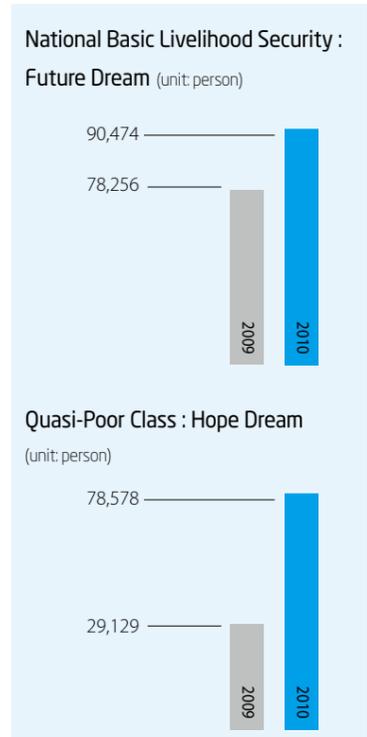
KOSAF offers Scholarship Support for Low-Income Families in order to help anyone pursue higher education regardless of their financial condition. We also help to alleviate the financial burdens of low income families by providing scholarships to recipients of national basic livelihood security and the marginally poor.

National Basic Livelihood Security Scholarship (Future Dream)

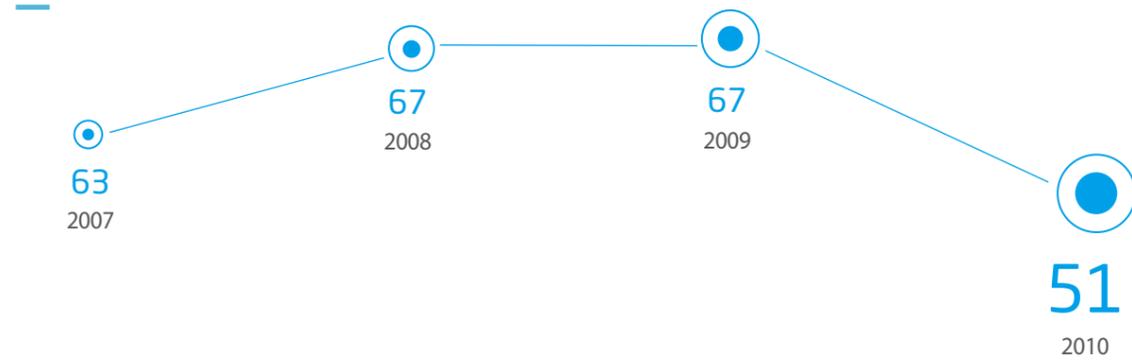
KOSAF offers a National Basic Livelihood Security Scholarship so that university students belonging to households which receive national basic livelihood security are not forced to abandon their education for financial reasons. By providing a total of KRW 155.4 billion in 2010-about the same as in 2009-to 90,474 students (110.3% achievement from the targeted number), we helped reduce the financial burden of lower-income families and also helped broaden access to higher education.

Quasi-Poor Class Scholarship (Hope Dream)

KOSAF offered, on a temporary basis, the "Quasi-Poor Class Scholarship" from the second semester of 2009 to the first semester of 2011. We helped broaden access to higher education for low-income earners by providing a total of KRW 86.5 billion to 78,578 students through continuous promotional activities and by offering informational sessions on university campuses.



Presidential Science Scholarship (unit: KRW 100 million)



National Work-Study Scholarship

The National Work-Study Scholarship was launched in 2009 to enhance workplace adaptability and job-preparedness by providing students with opportunities to gain work experiences related to their majors and to encourage them to engage in social service projects which contribute to the society. Under this scholarship program a total of KRW 72.3 billion was offered to 45,867 students in 2010. This scholarship is specifically designed to assist students facing financial hardship; recipients include students receiving basic livelihood security, students from lower income families, students whose families with less than the national average health insurance premium, etc.

Scholarship for Outstanding Students

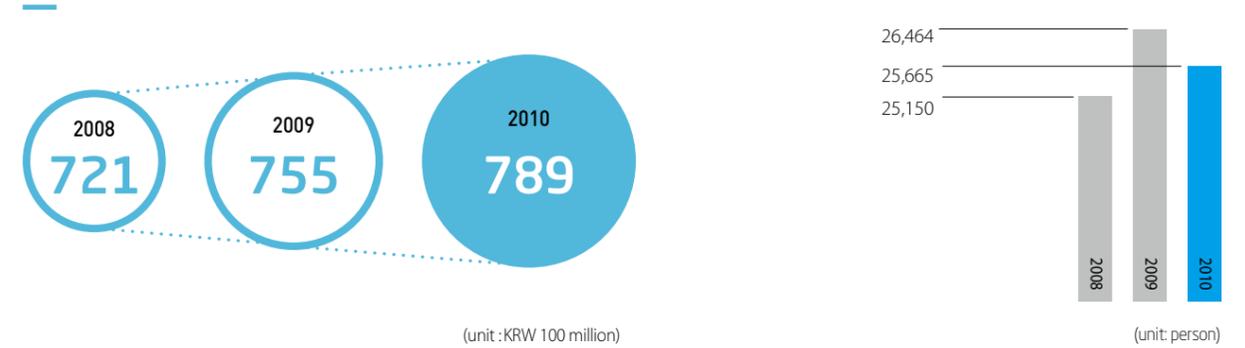
The Scholarship for Outstanding Students was established to help students who demonstrate exceptional talent focus on their education by providing a balanced support package according to their course of study. Its aim is to identify and support outstanding talents both in basic studies and in areas of knowledge which are of strategic importance to the nation.

Presidential Science Scholarship

This scholarship is intended to identify and support outstanding students in the science and engineering area and to help support their educational development into some of the world's leading scientists. It provided KRW 5.1 billion to 893 students, including 113 newly selected students in 2010.



National Scholarship for Science and Engineering



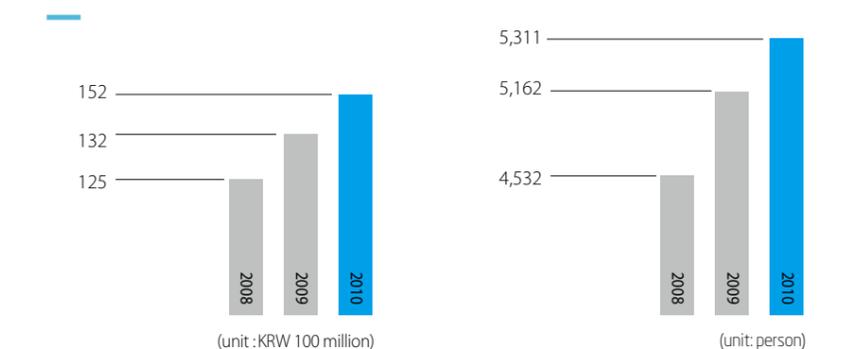
National Scholarship for Science and Engineering

The National Scholarship for Science and Engineering is designed to identify outstanding students in the science and technology field and then nurture them as core human resources. By doing so we are helping to secure national competitiveness in the field of science and technology. In 2010 this scholarship was expanded in order to integrate it with the Scholarship for Outstanding Regional University Students in 2010. In that year it provided KRW 78.9 billion to a total of 25,665 students including 4,004 new scholarship students, 18,229 exiting scholarship holders and 3,432 outstanding students selected during the semester.

