IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A UNDER THE SECURITIES ACT (AS DEFINED BELOW) ("RULE 144A") OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) PURCHASING THE SECURITIES OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the pricing supplement and the offering circular following this page (the "**Disclosure Package**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Disclosure Package. You acknowledge that you will not forward this electronic transmission or the Disclosure Package to any other person. In accessing the Disclosure Package, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS DISCLOSURE PACKAGE MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Disclosure Package or make an investment decision with respect to the securities, investors must be either (I) qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act) or (II) non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S. This Disclosure Package is being sent at your request and by accepting the e-mail and accessing this Disclosure Package, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Disclosure Package by electronic transmission.

You are reminded that this Disclosure Package has been delivered to you on the basis that you are a person into whose possession this Disclosure Package may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Disclosure Package to any other person.

The materials relating to the offering of securities to which this Disclosure Package relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Disclosure Package) in such jurisdiction.

This Disclosure Package has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer or Managers named in this document nor any person who controls any Manager, nor any director, officer, employee nor agent of the Issuer or any Manager, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Disclosure Package distributed to you in electronic format and the hard copy version available to you on request from any Manager.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PRICING SUPPLEMENT DATED MARCH 7, 2016

Hyundai Capital Services, Inc.

(incorporated with limited liability under the laws of the Republic of Korea)

Issue of U.S.$500,000,000 2.875% Senior Notes due
under the U.S.$5,000,000,000 Global Medium Term Note Program

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES (THE "NOTES") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES WILL BE OFFERED AND SOLD ONLY (I) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND (II) WITH RESPECT TO NOTES IN REGISTERED FORM ONLY, WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED UNDER RULE 144A).

IN CONNECTION WITH THIS ISSUE, THE STABILIZING MANAGERS (OR ANY PERSON ACTING ON BEHALF OF ANY STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILIZING MANAGERS (OR ANY PERSON ACTING ON BEHALF OF ANY STABILIZING MANAGER) TO UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Green Structuring Agent and Joint Bookrunner and Lead Manager

BofA Merrill Lynch

Joint Bookrunners and Joint Lead Managers

Citigroup **Crédit Agricole CIB**

The date of this pricing supplement is March 7, 2016

Hyundai Capital Services, Inc.

Issue of U.S.$500,000,000 2.875% Senior Notes due
under the U.S.$5,000,000,000
Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated March 4, 2016. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

1.	Issuer:		Hyundai Capital Services, Inc.
2.	(1)	Series Number:	27
	(ii)	Tranche Number:	1
	(iii)	Re-opening:	No
3.	Specified Currency or Currencies:		United States dollars (US$)
4.	Aggregate Nominal Amount:		
	(i)	Series:	US$500,000,000
	(ii)	Tranche:	US$500,000,000
5.	(i)	Issue Price of Tranche:	99.815% of the Aggregate Nominal Amount.
	(ii)	Net Proceeds: (*Required only for listed issues*)	US$497,575,000 (after deducting the underwriting discount but not estimated expenses)
	(iii)	Use of Proceeds:	For the purposes as set forth in Exhibit A to this Pricing Supplement.
6.	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	US$1,000
7.	(i)	Issue Date:	March 16, 2016
	(ii)	Interest Commencement Date:	March 16, 2016
8.	Maturity Date:		March 16, 2021
9.	Interest Basis:		2.875% Fixed Rate
10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:		None
12.	Put/Call Options:		Applicable
13.	Status of the Notes:		Senior and unsubordinated (as per Condition 3)
14.	Listing:		Singapore Exchange Securities Trading Limited

15.	Method of Distribution:		Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions		Applicable
	(i)	Rate(s) of Interest:	2.875% per annum payable semi-annually in arrears
	(ii)	Interest Payment Date(s):	The first Interest Payment Date will be March 16 and September 16 of each year up to and including the Maturity Date, with interest payable semi-annually in arrears
	(iii)	Fixed Coupon Amount(s):	Not Applicable
	(iv)	Broken Amount(s):	Not Applicable
	(v)	Day Count Fraction:	30/360
	(vi)	Determination Date(s):	Not Applicable
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
17.	Floating Rate Note Provisions		Not Applicable
18.	Zero Coupon Note Provisions		Not Applicable
19.	Index Linked Interest Note Provisions		Not Applicable
20.	Dual Currency Note Provisions		Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:	Not Applicable
22.	Investor Put:	Not Applicable
23.	Final Redemption Amount of each Note:	US$1,000 per Calculation Amount
24.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 9(e) *(Redemption and Purchase — Early Redemption Amounts)*):	US$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	Registered Notes: Regulation S Global Note registered in the name of a nominee for DTC Rule 144A Global Note registered in the name of a nominee for DTC

26.	Additional Financial Center(s) or other special provisions relating to Payment Dates:	London, New York City and Seoul
27.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	Not Applicable
28.	Details relating to Partly Paid Notes:	Not Applicable
29.	Details relating to Installment Notes:	
	(i) Installment Amount(s):	Not Applicable
	(ii) Installment Date(s):	Not Applicable
30.	Redenomination applicable:	Not Applicable
31.	Other terms or special conditions:	Not Applicable

DISTRIBUTION

32.	(i) If syndicated, names of Managers:	Citigroup Global Markets, Inc., Crédit Agricole Corporate and Investment Bank, Merrill Lynch International
	(ii) Stabilizing Manager (if any):	Merrill Lynch International
	(iii) Green Structuring Agent	Merrill Lynch International
33.	If non-syndicated, name of relevant Dealer:	Not Applicable
34.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	TEFRA not applicable
35.	Additional selling restrictions:	Rule 144A Selling Restrictions / Regulation S Selling Restrictions as described in the Offering Circular Selling Restrictions under Korean Law as described in the Offering Circular

OPERATIONAL INFORMATION

36.	Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	The Depository Trust Company
37.	Delivery:	Delivery free of payment
38.	In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	Citigroup Global Markets Deutschland AG, Reuterweg 16, 60323 Frankfurt, Germany
39.	Additional Paying Agent(s) (if any):	None
ISIN:		Rule 144A Notes: US44920UAG31 Reg S Notes: USY3815NAV39

CUSIP:	Rule 144A Notes: 44920U AG3 Reg S Notes: Y3815N AV3
Common Code:	Rule 144A Notes: 137942968 Reg S Notes: 137942992

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the U.S.$5,000,000,000 Global Medium Term Note Program of Hyundai Capital Services, Inc.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

RELEVANT DEALERS

In accordance with the provisions of the Subscription Agreement dated March 7, 2016 (the "Subscription Agreement"), the Issuer has appointed Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank and Merrill Lynch International as Joint Lead Managers for the purpose of the issue of the Notes to which this Pricing Supplement relates, and the Joint Lead Managers have agreed with the Issuer, subject to the terms and conditions of the Subscription Agreement, to subscribe for the Notes. For the purpose of the issue of the Notes, the Joint Lead Managers will be the only Dealers.

OTHER RELATIONSHIPS

Certain affiliates of the Joint Lead Managers have from time to time performed banking and advisory services in the ordinary course of business for the Issuer for which they have received customary fees and expenses. The Joint Lead Managers and certain of their affiliates may, from time to time, engage in transactions with and perform services for the Issuer in the ordinary course of business.

The Joint Lead Managers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

RATINGS OF THE NOTES

The Notes are expected to be rated Baa1 by Moody's Investors Service and A- by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. Such ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organizations. Each such rating should be evaluated independently of any other rating of the Notes.

EXHIBIT A
Use of Proceeds

The Company will use the net proceeds from the sale of the Notes, solely for the purpose of providing new car installment financing and automotive loans for vehicle models manufactured by Hyundai Motor Company and Kia Motors Corporation, which meet the following criteria (each such model, an "**Eligible Green Model**"):

(i) gas-electric hybrid with minimum highway and city kilometers per liter (or kilometers-per-liter equivalent) fuel mileage, which represents the number of kilometers a vehicle can go using a quantity of fuel with the same energy content as a liter of gasoline, of at least 15 kilometers-per-liter, and with maximum CO_2 emissions of 110 grams-per-kilometer or less[1]; or

(ii) an alternative fuel powertrain such as an electric vehicle or fuel cell vehicle.

As of March 7, 2016, Eligible Green Models included Sonata HEV, Grandeur HEV, Ioniq HEV, K5 HEV, K7 HEV, Sonata PHEV, Soul, Ray and Tucson ix Fuel Cell.

An amount equal to the net proceeds of the issue of the Notes (after deducting underwriting discounts but not estimated expenses) will be credited to a segregated account that will solely be used for new car installment financing and automotive loans for Eligible Green Models (such financing, the "Financing"). The Company will withdraw funds from the segregated account and deposit such funds to its general lending pool in the amount equal to (i) soon after the Closing Date, the total amount used for the Financing from January 1, 2015 through February 29, 2016 and (ii) so long as the Notes are outstanding and the segregated account has a positive balance, at the beginning of each month, the amount used for the Financing in the prior calendar month. The Company may choose to invest any unused amounts in the segregated account in certificates of deposit, money market deposits, commercial papers, money market funds, money market trusts, money market wraps or other securities issued by reputable financial institutions with maturities of one year or less from the date of acquisition thereof.

Until such time as the proceeds from the sale of the Notes that are deposited to the segregated amount are depleted entirely, the Company will certify to an independent accountant on an annual basis with respect to its use of such amounts for the prior year and since the Closing Date, including the amount used for the Financing of each Eligible Green Model and any amount remaining unused in the segregated account. The Company will publicly make available through its website the auditor attestation letter including statistical data relating to the Financing of Eligible Green Models from the net proceeds of the sale of the Notes. Details of the eco-friendly features of each of the Eligible Green Models can be found on the Hyundai Motor Group website at: http://www.hyundai.com. Information contained in the Hyundai Motor Group website does not constitute part of this offering circular.

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[1] Details of the grams-per-kilometer of each Eligible Model can be found on the Hyundai Motor Group website: http://www.hyundai.com.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ______________________________

Duly authorized signatory
Name:
Title:

Hyundai Capital Services, Inc.
3, Uisadang-Daero, Yeongdeungpo-Gu
150-706, Seoul Korea
President & CEO Chung, Tae Young

[*Signature Page to the Pricing Supplement*]

Hyundai Capital Services, Inc.