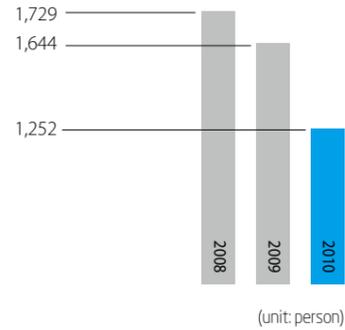
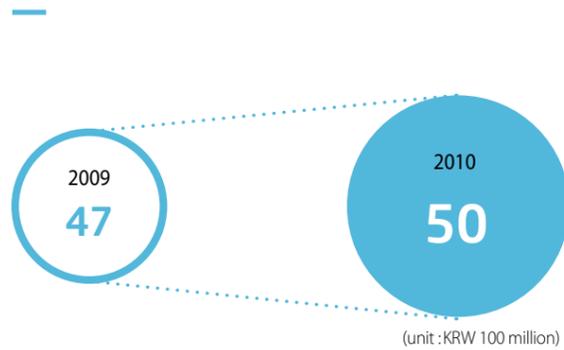
National Scholarship for Humanities and Social Science

The National Scholarship for Humanities and Social Science supports students in the humanities and social science fields develop into core national leaders. The scholarship, which originally was awarded only to students studying humanities in regional universities, was expanded in 2009 to include students studying humanities and social studies at 4-year colleges, educational universities and industrial universities in both capital and non-capital areas. In 2010, it provided KRW 15.2 billion to a total of 5,311 students including 998 new scholarship students, 2,318 exiting scholarship holders and 1,995 outstanding students selected during the semester.

National Scholarship for Humanities and Social Science



National Research Fellowship for Humanities and Social Science Graduates



National Research Fellowship for Science and Engineering Graduates

In an effort to assist research-oriented science and engineering students, KOSAF provides a research scholarship to outstanding graduate students enrolled in domestic university masters or doctoral degree programs so as further their ability to engage in research projects. Since 2010, it continues to provide funding to existing scholarship recipients but has not selected any new students for the award in accordance with the Welfare Business Integration and Organization Measures by the Ministry of Strategy and Finance. We provided KRW 850 million to 172 students in 2010.

(unit: KRW 100 million, person)

	2005	2006	2007	2008	2009	2010	Accumulated total
Amount	72	51	60	59	60	8.5	310.5
Person	1,799	1,020	1,169	1,142	1,169	172	6,471

National Research Fellowship for Humanities and Social Science Graduates

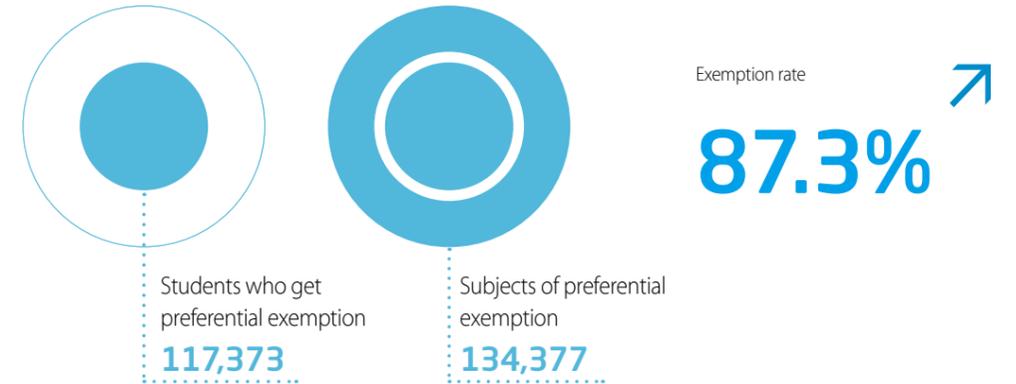
KOSAF changed its name from the "Future Korea 100-year Scholarship for Humanities" to "National Research Fellowship for Humanities and Social Science Graduates" and provided KRW 5 billion to 1,252 outstanding graduate students in master's and doctoral degree programs. By doing so we are contributing to the development of the academic foundation for the humanities by improving the future competitiveness of society and encouraging the formal study in the humanities.

(unit: KRW 100 million, person)

	2006	2007	2008	2009	2010	Accumulated total
Amount	9	36	50	47	50	192
Person	428	1,362	1,729	1,644	1,252	6,415



Tuition Fee Exemption System (as of 2nd semester 2010, unit: person)



Donation-Based Scholarship Program

In order to establish a more stable base of funding, KOSAF has been looked to sources outside of government subsidization. As of the end of December, 2010, it has been able to raise approximately KRW 2 billion through donations from government/public agencies as well as other groups.

Love Dream Scholarship Program

The Love Dream Scholarship is intended to support highly talented individuals who are seen as being able to contribute to national development through the utilization of foundation funding. It was first implemented in the second semester of 2010, and has provided KRW 178 million to 91 students. The Type 1 Scholarship, which was awarded to 47 students, is made possible through donations from the Ministry of Education, Science and Technology, the Ministry of Employment and Labor and Seoul Philharmonic Orchestra; the Type 2 Scholarship is made possible through donations from the Korea Tobacco and Ginseng Corporation and been awarded to 44 students based on their academic performance and family circumstances.

Implementing the Tuition Fee Exemption System

In the first quarter of 2010 KOSAF implemented a Tuition Fee Exemption Program which preferentially exempts student tuition fees for those receiving KOSAF scholarships (national work-study scholarships are not included). This program addresses a problem often faced by students and their parents when the scholarship period begins later than the tuition payment period. By allowing scholarship recipients to exempt their tuition fees this program provides greater convenience to students and their parents while also contributing to duplication support prevention since students can receive the difference in amount from their student loan or scholarship after the tuition fee has been exempted.



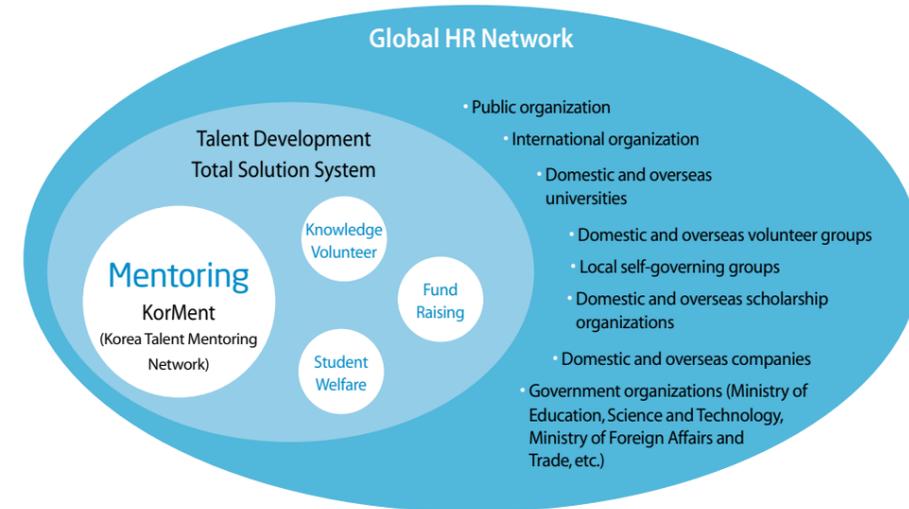


TALENT DEVELOPMENT SUPPORT PROGRAM

As mentors, we provide recommendations for further growth.

KOSAF has been focusing on establishing future talent development support programs since 2010. We look to nurture global leaders who possess leadership potential and the spirit of service through various programs, including mentoring. We plan to establish a diverse talent nurturing support system by providing services in various educational areas and at various stages in the professional development process.

KOSAF plans to strengthen its human resource network by operating various programs to support global talent development.



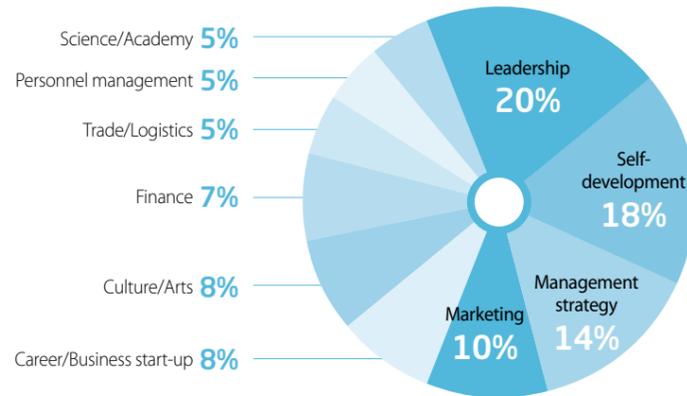
Future Talent Development Support Program

KOSAF is seeking to broaden its talent nurturing programs by recognizing their importance beyond scholarships or the student loan program. Thus, we will contribute to nurture global leaders by establishing systematic talent development support systems in various developmental stages and processes. In particular, we have established a unique system which provides integrated mentorship-oriented volunteer work, student welfare and donation programs and a global human resource network, all of which are required for a global talent nurturing support program.