(incorporated with limited liability under the laws of the Republic of Korea)

U.S.$5,000,000,000
Global Medium Term Note Program

This offering circular (the "Offering Circular") replaces and supersedes in its entirety the offering circular dated March 20, 2015. Any Notes (as defined below) issued under the Program on or after the date of this Offering Circular are issued subject to the provisions described herein.

Under this U.S.$5,000,000,000 Global Medium-Term Note Program (the "Program", as amended, supplemented or restated), Hyundai Capital Services, Inc. (the "Issuer" or the "Company") may from time to time issue notes (the "Notes") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The Notes may be issued in bearer or registered form (respectively "Bearer Notes" and "Registered Notes"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$5,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Program*" and any additional Dealer appointed under the Program from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of Notes that may be issued under the Program and which are agreed, at or prior to the time of issue thereof, to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer or the merits of the Program or the Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of the Notes of such Tranche.

The Program provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued only outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S under the Securities Act ("Regulation S") and Registered Notes may be issued both outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S and within the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("Institutional Accredited Investors") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. Notes are subject to certain restrictions on transfer. See *"Subscription and Sale and Transfer and Selling Restrictions"*.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and U.S. Treasury regulations promulgated thereunder.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

BofA Merrill Lynch

Dealers

ANZ | **BNP PARIBAS**
BofA Merrill Lynch | **Citigroup**
Crédit Agricole CIB | **HSBC**
J.P. Morgan | **Mizuho Securities**
Morgan Stanley | **SMBC Nikko**
Société Générale Corporate & Investment Banking

The date of this Offering Circular is March 4, 2016.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issue and offering of Notes, that the information contained or incorporated by reference in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions and that there are no other facts the omission of which would, in the context of the issue and offering of the Notes, make this Offering Circular as a whole or any information or the expression of any opinions or intentions in this Offering Circular misleading in any material respect. The Issuer accepts responsibility accordingly. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Program. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Program.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No person is or has been authorized by the Issuer to give any information or to make any representation which is not contained in or which is not consistent with this Offering Circular or any other information supplied by or on behalf of the Issuer in connection with the Program or the Notes, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference in this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor any of the Dealers represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), Japan, Korea, Singapore and Hong Kong. See "*Subscription and Sale and Transfer and Selling Restrictions*".

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes may be offered and sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act ("Regulation S"). Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("Rule 144A") or other available exemption.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note (as defined under "*Form of the Notes*") or any Notes issued in registered form in exchange or substitution therefor (together "Legended Notes") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The distribution of this Offering Circular and the offer, sale or delivery of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. The Notes have not been and will not be registered under the Securities Act, and include Notes that are in bearer form that are subject to U.S. tax law requirements and limitations. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see "*Subscription and Sale and Transfer and Selling Restrictions*" below.

FORWARD LOOKING STATEMENTS

Certain statements in this Offering Circular constitute "forward-looking statements", including statements regarding the Issuer's expectations and projections for future operating performance and business prospects. The words "believe", "expect", "anticipate", "estimate", "project", "will", "aim", "will likely result", "will continue", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "should", "will pursue" and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Issuer's products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Issuer's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Issuer's ability to successfully implement its business strategy, including in relation to its overseas business;

- the condition of and changes in the Korean, Asian or global economies, including changes in consumer confidence and spending;

- future levels of non-performing loans;

- changes in interest rates and foreign currency exchange rates in Korea and, to a lesser extent, in other jurisdictions where the Issuer may operate;

- support from the Issuer's major shareholders, particularly Hyundai Motor Company and Kia Motors Corporation, whose automobile products provide the basis for a captive market for the Issuer;

- changes in government regulation and licensing of the Issuer's businesses in Korea and in other jurisdictions where the Issuer may operate; and

- competition in the installment financing and other segments in the financial services industry in which the Issuer operates.

Additional factors that could cause the Issuer's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. Each of the Issuer and the Dealers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organized under the laws of Korea. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and its officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Korea upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Korea predicated upon civil liabilities of the Issuer or its directors and officers under laws other than Korean law, including any judgment predicated upon U.S. federal securities laws. The Issuer has been advised by Shin & Kim, its Korean counsel, that there is doubt as to the enforceability in Korea in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

CERTAIN DEFINED TERMS AND CONVENTIONS

The Issuer has prepared this Offering Circular using a number of conventions that should be considered when reading the information contained in this Offering Circular. References to the "Company" or the "Issuer" are to Hyundai Capital Services, Inc., "Hyundai Card" are to Hyundai Card Co., Ltd., "HMC" are to Hyundai Motor Company, "KMC" are to Kia Motors Corporation, the "Hyundai Motor Group" or "HMG" are to the Company, HMC, KMC and HMC's other subsidiaries and affiliates together, "SCFBA" are to the Specialized Credit Financial Business Act, "FSS" are to the Financial Supervisory Service of Korea and "FSC" are to the Financial Services Commission of Korea. Unless otherwise specified, references to "GECIH" are to General Electric Capital International Holdings Limited, "GECK" are to GE Capital Korea, Ltd., and "GECC" are to General Electric Capital Corporation, or any of GECC, GECIH, GECK, or its other affiliate, or collectively, as appropriate. References herein to "Korea" are to the Republic of Korea, and references to the "Government" or "government" are to the Government of Korea.

All references in this Offering Circular to "U.S. dollars", "dollars", "US$", "U.S.$" and "$" refer to the currency of the United States of America, all references to "Won" and "₩" refer to the currency of Korea, all references to "€", "Euro" and "euro" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, all references to "MYR" refer to the currency of Malaysia and all references to "Renminbi", "RMB" and "CNY" refer to the currency of the People's Republic of China ("PRC"). Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. The Company maintains its accounts in Won. Unless otherwise indicated, all translations from Won to U.S. dollars herein indicated were made at the rate of ₩1,172.0 to U.S.$1.00, the exchange rate based on the basic rate under the market average exchange rate system, provided by Seoul Money Brokerage Services, Ltd. between Won and U.S. dollars (the "Market Average Exchange Rate") and in effect on December 31, 2015. These translations were made solely for the convenience of the reader. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all. See "*Exchange Rates*".

Unless otherwise stated or the context otherwise requires, the financial data included in this Offering Circular are presented on a consolidated basis.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or person(s) acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the publicly available audited annual financial statements and the interim financial statements of the Issuer for the most recent financial period; see "*General Information*" for a description of the financial statements currently published by the Issuer; and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

except that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its registered offices set out at the end of this Offering Circular.

The Issuer will, in connection with the listing of the Notes on the SGX-ST, so long as any Note remains outstanding and listed on such exchange, in the event of any material change in the condition of the Issuer which is not reflected in this Offering Circular, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Notes to be listed on the SGX-ST.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in the Program Agreement (as defined below) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him or her, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the "*Terms and Conditions of the Notes*" endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Offering Circular and any supplement will only be valid in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed U.S.$5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Program from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the Notes, described under "*Form of the Notes*") and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer	Hyundai Capital Services, Inc.
Description	Global Medium Term Note Program
Arranger	Merrill Lynch International
Dealers	Australia and New Zealand Banking Group Limited, BNP Paribas, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Merrill Lynch International, Mizuho Securities Asia Limited, Morgan Stanley & Co. International plc, Société Générale, SMBC Nikko Capital Markets Limited, and any other Dealers appointed in accordance with the Program Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable at the date of this Offering Circular. Notes with a maturity of less than one year: Notes having a maturity of less than one year from the date of issue will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale and Transfer and Selling Restrictions*".
Fiscal Agent, Principal Paying Agent and Principal Transfer Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Deutschland AG
Calculation Agent and Exchange Agent	Citibank, N.A., London Branch

Program Size	Up to U.S.$5,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Program*") outstanding at any time. The Issuer may increase the amount of the Program in accordance with the terms of the Program Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination	The applicable Pricing Supplement may provide that certain Notes may be redenominated in Euro (to the extent permitted under the applicable Korean laws and regulations). The relevant provisions applicable to any such redenomination are contained in Condition 5 (*Redenomination*).
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

	(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Pricing Supplement.

	The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer except that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note (as defined under "*Form of the Notes*") will be U.S.$500,000 or its approximate equivalent in other Specified Currencies.
Taxation	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 10 (*Taxation*)), subject as provided in Condition 10 (*Taxation*). In the event that any such deduction is made, the Issuer will, except in certain limited circumstances provided in Condition 10 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Certain Covenants	The terms of the Notes will contain limitations on liens, sale and leaseback transactions, consolidation, merger and sale of assets, and certain other covenants, as further described in Condition 4 (*Certain Covenants*).
Cross Acceleration	The terms of the Notes will contain a cross acceleration provision as further described in Condition 12 (*Events of Default*).
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 (Certain Covenants), unsecured obligations of the Issuer and will rank pari passu among themselves and (except for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of Notes that may be issued under the Program and which are agreed, at or prior to the time of issue thereof, to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. If a series of Notes is listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in another currency). The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law	The Notes will be governed by, and construed in accordance with, New York law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Italy), Korea, Japan, Singapore, Hong Kong and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*".

FORM OF THE NOTES

Certain capitalized terms used herein are defined in "Terms and Conditions of the Notes". Any reference herein to Euroclear and/or Clearstream and/or DTC (each as defined below) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a "Temporary Bearer Global Note") or a permanent bearer global note ("Permanent Bearer Global Note" and, together with Temporary Bearer Global Note, the "Bearer Global Notes") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and Euroclear and/or Clearstream, as applicable, has given a similar certification (based on the certifications it has received) to the Principal Paying Agent.

From the date (the "Exchange Date") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) by the Noteholder either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given. Definitive Bearer Notes will only be delivered outside the United States. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 12 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Permanent Bearer Global Note is exchanged for definitive Bearer Notes. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Bearer Notes, including details of the Paying Agent in Singapore. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have a maturity of more than 365 days (including unilateral rollovers and extensions) and on all talons, receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED".