In 2010, we developed and offered a customized nurturing support program and raised funds for this through various channels. Meanwhile, we also designed a student welfare support system such as a dormitory career development program.



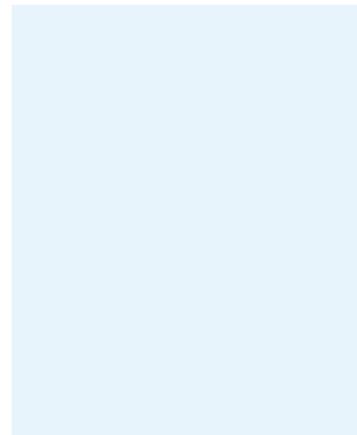
Current status of mentoring in 10 areas



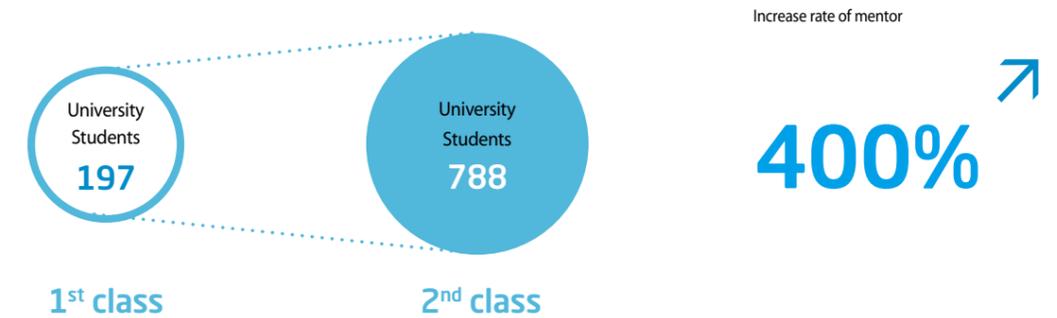
Korea Talent Mentoring Network

We support the growth and development of university students who possess dreams, talent, passion, integrity, and leadership skills by providing opportunities to gain valuable experience, wisdom and leadership training through mentoring partnerships with social leaders. In 2010, 100 mentors, including Seung-Yu Kim, Chairman of Hana Financial Group, Seung-Han Lee, Chairman of HomePlus, Hyun-Bong Lee, Vice Chairman of Nexen Tire, as well as 819 mentees participated in the program. 68 mentors were male, 32 were female and 92 were from Seoul. 70 of them are still actively working in their respective fields so they were able to provide fresh stories to the students. Classified by age, 38 were in their 60s, 36 in their 50s, 21 in their 40s and 5 in their 70s. In 2011 KOSAF plans to expand the number of mentors to 200 and of mentees to 2,000.

1st semester (twice a month)	<ul style="list-style-type: none"> · Mentor appointment ceremony · Selection of new students · Orientation for mentees
Summer Vacation	<ul style="list-style-type: none"> · Leadership camp (self-introduction skill, simulation interview, special lecture, mentor-mentee ceremony) · Arbitrary operation by each mentor · Establishment of syllabus for the second semester
2nd semester (twice a month)	<ul style="list-style-type: none"> · Mentoring twice a month (provide space and others) · Special activity by mentor team (participate in work of a company, etc.) · Mentoring volunteer activity (volunteer with knowledge and efforts) · Support for mentor meeting
Winter Vacation	<ul style="list-style-type: none"> · Selection of the best mentee · Mentoring review competition and case book publication · Homecoming day (gathering of each class) · Selection of new mentors and mentees



No. of university Knowledge volunteering mentor



Korea University Students' Knowledge Volunteer Program

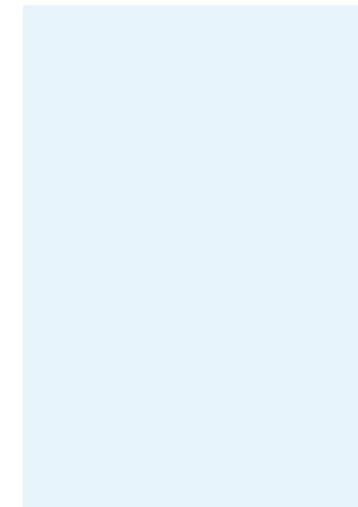
University students who are receiving national scholarships make contact with high school students and their parents through the knowledge volunteer program. This program gives university students an opportunity to share their knowledge with society—specifically, with elementary, middle and high school students and their parents. Thus youngsters can benefit from instruction during vacation time without financially burdening their parents. This program was introduced for the first time in 2010. 197 students from four science and engineering universities (Korea Advanced Institute of Science & Technology, Pohang University of Science & Technology, Ulsan National Institute of Science and Technology and Gwangju Institute of Science and Technology) generously shared the fruits of their educational training with 963 high school students.

(unit: person)

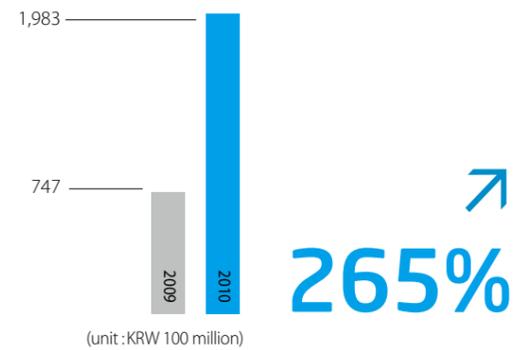
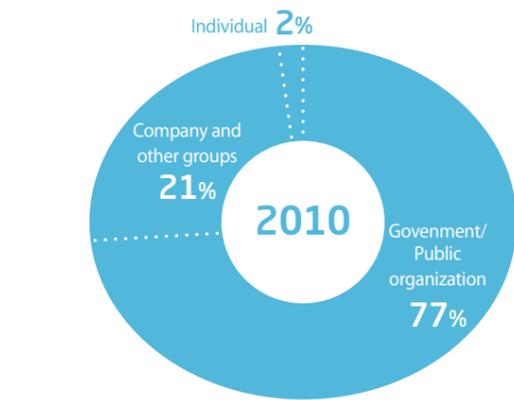
	Seoul		Busan		Incheon		Gwangju		Daejeon		Ulsan		Gyeonggi-do		Gyeong-sangbuk-do		Accumulated total	
	Men-tor	Men-tee	Men-tor	Men-tee	Men-tor	Men-tee	Men-tor	Men-tee										
2010	40	194	9	38	7	32	2	12	59	266	44	246	17	73	19	102	197	963

Knowledge Volunteers Universities

1st class	<ul style="list-style-type: none"> · Korea Advanced Institute of Science & Technology · Pohang University of Science & Technology 	<ul style="list-style-type: none"> · Ulsan National Institute of Science and Technology · Gwangju Institute of Science and Technology
2nd class	<ul style="list-style-type: none"> · Seoul: Seoul National University, Korea University, Yonsei University, Hanyang University · Incheon: Inha University · Gyeonggi-do: Sungkyunkwan University (Suwon), Korea Aerospace University (Goyang) · Chungcheongbuk-do: Chungbuk National University (Cheongju) · Chungcheongnam-do: Korea University (Jochiwon) · Daejeon: Korea Advanced Institute of Science & Technology, Chungnam National University · Jeollabuk-do: Chonbuk National University (Jeonju) · Gwangju: Chonnam National University, Gwangju Institute of Science and Technology 	<ul style="list-style-type: none"> · Gangwon-do: Kangwon National University (Chuncheon) · Daegu: Kyungpook National University · Gyeongsangbuk-do: Pohang University of Science & Technology, Yeungnam University (Gyeongsan) · Ulsan: Ulsan National Institute of Science and Technology · Busan: Pusan National University · Gyeongsangnam-do: Gyeongsang National University (Jinju) · Jeju-do: Jeju National University



Make donation



Expanding Donations

We are developing a donation system which connects donation program with mentoring, social knowledge volunteering, and fund-raising to promote talent development program. Also, we are working on developing methods for making donating easier without having to log-in. Also, we are looking to making donating more convenient by allowing deposits to be made without a banknote, with a credit card or cell-phone, and by expanding the income tax deduction for donors.