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a "Regulation S Global Note"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person except as otherwise provided in Condition 2 (*Transfers of Registered Notes*) and may not be held otherwise than through Euroclear or Clearstream and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("Institutional Accredited Investors") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form ("Rule 144A Global Note" and, together with Regulation S Global Note, the "Registered Global Notes").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") for the accounts of its participants, including Euroclear and Clearstream or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Global Note shall be €50,000 or its approximate equivalent in other Specified Currencies.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("Definitive IAI Registered Notes"). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*". Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions*". The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provisions to the contrary, be made to the person shown on the Register (as defined in Condition 8(d) (*Payments — Payments in Respect of Registered Notes*)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provisions to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 8(d) (*Payments — Payments in Respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of

14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Permanent Registered Global Note is exchanged for definitive Registered Notes. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Registered Notes, including details of the Paying Agent in Singapore. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*".**

General

Pursuant to the Agency Agreement (as defined in "*Terms and Conditions of the Notes*"), the Principal Paying Agent or the Registrar, as the case may be, shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a Common Code and ISIN and, where applicable, a CUSIP and CINS number which are different from the Common Code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche and, for Notes subject to the certification requirements under U.S. Treasury regulations, until at least the Notes represented by interests in a temporary Global Note are exchanged for Notes represented by an interest in a permanent Global Note or for definitive Bearer Notes.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 12 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a Paying Agent in Singapore where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for definitive Notes. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

Form of Applicable Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Program.

[Date]

Hyundai Capital Services, Inc.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$5,000,000,000
Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated [   ], [2016]. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [*original date*]. The Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [   ], [2016], except in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.*]*

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1.	Issuer:	Hyundai Capital Services, Inc.
2.	(i) Series Number:	[●]
	(ii) Tranche Number:	[●] (*if re-opening fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
	(iii) Re-opening:	[Yes/No] [*Specify terms of initial or eventual fungibility*]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	
	(i) Series:	[●]
	(ii) Tranche:	[●]

5.	(i)	Issue Price of Tranche:	[●]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible re-opening issues only, if applicable)].
	(ii)	Net Proceeds: (*Required only for listed issues*)	[●]
	(iii)	Use of Proceeds:	[●]
6.	(i)	Specified Denominations:	[●] *(N.B. In the case of Registered Notes, this means the minimum integral amount in which transfers can be made. For Registered Global Notes, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies) "[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof")* *(N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies):* *"[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$499,000]. No definitive notes will be issued with a denomination above")*
	(ii)	Calculation Amount:	[●] *(If there is only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. there must be a common factor in the case of two or more Specified Denominations)*
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]
8.	Maturity Date:		[*Fixed rate — specify date/Floating rate* — Interest Payment Date falling in or nearest to [specify month and year]]
9.	Interest Basis:		[% Fixed Rate] [[LIBOR/EURIBOR] +/-% Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)

10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Installment] [specify other]
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provisions for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Status of the Notes:	Senior
14.	Listing:	[Singapore Exchange Securities Trading Limited/*specify other*/None]
15.	Method of Distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	(i) Rate(s) of Interest:	[●]% per annum [payable [annually/semi-annually/quarterly] in arrears] (*If payable other than annually, consider amending Condition 6 (Interest)*)
	(ii) Interest Payment Date(s):	([●] in each year up to and including the Maturity Date]/[*specify other*]) *(N.B.: This will need to be amended in the case of long or short coupons)*
	(iii) Fixed Coupon Amount(s):	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
	(v) Day Count Fraction:	[30/360 or Actual/Actual (ICMA)/*specify other*]
	(vi) Determination Date(s):	[●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*give details*]

17.	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
(iii)	Additional Business Center(s):	[●] (*Insert New York City for U.S. dollar denominated Notes to be held through DTC and for non-U.S. dollar denominated Notes where exchange into U.S. dollars is contemplated for DTC participants holding through Euroclear and Clearstream*)
(iv)	Manner in which the Rate of Interest and Interest Amount are to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[●]
(vi)	Screen Rate Determination:	
	— Reference Rate:	[●] (*Either LIBOR, EURIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement*)
	— Interest Determination Date(s):	[●] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR*)
	— Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(vii)	ISDA Determination:	
	— Floating Rate Option:	[●] (*If not on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, the Issuer shall describe the basis here*)

—	Designated Maturity:	[●]
—	Reset Date:	[●]
(viii)	Margin(s):	[+/-] [●]% per annum
(ix)	Minimum Rate of Interest:	[●]% per annum
(x)	Maximum Rate of Interest:	[●]% per annum
(xi)	Day Count Fraction:	[●]% per annum [Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 [ISDA] Other] (*See Condition 6 (Interest) for alternatives*)
(xii)	Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]

18.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Accrual Yield:	[●]% per annum
	(ii) Reference Price:	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
	(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 9(e) (Redemption and Purchase — Early Redemption Amounts) — *(iii) and* Condition 9(j) (Redemption and Purchase — *Late Payment on Zero Coupon Notes*)] (*Consider applicable day count fraction if non-U.S. dollar denominated*)
19.	Index Linked Interest Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Index/Formula:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the principal and/or interest due:	[●]

	(iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(vi) Additional Business Center(s):	[●]
	(vii) Minimum Rate of Interest:	[●]% per annum
	(viii) Maximum Rate of Interest:	[●]% per annum
	(ix) Day Count Fraction:	[●]
20.	Dual Currency Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable:	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount

	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
	(iv) Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
22.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
23.	Final Redemption Amount of each Note:	[●] [per Calculation Amount/specify other]
24.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 9(e) *(Redemption and Purchase — Early Redemption Amounts)*):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:

[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]*]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]*]

[Registered Notes:

Regulation S Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Rule 144A Global Note (U.S.$[●] nominal amount registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Definitive IAI Registered Notes (*specify nominal amounts*)]

26. Additional Financial Center(s) or other special provisions relating to Payment Dates:

[Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 17(iii) and 19(vi) relate; insert New York City for U.S. dollar denominated Notes to be held through DTC)

27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):

[Not Applicable/give details]

28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[Not Applicable/give details]
[*New forms of Global Note may be required for Partly Paid issues*]

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* N.B. - Regard should be given to the specific requirements of the relevant clearing system(s), if any.

Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 above includes language substantially to the following effect: "[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof up to and including [U.S$499,000]".

Noteholders will not have the right to exchange Global Notes for Definitive Notes other than upon the occurrence of an Exchange Event.

29. Details relating to Installment Notes:	
(i) Installment Amount(s):	[Not Applicable/*give details*]
(ii) Installment Date(s):	[Not Applicable/*give details*]
30. Redenomination applicable:	Redenomination [not] applicable
	[*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*]
31. Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

32. (i) If syndicated, names of Managers:	[Not Applicable/*give names*]
(ii) Stabilizing Manager (if any):	[Not Applicable/*give names*]
33. If non-syndicated, name of relevant Dealer:	[●]
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable (for Bearer Notes with a maturity of one year or less (including unilateral rollovers and extensions) or Registered Notes)]
35. Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

36. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
37. Delivery:	Delivery [against/free of] payment
38. In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	[Not applicable/[Luxembourg]]
39. Additional Paying Agent(s) (if any):	[●]
ISIN:	[●]
Common Code:	[●]
[CUSIP:	[●]]
[CINS: *(insert here any other relevant codes)*	[●]]

[LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the U.S.$5,000,000,000 Global Medium Term Note Program of Hyundai Capital Services, Inc.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ________________________________

Duly authorized signatory
Name:
Title:

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1 (*Form, Denomination and Title*), 5 (*Redenomination*), 6 (*Interest*), 8 (*Payments*), 9 (*Redemption and Purchase* (except Condition 9(b) (*Redemption and Purchase — Redemption for tax reasons*)), 13 (*Replacement of Notes, Receipts, Coupons and Talons*), 14 (*Agents*), 15 (*Exchange of Coupons for Talons*), 16 (*Notices*) (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 18 (*Further Issues*), they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "*Form of the Notes*" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes. Reference herein to "***Condition***" shall be to the Terms and Conditions set forth below.

This Note is one of a Series (as defined below) of Notes issued by Hyundai Capital Services, Inc. (the "***Issuer***") pursuant to the Agency Agreement (as defined below).

References herein to the "***Notes***" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note ("***Global Note***"), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Note;

(iii) any definitive Notes in bearer form ("***Bearer Notes***") issued in exchange for a Global Note in bearer form; and

(iv) any definitive Notes in registered form ("***Registered Notes***") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of the Amended and Restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "***Agency Agreement***") dated March 11, 2009, and made between the Issuer, Citibank, N.A., London Branch as fiscal agent, principal paying agent and exchange agent (the "***Agent***", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "***Paying Agents***", which expression shall include any additional or successor paying agents), and Citigroup Global Markets Deutschland AG, as registrar (the "***Registrar***", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "***Transfer Agents***", which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons ("***Coupons***") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("***Talons***") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments have receipts ("***Receipts***") for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "***applicable Pricing Supplement***" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "***Noteholders***" or "***holders***" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "***Receiptholders***" shall mean the holders of the Receipts and any reference herein to "***Couponholders***" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "***Tranche***" means Notes which are identical in all respects (including as to listing) and "***Series***" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects except for their respective Issue Dates, Interest Commencement Dates (if applicable) and/or Issue Prices (if applicable).

Copies of the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the "***Agents***"). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Agents except that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement or between the Terms and Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Except as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Installment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Limited Recourse Note, as indicated in the applicable Pricing Supplement. Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. ("***Euroclear***") and/or Clearstream Banking S.A. ("***Clearstream***"), each person (other than Euroclear or Clearstream who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "***Noteholder***" and "***holder of Notes***" and related expressions shall be construed accordingly.

For so long as The Depository Trust Company ("***DTC***") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) **Transfers of Registered Notes in Definitive Form**

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part, in the authorized denominations set out in the applicable Pricing Supplement. In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note, or the relevant part of the Registered Note, at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) **Registration of Transfer upon Partial Redemption**

In the event of a partial redemption of Notes under Condition 9 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) **Costs of Registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) **Transfers of Interests in Regulation S Global Notes**

Prior to expiry of the Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 5 of the Agency Agreement, amended as appropriate (a "Transfer Certificate"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor, in which case the Transfer Certificate must be accompanied by a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 6 of the Agency Agreement (an "IAI Investment Letter"); or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) **Transfers of Interests in Legended Notes**

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) **Exchanges and Transfers of Registered Notes Generally**

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) **Definitions**

In this Condition, the following expressions shall have the following meanings:

"***Distribution Compliance Period***" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"***Institutional Accredited Investor***" means "***accredited investors***" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions;

"***Legended Note***" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"***QIB***" means a "***qualified institutional buyer***" within the meaning of Rule 144A;

"***Regulation S***" means Regulation S under the Securities Act;

"***Regulation S Global Note***" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"***Rule 144A***" means Rule 144A under the Securities Act;

"***Rule 144A Global Note***" means a Registered Global Note representing Notes sold in the United States or to QIBs; and

"***Securities Act***" means the United States Securities Act of 1933, as amended.