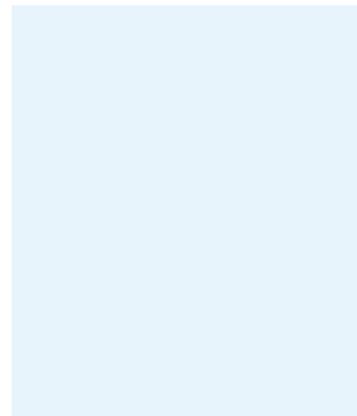
Donation performance

(unit: Won)

	'09(A)	'10(B)	Increase rate(B/A)
Government/Public organization	402,472,160	1,525,000,000	379%
Company and other groups	336,738,000	426,000,000	127%
Individual	7,876,000	31,997,000	406%
Total	747,086,160	1,982,997,000	265%

Donation Method

- Tel : 02) 2259 - 2620~1
- Fax : 02) 2259 - 2159 / E-mail : gift@kosaf.go.kr
- Address : 100-753 6F Yonsei Sevrance Bldg, 84-11 Namdaemunro 5-ga, Jung-gu, Seoul
- Kookmin bank 123601-01-010874
- Woori bank 1005-601-531623
- Nonghyup 317-0000-9717-21
- Korea exchange bank 630-006841-710
- Shinhan bank 100-025-420820
- Hana bank 175-910011-87604
- Industrial bank 037-076308-01-146
- (Depositor | KOSAF)

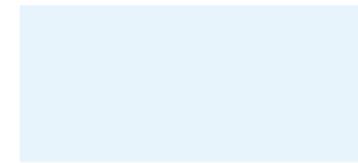


Mid-Term Overseas Volunteer Program

This program was designed to provide students an opportunity to engage in volunteer work and expand their cross-cultural insights through hands-on international experience. The 39 students who were selected in 2010 taught language, math, computers, physical education, music, arts, Taekwondo and also shared their knowledge about preschool education in 6 countries including Cambodia, Nepal, Thailand, Vietnam, Mongolia and the Philippines.

Supporting Education Volunteer Group

We support volunteer groups and identify those whose skills and knowledge are in high demand or will best serve the needs of the communities. 20 teams were selected at the "2010 education volunteer best cases" competition and the grand prize went to "village@library". KOSAF encourages university students to donate their skills and knowledge by supporting education volunteer groups, thus contributing to the spread of sharing culture.





Win-Win Management Culture

KOSAF establishes various systems for the happiness of employees and customers.

Establishing Customer Satisfaction Management System

KOSAF integrated application sites dispersed by task such as student loans and scholarships into one. The homepage provides scholarship and student loan application services and is equipped with an integrated customer management system. To improve customer contacting operation processes and maximize customer satisfaction, we've instituted various systems such as selecting CS leader, a real-name complaint response system and the organization of customer service committee. Along with it, we enhanced recognition and reliability by acquiring the KS certification for its customer center and organizing the scholarship ambassador and initiating its activities for customer-intimacy promotion.



Strengthening Cooperative Network for Mutual Growth

Having signed agreements with 22 cities and counties to subsidize the interest of student loans in July 2009, KOSAF signed additional agreements with a total of 72 organizations and institutions by the end of 2010. The MOUs are to provide more efficient student loan and talent development programs through establishment of cooperative and exchange systems and through a strengthened network infrastructure. By signing MOUs with Korea Advanced Institute of Science & Technology, Pohang University of Science & Technology, Ulsan National Institute of Science and Technology and Gwangju Institute of Science and Technology, the first class of the Korea University Knowledge Volunteer Program completed the course. The second class of the program encompassed additional MOUs with 18 universities including Kangwon National University, Korea University, Pusan National University and Seoul National University. Signing an MOU with Jasso, Korea International Cooperation Agency, Mirae Asset Securities, National Information Society Agency, KOSAF plans to establish more systematic and various cooperative system and promote cooperation with overseas organizations and we plan to develop talent nurturing and student loan programs and globalization.



Establishing a Foundation for Financial Soundness

KOSAF organized the optimal portfolio to raise short-/mid and longer term funding to secure financial soundness. Also, we established financing diversification foundation through issuance of Structured Notes and preparation of overseas market fund to satisfy the needs of customers who want low interest loans. Moreover, we manage financial soundness index systematically to establish the foundation for longer term financial soundness.

In July 2010, we developed the asset operation and management system to provide required asset on time by securing appropriate liquidity and to minimize idle money. And we are working on the regular monitoring system in construction such as Enterprise Risk Management or ERM.

Win-Win Corporate Culture

We are creating a corporate culture for all employees.



Passionate and creative KOTTI

KOSAF holds KOTTI or KOSAF Tea Time to enhance familiarity among employees and thereby create more familiar corporate culture by sharing and celebrating employees' birthdays and weddings. Every third Thursday, employees voluntarily participate in the event and also each department in turn holds a creative, low-cost event of some kind.

In addition, we select the employee of the month through bulletin board and name him/her KOSAF Star (K-Star) recognize him/her at KOTTI. We also create positive synergy effects with employees by providing prizes such as volunteer mileage and donut coupons. KOSAF creates its own unique culture by preparing a participation ground for all employees. Also, we practice ethical management by encouraging voluntary events rather than mandatory ones.

Warm and Affectionate Social Contribution Activity

KOSAF has been carrying out various social contribution activities in order to foster social harmony. Starting with a donation to help Haiti-which had just been stricken by a devastating natural disaster-all the employees carried out various sharing activities during the first week of May, thus commemorating the first KOSAF anniversary.

In addition, we established a partnership with a rural village and carried out active exchange activities including helping rural areas and direct transaction of agricultural products for the mutual development of rural and city areas. KOSAF plans to continue to offer help to local communities through various social contribution activities in order to establish a corporate culture which values community service and sharing.



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The Essential Business Account for the Korea Student Aid Foundation

December 31, 2010 and 2009

Statements of Financial Position

(Unit: KRW)

	2010	2009
Assets		
I. Current assets	281,527,456,822	356,416,355,477
Cash and cash equivalents	40,201,175,266	187,238,582,423
Short-term financial instruments	192,942,414,865	159,837,970,993
Short-term investments	40,000,000,000	-
Accounts receivable	207,073,610	13,393,403
Accrued revenues	6,788,273,141	7,436,424,988
Advance payments	242,247,400	1,543,200,000
Prepaid corporate income tax	1,095,958,570	335,753,780
Prepaid expenses	50,313,970	11,029,890
II. Non-current assets	67,103,595,733	1,348,681,090,296
(1) Investments assets	50,000,000,000	1,339,800,000,000
Long-term investment securities	50,000,000,000	90,000,000,000
Long-term loans	-	1,249,800,000,000
(2) Tangible assets	8,931,594,916	5,032,574,468
Equipment	2,042,908,458	1,593,781,228
Accumulated depreciation	(408,438,293)	(49,638,464)
Electronic data processing equipment	9,166,635,225	3,759,446,755
Accumulated depreciation	(1,869,510,474)	(271,015,051)
(3) Intangible assets	5,580,157,817	1,759,559,328
Software	5,580,157,817	1,759,559,328
(4) Other non-current assets	2,591,843,000	2,088,956,500
Guarantee deposits	2,591,843,000	2,088,956,500
Total assets	348,631,052,555	1,705,097,445,773
Liabilities		
I. Current liabilities	102,935,083,761	7,848,285,829
Account payable	102,747,151,817	1,760,531,836
Withholdings	187,931,944	119,987,870
Accrued expenses	-	5,967,766,123
II. Non-current liabilities	359,232,637	1,250,100,969,865
Bonds payable	-	1,250,000,000,000
Accrued severance benefits	359,232,637	100,969,865
Total liabilities	103,294,316,398	1,257,949,255,694
Equity		
I. Capital	194,443,012,000	395,269,249,000
(1) Fundamental property	194,443,012,000	395,269,249,000
Establishment contribution	1,000,000	1,000,000
Government contribution	194,442,012,000	395,268,249,000
II. Retained earnings	50,893,724,157	51,878,941,079
Unappropriated retained earnings	50,893,724,157	51,878,941,079
Total equity	245,336,736,157	447,148,190,079
Total liabilities and equity	348,631,052,555	1,705,097,445,773