3. STATUS OF NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Certain Covenants*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (except for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. CERTAIN COVENANTS

(a) Limitation on Liens

The Issuer will not itself, and will not permit any Restricted Subsidiary to, create, incur, issue or assume or guarantee any External Indebtedness secured by any mortgage, charge, pledge, encumbrance or other security interest (a "***Lien***") on any Restricted Property without in any such case effectively providing that the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Restricted Subsidiary then existing or thereafter created) are secured equally and ratably with or prior to such secured External Indebtedness unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness, plus Attributable Debt of the Issuer and its Restricted Subsidiaries in respect of Sale/Leaseback Transactions as described under "*Limitation upon Sale and Leaseback Transactions*" below, in each case entered into after the date of the issuance of the Notes, would not exceed 10% of Consolidated Net Tangible Assets.

The foregoing restriction will not apply to External Indebtedness secured by:

(i) any Lien existing on any Restricted Property prior to the acquisition thereof by the Issuer or any of its Restricted Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(ii) any Lien on any Restricted Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Lien attaches to such Restricted Property concurrently with or within 12 months after the acquisition thereof or completion or construction, improvement or repair thereof;

(iii) any Lien existing on any Restricted Property of any Restricted Subsidiary prior to the time such Restricted Subsidiary becomes a Subsidiary of the Issuer or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;

(iv) any Lien securing External Indebtedness owing to the Issuer or to a Subsidiary; or

(v) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses or existing at the date of the issuance of the Notes, provided that such External Indebtedness is not increased and is not secured by any additional Restricted Property.

For the purposes of Conditions 4(a) and 4(b) the giving of a guarantee which is secured by a Lien on a Restricted Property, and the creation of a Lien on a Restricted Property to secure External Indebtedness which existed prior to the creation of such Lien, shall be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Restricted Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

For the avoidance of any doubt, the establishment of any receivables financing facility or arrangement pursuant to which a special purpose vehicle (including any special purpose trust) purchases or otherwise acquires accounts receivable of the Issuer shall not be deemed to be affected by Conditions 4(a) or 4(b).

(b) **Limitation upon Sale and Leaseback Transactions**

Neither the Issuer nor any Restricted Subsidiary may enter into any Sale/Leaseback Transaction after the date of the issuance of the Notes, unless (a) the Attributable Debt of the Issuer and its Restricted Subsidiaries in respect thereof and in respect of all other Sale/Leaseback Transactions entered into after the date of the issuance of the Notes (other than transactions permitted by clause (b) below) plus the aggregate principal amount of External Indebtedness secured by Liens on Restricted Property then outstanding (excluding any such External Indebtedness secured by Liens described in clause (i) through (v) under "*Limitation on Liens*" above or existing at the date of the issuance of the Notes without equally and ratably securing the Notes, would not exceed 10% of Consolidated Net Tangible Assets, or (b) the Issuer or a Restricted Subsidiary within 12 months after such Sale/Leaseback Transaction, applies to the retirement of External Indebtedness, which is not subordinate to the Notes, of the Issuer or a Restricted Subsidiary an amount equal to the greater of (i) the net proceeds of the sale or transfer of the property or other assets which are the subject of such Sale/Leaseback Transaction or (ii) the fair market value of the Restricted Property so leased (in each case as determined by the Issuer); provided that the amount to be so applied shall be reduced by (i) the principal amount of the Notes delivered within 12 months after such Sale/Leaseback transaction to the Agent for cancellation, and (ii) the principal amount of External Indebtedness of the Issuer or a Restricted Subsidiary, other than the Notes, voluntarily retired by the Issuer or a Restricted Subsidiary within 12 months after such Sale/Leaseback Transaction. Notwithstanding the foregoing, no retirement referred to in this paragraph (b) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision. Notwithstanding the foregoing, where the Issuer or any Restricted Subsidiary is the lessee in any Sale/Leaseback Transaction, Attributable Debt shall not include any External Indebtedness resulting from the guarantee by the Issuer or any other Restricted Subsidiary of the lessee's obligation thereunder. The foregoing restriction shall not apply to any transaction between the Issuer and a Subsidiary or between a Restricted Subsidiary and a Subsidiary.

(c) **Consolidation, Merger and Sale of Assets**

The Issuer, without the consent of the Holders of any of the Notes, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety (each a "transaction") to any corporation organized under the laws of Korea, *provided* that (a) any successor corporation expressly assumes the Issuer's obligations under the Notes and the Agency Agreement, (b) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (c) such successor corporation has the benefit of a credit rating which, at the time and immediately after such transaction takes place, is no worse than the credit rating of the Issuer, and (d) if, as a result of any such transaction, properties or assets of the Issuer or a Restricted Subsidiary would become subject to a Lien which would not be permitted under these Terms and Conditions, the Issuer or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Subsidiary then existing or thereafter created which is not subordinate to the notes) equally and ratably with (or prior to) all indebtedness secured thereby.