The Essential Business Account for the Korea Student Aid Foundation

2nd, For the years ended December 31, 2010
1st, From May 7, 2009 to December 31, 2009

Statements of Income

(Unit: KRW)

	2010	2009
I. Operating revenues	42,499,309,535	88,340,269,049
(1) Interest income	14,026,708,819	31,479,437,049
Interest revenues on deposits	9,973,180,585	2,549,728,829
Interest revenues on securities	4,053,528,234	2,109,192,097
Interest revenues on loans		26,820,516,123
(2) Revenues from contribution	28,472,600,716	56,860,832,000
Revenues from government contribution	28,472,600,716	56,860,832,000
II. Operating expenses	43,683,028,240	36,461,327,980
(1) Interest expenses		27,315,379,643
Interest expenses on bonds payable		27,315,379,643
(2) Administrative expenses	43,683,028,240	9,145,948,337
Salaries wages	8,053,504,941	919,884,644
Provision for severance indemnities	265,370,671	100,969,865
Severance benefits	241,531,354	62,087,463
Travel expenses	132,505,866	71,198,574
Foodservice expenses	90,293,425	26,217,930
Incentives	6,580,000	3,998,300
Night watch allowances	12,280,000	6,340,000
Physical training expenses	100,650,167	8,276,096
Communication expenses	620,417,614	272,765,675
Utility expenses	16,771,235	28,000
Taxes dues	820,614,555	103,913,515
Rental expenses	2,354,116,780	966,937,877
Depreciation expense	1,957,295,252	320,653,515
Amortisation expense	900,291,481	170,590,957
Repair expenses	377,457,791	398,823,700
Insurance premiums	951,600	56,900
Supply expenses	188,420,783	39,471,575

2nd, For the years ended December 31, 2010
1st, From May 7, 2009 to December 31, 2009

Statements of Income

(Unit: KRW)

	2010	2009
Publication expenses	164,224,839	39,687,545
Vehicles maintenance expenses	134,210,331	46,431,704
Training expenses	256,318,971	48,635,807
Service fees	29,674,480	
Service contract expenses	20,722,725,227	4,288,165,058
Registration and legal fees	2,397,100	
Official expenses	225,835,552	56,330,032
Advertising expenses	5,627,155,711	1,099,774,911
Electronic data processing expenses		49,233,000
Conference expenses	381,432,514	45,475,694
III. Operating income(Loss)	(1,183,718,705)	51,878,941,069
IV. Non-operating income	308,775,722	10
Gain on prior period error corrections	36,709,069	
Miscellaneous revenue	272,066,653	10
V. Non-operating expenses	110,273,939	
Loss on prior period error corrections	110,273,939	
VI. Income(loss) before income taxes	(985,216,922)	51,878,941,079
VII. Income tax expenses		
VIII. Net income(loss)	(985,216,922)	51,878,941,079

Student Loans Account of the Korea Student Aid Foundation

December 31, 2010

Statements of Financial Position

(Unit: KRW)

	2010
Assets	
I . Current assets	227,871,291,136
Cash and cash equivalents	129,722,991,739
Loans	66,609,820,314
Allowance for doubtful accounts	(3,645,702,905)
Accounts receivable	1,676,540
Accrued revenues	26,593,456,238
Advance payments	7,620,113,140
Prepaid income taxes	968,936,070
II . Non-current assets	3,535,655,095,334
(1) Investments assets	3,534,547,060,233
Loans	3,617,170,025,244
Allowance for doubtful accounts	(82,622,965,011)
(2) Other non-current assets	1,108,035,101
Derivative assets	1,108,035,101
Total assets	3,763,526,386,470
Liabilities	
I . Current liabilities	203,090,877,197
Account payable	19,402,019,434
Withholdings	4,724,504
Accrued expenses	23,682,082,180
Bonds payable	160,000,000,000
Unearned revenues	1,146,581
Other current liabilities	904,498
II . Non-current liabilities	3,601,108,035,101
Bonds payable	3,601,108,035,101
Total liabilities	3,804,198,912,298
Equity	
I . Capital	11,587,600,649
(1) Carry-over property	11,587,600,649
Profits	11,587,600,649
II . Retained earnings	(52,260,126,477)
Unappropriated accumulated deficit	(52,260,126,477)
Total equity	(40,672,525,828)
Total liabilities and equity	3,763,526,386,470

Statements of Income

(Unit: KRW)

For the years ended December 31, 2010

	2010
I . Operating revenues	230,986,187,224
(1) Interest income	160,161,098,359
Interest revenues on deposits	9,431,669,532
Interest revenues on loans	150,181,557,406
Miscellaneous interest revenues	547,871,421
(2) Revenues from contribution	69,113,053,764
Revenues from government contribution	69,113,053,764
(3) Other operating revenue	1,712,035,101
Gain on derivatives transaction	604,000,000
Gain on valuation of derivatives	1,108,035,101
II . Operating expenses	283,247,112,715
(1) Interest expenses	146,532,457,870
Interest expenses on bonds payable	146,532,457,870
(2) Loss on valuation of bonds payable	86,268,669,097
Bad debt expenses	86,268,669,097
(3) Business expenses	41,418,000,000
ICL loans support expenses	41,418,000,000
(4) Administrative expenses	7,919,950,647
Travel expenses	83,894,850
Foodservice expenses	56,813,620
Incentives	16,000,000
Communication expenses	63,665,379
Taxes dues	1,233,849
Publication expenses	49,070,770
Service fees	92,441,280
Service contract expenses	7,493,927,600
Official expenses	28,291,189
Conference expenses	34,612,110
(5) Other operating expenses	1,108,035,101
Loss on valuation(disposal) of loans	1,108,035,101
III . Operating loss	52,260,925,491
IV . Non-operating income	801,431
Gain on prior period error corrections	689,587
Miscellaneous revenue	111,844
V . Non-operating expenses	2,417
Miscellaneous losses	2,417
VI . Loss before income taxes	52,260,126,477
VII . Income tax expenses	0
VIII . Net loss	52,260,126,477

Human Resource Development Account of the Korea Student Aid Foundation

December 31, 2010 and 2009

Statements of Financial Position

(Unit: KRW)

	2010	2009
Assets		
I. Current assets	34,490,906,425	36,133,582,628
Cash and cash equivalents	2,419,117,214	339,024,087
Short-term financial instruments	30,190,926,736	33,429,888,455
Loans	1,588,426,410	2,580,029,582
Allowance for doubtful accounts	(791,102,995)	(528,206,715)
Advance payments on acceptances and guarantees	10,421,170	-
Accounts receivable	110,729,430	7,477,000
Accrued revenues	890,988,360	80,858,299
Prepaid income taxes	71,400,100	224,511,920
II. Non-current assets	9,885,584,469	13,419,204,909
(1) Investments assets	2,572,269,178	6,102,618,537
Long-term investment securities	7,570,184	-
Loans	5,109,389,160	7,673,633,336
Allowance for doubtful accounts	(2,544,690,166)	(1,571,014,799)
(2) Tangible assets	10,925,549	14,196,630
Equipment	10,834,580	10,834,580
Accumulated depreciation	(9,784,293)	(9,474,594)
Electronic data processing equipment	25,755,816	25,755,816
Accumulated depreciation	(15,880,554)	(12,919,172)
(3) Other non-current assets	7,302,389,742	7,302,389,742
Other non-current assets	7,302,389,742	7,302,389,742
Total Assets	44,376,490,894	49,552,787,537
Liabilities		
I. Current liabilities	158,989,900	42,025,488
Account payable	157,125,900	42,025,488
Withholdings	1,864,000	-
Total liabilities	158,989,900	42,025,488
Equity		
I. Capital	51,131,267,490	51,131,267,490
(1) Fundamental property	3,947,022,939	3,947,022,939
Establishment contribution	1,000,000	1,000,000
Government contribution	3,946,022,939	3,946,022,939
(2) Carry-over property	47,184,244,551	47,184,244,551
Profits	47,184,244,551	47,184,244,551
II. Retained earnings	(6,913,766,496)	(1,620,505,441)
Unappropriated accumulated deficit	(6,913,766,496)	(1,620,505,441)
Total equity	44,217,500,994	49,510,762,049
Total liabilities and equity	44,376,490,894	49,552,787,537

2nd, For the years ended December 31, 2010
1st, From May 7, 2009 to December 31, 2009

Statements of Income

(Unit: KRW)

	2010	2009
I. Operating revenues	1,367,833,547	929,165,658
(1) Interest income	1,359,711,647	902,846,058
Interest revenues on deposits	1,359,711,647	902,846,058
(2) Other operating revenues	8,121,900	26,319,600
Revenues on return of scholarship	8,121,900	26,319,600
II. Operating expenses	6,623,219,872	2,549,701,199
(1) Loss on valuation(disposal) of loans	1,263,438,993	146,360,953
Bad debt expenses	1,263,438,993	146,360,953
(2) Business expenses	5,137,450,000	2,348,620,240
Scholarship	4,979,000,000	2,348,620,240
Universtiy student voluntary service supporting expenses	158,450,000	-
(3) Administrative expenses	222,330,879	54,720,006
Salaries wages	18,881,793	2,475,591
Travel expenses	1,848,000	550,000
Foodservice expenses	-	1,191,100
Incentives	10,000,000	-
Communication expenses	367,900	6,780,710
Taxes dues	870,340	2,725,097
Depreciation expenses	3,271,081	2,180,776
Repair expenses	-	3,685,000
Supply expenses	4,400,850	4,262,360
Publication expenses	10,176,000	2,894,100
Training expenses	31,514,500	-
Service fees	406,945	-
Service contract expenses	44,400,900	15,880,664
Official expenses	2,101,730	1,910,608
Advertising expenses	100,000	-
Electronic data processing expenses	-	10,000,000
Conference expenses	93,990,840	184,000
III. Operating loss	5,255,386,325	1,620,535,541
IV. Non-operating income		30,100
Miscellaneous revenue	-	30,100
V. Non-operating expenses	37,874,730	
Loss on prior period error corrections	37,874,730	-
VI. Loss before income taxes	5,293,261,055	1,620,505,441
VII. Income tax expenses		
VIII. Net loss	5,293,261,055	1,620,505,441

Profitable Business Account of the Korea Student Aid Foundation

December 31, 2010 and 2009

Statements of Financial Position

(Unit: KRW)

	2010	2009
Assets		
I . Current assets	973,557,851	901,904,758
Cash and cash equivalents	377,080,803	325,270,351
Short-term financial instruments	524,873,655	500,000,000
Accounts receivable	-	41,211,360
Accrued revenues	56,256,455	13,236,731
Prepaid income taxes	4,374,980	2,857,480
Prepaid value added tax	10,971,958	19,328,836
II . Non-current assets	6,458,332,714	6,543,747,795
(1) Investments assets	326,970,000	326,970,000
Long-term investment securities	326,970,000	326,970,000
(2) Tangible assets	6,031,362,714	6,116,777,795
Land	2,750,000,000	2,750,000,000
Buildings	4,517,822,173	4,517,822,173
Accumulated depreciation	(1,236,459,459)	(1,151,044,378)
(3) Other non-current assets	100,000,000	100,000,000
Guarantee deposits	100,000,000	100,000,000
Total assets	7,431,890,565	7,445,652,553
Liabilities		
I . Current liabilities	134,611,059	164,903,761
Account payable	18,160	21,544,325
Withholdings	8,666,236	23,955,391
Deposits for rent	125,926,663	119,404,045
Total liabilities	134,611,059	164,903,761
Equity		
I . Capital	7,310,223,714	7,310,223,714
(1) Fundamental property	7,302,389,742	7,302,389,742
Government contribution	7,302,389,742	7,302,389,742
(2) Carry-over property	7,833,972	7,833,972
Profits	7,833,972	7,833,972
II . Retained earnings	(12,944,208)	(29,474,922)
Unappropriated accumulated deficit	(12,944,208)	(29,474,922)
Total equity	7,297,279,506	7,280,748,792
Total liabilities and equity	7,431,890,565	7,445,652,553

 2nd, For the years ended December 31, 2010
 1st, From May 7, 2009 to December 31, 2009

Statements of Income

(Unit: KRW)

	2010	2009
I . Operating revenues	439,140,902	314,159,174
(1) Interest income	37,117,136	18,013,272
Interest revenues on deposits	27,197,019	13,041,541
Interest revenues on securities	9,920,117	4,971,731
(2) Other operating revenues	402,023,766	296,145,902
Rental revenues	402,023,766	296,145,902
II . Operating expenses	426,589,908	343,634,096
(1) Administrative expenses	426,589,908	343,634,096
Utility expenses	155,923,981	35,917,722
Taxes dues	1,443,809	147,229,935
Depreciation expense	85,415,081	49,825,461
Repair expenses	28,838,400	1,241,250
Insurance premiums		336,650
Supply expenses		692,000
Service fees	4,000	
Service contract expenses	154,268,637	107,972,878
Official expenses	696,000	418,200
III . Operating income(loss)	12,550,994	(29,474,922)
IV . Non-operating income	6,757,065	
Gain on prior period error corrections	2,910,958	
Miscellaneous revenue	3,846,107	
V . Non-operating expenses	2,777,345	
Miscellaneous losses	2,777,345	
VI . Income(loss) before income taxes	16,530,714	(29,474,922)
VII . Income tax expenses		
VIII . Net income(loss)	16,530,714	(29,474,922)

Donation Account of the Korea Student Aid Foundation

December 31, 2010 and 2009

Statements of Financial Position		(Unit: KRW)	
	2010	2009	
Assets			
I. Current assets	2,645,958,733	748,676,569	
Cash and cash equivalents	116,098,172	106,421,876	
Short-term financial instruments	2,468,210,556	640,999,591	
Accrued revenues	56,473,475	1,255,102	
Prepaid income taxes	5,176,530		
Total assets	2,645,958,733	748,676,569	
Equity			
I. Retained earnings	2,645,958,733	748,676,569	
Unappropriated retained earnings	2,645,958,733	748,676,569	
Total equity	2,645,958,733	748,676,569	
Total liabilities and equity	2,645,958,733	748,676,569	

2nd, For the years ended December 31, 2010
1st, From May 7, 2009 to December 31, 2009

Statements of Income		(Unit: KRW)	
	2010	2009	
I. Operating revenues	2,075,216,227	748,676,569	
(1) Interest income	92,219,227	1,590,409	
Interest revenues on deposits	92,219,227	1,590,409	
(2) Other operating revenues	1,982,997,000	747,086,160	
Donation earnings	1,982,997,000	747,086,160	
II. Operating expenses	177,933,858		
(1) Business expenses	177,846,290		
Scholarship	177,846,290		
(2) Other operating expenses	87,568		
Loss on valuation of short-term investments	87,568		
III. Operating income	1,897,282,369	748,676,569	
IV. Non-operating income			
V. Non-operating expenses	205		
Miscellaneous losses	205		
VI. Income before income taxes	1,897,282,164	748,676,569	
VII. Income tax expenses			
VIII. Net income	1,897,282,164	748,676,569	

SAMSUNG Scholarship Account of the Korea Student Aid Foundation

December 31, 2010

Statements of Financial Position		(Unit: KRW)	
	2010		
Assets			
I. Current assets		142,824,434,841	
Short-term investments		142,824,434,841	
Total assets		142,824,434,841	
Equity			
I. Retained earnings		142,824,434,841	
Unappropriated retained earnings		142,824,434,841	
Total equity		142,824,434,841	
Total liabilities and equity		142,824,434,841	

For the years ended December 31, 2010

Statements of Income		(Unit: KRW)	
	2010		
I. Operating revenues		142,824,434,841	
(1) Other operating revenues		142,824,434,841	
Donation earnings		142,824,434,841	
II. Operating expenses			
III. Operating income		142,824,434,841	
IV. Non-operating income			
V. Non-operating expenses			
VI. Income before income taxes		142,824,434,841	
VII. Income tax expenses			
VIII. Net income		142,824,434,841	

Student Loan Support Account of the National Scholarship Foundation

December 31, 2010 and 2009

Statements of Financial Position

(Unit: KRW)

	2010	2009
Assets		
I. Current assets	122,998,697,026	228,697,143,259
Cash and cash equivalents	25,602,335,312	20,004,718,766
Short-term financial instruments	46,666,697,207	80,000,000,000
Short-term investments	46,026,472,087	
Accounts receivable	4,408,357,748	126,458,777,302
Accrued revenues	259,012,502	2,233,647,191
Advance payments	18,502,000	
Prepaid income taxes	17,320,170	
II. Non-current assets	2,587,779,025	1,161,335,673,826
(1) Investments assets	2,313,221,207	1,161,038,454,555
Loans	2,337,958,193	1,161,038,454,555
Allowance for doubtful accounts	(24,736,986)	
(2) Tangible assets	274,557,818	297,219,271
Rented Office equipment	325,003,000	325,003,000
Accumulated depreciation	(92,784,329)	(27,783,729)
Equipment	38,789,820	
Accumulated depreciation	(10,108,846)	
Electronic data processing equipment	16,259,400	
Accumulated depreciation	(2,601,227)	
Total Assets	125,586,476,051	1,390,032,817,085
Liabilities		
I. Current liabilities	115,496,213,111	141,988,671,224
Account payable	990,269,979	88,136,003
Withholdings	9,880,808	2,692,831
Accrued expenses		5,967,766,123
Feasibility government grant	114,496,062,324	135,930,076,267
II. Non-current liabilities	189,291,592	1,249,989,291,592
Long-term borrowings		1,249,800,000,000
Accrued severance benefits	189,291,592	189,291,592
Total liabilities	115,685,504,703	1,391,977,962,816
Equity		
I. Capital	118,842,723	118,842,723
(1) Fundamental property	118,842,723	118,842,723
Government contribution	118,842,723	118,842,723
II. Retained earnings	9,782,128,625	(2,063,988,454)
Unappropriated retained earnings	9,782,128,625	(2,063,988,454)
Total equity	9,900,971,348	(1,945,145,731)
Total liabilities and equity	125,586,476,051	1,390,032,817,085

2nd, For the years ended December 31, 2010

1st, From May 7, 2009 to December 31, 2009

Statements of Income

(Unit: KRW)

	2010	2009
I. Operating revenues	602,121,438,806	191,488,919,977
(1) Interest income	8,702,837,967	27,881,130,086
Interest revenues on deposits	8,702,837,967	3,257,013,314
Interest revenues on loans		24,596,107,727
Other		28,009,045
(2) Revenues on contribution	592,392,128,752	163,607,789,891
Revenues on government contribution	2,286,000,000	
Revenues on scholarship contribution	415,570,058,652	
Revenues on interest rate gap subsidization	174,536,070,100	163,607,789,891
(3) Other operating revenues	1,026,472,087	
Gain on valuation of short-term investments	1,026,472,087	
II. Operating expenses	592,437,054,105	193,552,908,721
(1) Interest expenses		26,820,516,123
Interest expenses on bonds payable		26,820,516,123
(2) Loss on valuation(disposal) of loans	24,736,986	
Bad debt expenses	24,736,986	
(3) Business expenses	590,336,548,978	163,607,789,891
Scholarship	413,569,151,221	
Revenues on interest rate gap subsidization	176,767,397,757	163,607,789,891
(4) Administrative expenses	2,075,768,141	3,124,602,707
Salaries wages	183,953,336	1,053,821,667
Provision for severance indemnities		189,291,592
Severance benefits		23,140,938
Travel expenses	36,589,840	17,701,900
Food service expenses	28,692,783	20,593,440
Incentives		7,620,000
Night watch allowances		840,000
Physical training expenses		7,307,560
Communication expenses	10,759,970	77,498,460

Student Loan Support Account of the National Scholarship Foundation

2nd, For the years ended December 31, 2010
1st, From May 7, 2009 to December 31, 2009

Statements of Income	(Unit: KRW)	
	2010	2009
Taxes dues		168,967,537
Rental expenses		1,242,000
Depreciation expense	74,860,710	27,783,729
Repair expenses		494,200
Insurance premiums		1,675,010
Supply expenses	29,508,790	15,503,575
Publication expenses	127,630,315	8,793,000
Vehicles maintenance expenses		10,983,300
Training expenses	6,520,590	39,230,155
Service fees	12,000	477,828,478
Service contract expenses	829,367,605	377,390,081
Legal fees		1,987,920
Official expenses	120,498,287	10,838,443
Advertising expenses	425,231,000	353,939,956
Electronic data processing expenses		218,151,000
Conference expenses	202,142,915	11,978,766
III. Operating income(loss)	9,684,384,701	(2,063,988,744)
IV. Non-operating income		320
Other sundry income		320
V. Non-operating expenses	34,666,973	30
Loss on prior period error corrections	34,666,973	
Miscellaneous losses		30
VI. Income(loss) before income taxes	9,649,717,728	(2,063,988,454)
VII. Income tax expenses		
VIII. Net income(loss)	9,649,717,728	(2,063,988,454)

Student Loans Credit Guarantee Account of the National Scholarship Foundation

December 31, 2010 and 2009

Statements of Financial Position	(Unit: KRW)	
	2010	2009
Assets		
I. Current assets	787,135,819,345	743,151,012,527
Cash and cash equivalents	11,737,616,693	13,806,492,380
Short-term financial instruments	246,676,434,930	461,690,000,000
Short-term investments	518,076,114,720	257,771,962,063
Advance for payment	238,627,945	147,993,140
Accounts receivable	622,335,430	19,260,341
Accrued revenues	9,323,153,493	9,674,154,603
Prepaid expenses	2,496,134	
Guarantee deposits	459,040,000	41,150,000
II. Non-current assets	65,912,726,762	236,500,713,370
(1) Investments assets	63,501,927,072	233,431,526,713
Long-term financial instruments	-	35,143,750,000
Long-term securities investment	30,228,980,000	181,981,235,866
Long-term indemnity receivable	191,440,679,618	141,877,358,071
Allowance for doubtful account	(158,167,732,546)	(125,570,817,224)
(2) Tangible assets	2,200,300,220	2,818,739,098
Rented office equipment	287,575,000	287,575,000
Accumulated depreciation	(89,510,779)	(31,995,772)
Machinery	21,612,550	21,612,550
Accumulated depreciation	(15,853,808)	(14,126,188)
Equipment	117,417,500	117,417,500
Accumulated depreciation	(79,803,671)	(68,519,358)
Electronic data processing equipment	5,703,604,670	5,669,754,670
Accumulated depreciation	(3,744,741,242)	(3,162,979,304)
(3) Intangible assets	210,499,470	250,447,559
Software	210,499,470	250,447,559
Total assets	853,048,546,107	979,651,725,897

Student Loans Credit Guarantee Account of the National Scholarship Foundation

December 31, 2010 and 2009

Statements of Financial Position

(Unit: KRW)

	2010	2009
Liabilities		
I. Current liabilities	72,830,499,735	215,729,955,224
Account payable	597,763,009	126,605,700,829
Unearned income	70,005,960,950	88,699,691,700
Other	2,226,775,776	424,562,695
II. Non-current liabilities	231,388,305,378	171,526,885,551
Accrued severance benefits	635,151,331	14,041,331
Allowance for credit losses	230,753,154,047	171,512,844,220
Total liabilities	304,218,805,113	387,256,840,775
Equity		
I. Capital	611,627,319,804	611,871,184,714
(1) Fundamental property	700,594,751,000	700,838,615,910
Government contribution	700,594,751,000	700,838,615,910
(2) Carry-over property	(88,967,431,196)	(88,967,431,196)
Loss	(88,967,431,196)	(88,967,431,196)
II. Retained earning	(63,813,534,353)	(19,386,263,813)
Unappropriated retained earnings	(63,813,534,353)	(19,386,263,813)
III. Other comprehensive income/loss accumulated amount	1,015,955,543	(90,035,779)
Gain on valuation of available-for-sale securities	1,015,955,543	
Loss on valuation of available-for-sale securities		(90,035,779)
Total equity	548,829,740,994	592,394,885,122
Total liabilities and equity	853,048,546,107	979,651,725,897

2nd, For the years ended December 31, 2010
1st, From May 7, 2009 to December 31, 2009

Statements of Income

(Unit: KRW)

	2010	2009
I. Operating revenues	62,578,736,550	51,341,130,914
(1) Interest income	29,005,140,677	27,588,324,884
Interest revenues on deposits	15,027,577,288	15,771,362,194
Interest revenues on marketable securities	13,976,908,614	11,816,773,401
Miscellaneous interest revenues	654,775	189,289
(2) Revenues from contribution	8,547,000,000	
Revenues from government contribution	8,547,000,000	
(3) Other operation revenues	25,026,595,873	23,752,806,030
Revenues on guarantee fee	14,110,615,924	21,246,569,429
Liquidated damages	1,041,348,891	268,671,335
Gain on valuation of short-term investments assets	9,874,631,058	2,237,565,266
II. Operating expenses	108,172,869,327	71,134,093,285
(1) Loss on valuation(disposal) of loans	41,271,399,772	59,586,452,977
Bad debt expenses of bond initiative	41,271,399,772	59,586,452,977
(2) Administrative expenses	66,882,469,555	11,547,640,308
Salaries wages	2,894,549,111	1,618,945,137
Provision for severance indemnities	621,110,000	14,041,331
Severance benefits	75,101,963	11,984,928
Travel expenses	26,879,820	27,435,900
Food service expenses	39,378,200	18,909,310
Incentives	20,480,000	10,683,916
Night watch allowances	6,000,000	
Physical training expenses	19,130,486	15,556,470
Communication expenses	268,211,141	95,596,411
Provision to allowances and guarantees	59,240,309,827	6,762,840,599
Other bad debts expenses	8,262,760	
Taxes dues	159,393,565	256,780,891
Rental expenses	647,784,000	
Depreciation expense	652,288,878	426,328,572
Amortisation expense	58,098,089	38,530,384
Repair expenses	36,000,000	
Supply expenses	62,985,340	16,860,740

Student Loans Credit Guarantee Account of the National Scholarship Foundation

2nd, For the years ended December 31, 2010
1st, From May 7, 2009 to December 31, 2009

Statements of Income

(Unit: KRW)

	2010	2009
Publication expenses	62,712,910	8,666,490
Vehicles maintenance expenses	45,794,833	27,351,056
Training expenses	18,363,470	59,066,014
Service fees	374,797,701	769,514,852
Service contract expenses	922,617,610	544,117,428
Legal fees	5,797,560	4,969,360
Official expenses	4,230,100	11,454,019
Advertising expenses	573,600,930	539,469,000
Electronic data processing expenses		263,446,750
Conference expenses	38,591,261	5,090,750
(3) Other operating expenses		19,000,000
Loss on valuation of short-term investments assets	19,000,000	
III. Operating loss	45,594,132,777	19,792,962,371
IV. Non-operating income	1,166,862,328	406,856,718
Gain on prior period error corrections	1,166,862,066	
Other sundry income	262	406,856,718
V. Non-operating expenses	91	158,160
Miscellaneous losses	91	158,160
VI. Loss before income taxes	44,427,270,540	19,386,263,813
VII. Income tax expenses		
VIII. Net loss	44,427,270,540	19,386,263,813

Report of Independent Auditors

To the Board of Directors of the Korea Student Aid Foundation

We have audited the accompanying consolidated statement of financial position of the Korea Student Aid Foundation as of December 31, 2010, and the related consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the year. These financial statements are the responsibility of the management of the Korea Student Aid Foundation. Our responsibility is to express an opinion on these financial statements based on our audit.

The 2009 consolidated financial statements of the Korea Student Aid Foundation as of December 31, 2009, which is comparatively presented, were audited by Ernst & Young Accounting Firm whose report dated February 22, 2010, expressed an unqualified opinion on those statements. The 2009 consolidated financial statements were reported before the corrections indicated in Note 14, while the 2010 consolidated financial statements included them.

We have conducted an audit in accordance with generally accepted accounting principles in the Republic of Korea. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used including 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 Korea Student Aid Foundation as of December 31, 2010 and the results of its operations, retained earnings, changes in equities and cash flows for the year in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the followings:

1. Change of the accounting principle for contributions

As discussed in note 14, the Korea Student Aid Foundation accounted contributions which were received from the Ministry of Strategy and Finance and the Ministry of Education, Science and Technology as capital stock for the previous fiscal year in accordance with generally accepted accounting principles in the Republic of Korea and the Korea Student Aid Foundation Establishment Act. Meanwhile, as the Korea Student Aid Foundation was designated as the quasi-government institute from this fiscal year, contributions which were received for the purpose of conducting government-propelled businesses by the Public Enterprise & Quasi-government Institute Accounting Standards or for the purpose subscribed by the Special Law should be accounted as operating revenues. The change of the accounting principle for contributions was applied retroactively. As a result, KRW56,861 million was applied to unappropriated retained earnings before of the year and the comparative consolidated financial statements were remade in accordance with the above change of the accounting principle.

2. Changes of the scope of financial statements

As discussed in note 15, free education expenses and student loans items were reported through the National Scholarship Foundation Student Loan Support account for the previous fiscal year, which were transferred to the Student Loans Accounts of the Korea Student Aid Foundation from this fiscal year. And, according to fund operation plans, the welfare recipients' scholarship item was transferred to the National Scholarship Foundation Student Loan Support account. Meanwhile some accounts were newly established: SAMSUNG Scholarship Accounts of the Korea Student Aid Foundation in line with stock contribution from the Ministry of Education, Science and Technology, University Student Internal and External Voluntary Service account, Gyeonggi-do Interest Support account and Gyeonggi-do University Knowledge Voluntary Service account in the fiduciary accounting for the purpose of educational voluntary services and support for scholarship loan interest to low-income families' university students in Gyeonggi-do.

February 23, 2011

10th Floor, Gangnam Finance Center, 737 Yeoksam-dong, Gangnam-gu, Seoul, Korea
President of Samjong KPMG Accounting Firm **Yoon Sung-bok**

This report is effective as of February 23, 2011, the audit report date. Certain 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 consolidated financial statements and notes thereto. 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.

History

We are envisioning a successful future with a great hope.

May 2008

- Established a plan for customized national scholarship systems

May 2009

- Enacted and promulgated the enforcement ordinance of the Korea Student Aid Foundation Establishment Act
- Dr. Kyung-sook Lee was inaugurated as the first chairperson.
- Established the KOSAF and enacted and promulgated the articles of association

Feb. 2009

- Enacted and promulgated the Korea Student Aid Foundation Establishment Act

Nov. 2009

- Announced the implementation of the Income Contingent Loan Scheme

Jul. 2009

- Commenced direct student loans
- Issued the first KOSAF bonds

Jul. 2010

- Received the credit ratings of A1 from Moody's and A+ from Fitch

Jan. 2010

- Enacted and promulgated the Income Contingent Loan Scheme Special Act
- Enacted and promulgated the enforcement ordinance of the Income Contingent Loan Scheme Special Act
- Commenced the Income Contingent Loan Scheme
- Designated as the semi-government institute for consignment execution