(d) **Certain Definitions**

"***Attributable Debt***" means, with respect to any Sale/Leaseback Transaction, the lesser of (x) the fair market value of the property or other assets subject to such transaction and (y) the present value (discounted at a rate per annum equally to the discount rate of a capital lease obligation with a like term in accordance with K-IFRS) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents) during the term of the lease.

"***Consolidated Net Tangible Assets***" means the total amount of assets of the Issuer and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent audited annual consolidated statement of financial position of the Issuer and its consolidated Subsidiaries and computed in accordance with K-IFRS.

"***External Indebtedness***" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of Korea and which has a final maturity of one year or more from its date of incurrence or issuance.

"***Long-term Debt***" means any note, bond, debenture or other similar evidence of indebtedness of money borrowed having a maturity of more than one year from the date such evidence of indebtedness was incurred or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the borrower beyond one year from the date such evidence on indebtedness was incurred.

"***person***" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"***Restricted Property***" means any asset or property located in Korea, whether at the date of the Indenture owned or thereafter acquired, other than any such asset or property, or portion thereof, reasonably determined by the Issuer's board of directors not to be of material importance to the total business conducted by the Issuer and its Subsidiaries as a whole.

"***Restricted Subsidiary***" means any Subsidiary that owns Restricted Property.

"***Sale/Leaseback Transaction***" means any arrangement with any Person which provides for the leasing by the Issuer or any Restricted Subsidiary, for an initial term of three years or more, of any Restricted Property, whether now owned or hereafter acquired, which are to be sold or transferred by the Issuer or any Restricted Subsidiary after the date of the issuance of the Notes to such Person for a sale price of U.S.$1,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than the currency of Korea.

"***Subsidiary***" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Issuer.

5. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Agent, Euroclear and Clearstream and at least 30 days' prior notice to the Noteholders in accordance with Condition 16 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in Euro.

The election will have effect as follows:

(i) the Notes and the Receipts shall be deemed to be redenominated into Euro with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into Euro at the Established Rate (as defined below), rounded to the nearest euro 0.01 if the conversion results in an amount involving a fraction of Euro 0.01, provided that, if the Issuer determines that the then market practice in respect of the redenomination into Euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;

(ii) except to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01;

(iii) if definitive Notes are required to be issued after the Redenomination Date (as defined below), they shall be issued at the expense of the Issuer in the denominations of Euro 1,000, Euro 10,000, Euro 100,000 and (but only to the extent of any remaining amounts less than Euro 1,000 or such smaller denominations as the Agent may approve) Euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

(iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "Exchange Notice") that replacement Euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Notes to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date (as specified in the applicable Pricing Supplement), it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;

(vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(viii) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in Euro.

(b) **Definitions**

In these Conditions, the following expressions have the following meanings:

"***Established Rate***" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into Euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

"***Euro***" means the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty;

"***Redenomination Date***" means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above, which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

"***Treaty***" means the Treaty on the functioning of the European Union (signed in Rome on March 25, 1957), as amended from time to time.

6. INTEREST

(a) **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Terms and Conditions, "***Fixed Interest Period***" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined below), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Terms and Conditions:

"***Day Count Fraction***" means, in respect of the calculation of an amount of interest, in accordance with this Condition 6(a):

(i) if "***Actual/Actual (ICMA)***" is specified in the applicable Pricing Supplement:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "***Accrual Period***") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "***30/360***" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

"***Determination Period***" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"***sub-unit***" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes**

(i) ***Interest Payment Dates***

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "***Interest Payment Date***") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 6 (*Interest* — (b)(i)(B)) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, unless the context otherwise requires, "Business Day" means a day which is either (1) in relation to any sum payable in a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than the country of the Paying Agent's specified office and any Additional Business Center and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in Euro, a day (other than a Saturday or Sunday) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "***TARGET2 System***") is open.

(ii) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions") and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("***LIBOR***") or on the Euro-zone inter-bank offered rate ("***EURIBOR***"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), "***Floating Rate***", "***Calculation Agent***", "***Floating Rate Option***", "***Designated Maturity***" and "***Reset Date***" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the applicable Pricing Supplement) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) ***Determination of Rate of Interest and Calculation of Interest Amounts***

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "***Interest Amount***") payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"***Day Count Fraction***" means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

(1) if "***Actual/Actual (ISDA)***" or "***Actual/Actual***" is specified in the applicable Pricing Supplement, the actual number of days in the Interest period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest period falling in a non-leap year divided by 365);

(2) if "***Actual/365 (Fixed)***" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(3) if "***Actual/365 (Sterling)***" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365, or in the case of an Interest Payment Date falling in a leap year, 366;

(4) if "***Actual/360***" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(5) if "***30/360***", "***360/360***" or "***Bond Basis***" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Faction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(6) if "***30E/360***" or "***Eurobond Basis***" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Faction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(7) if "***30E/360 (ISDA)***" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Faction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D_2 will be 30.

(v) ***Notification of Rate of Interest and Interest Amounts***

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 16 (*Notices*) as soon as practicable after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 16 (*Notices*). For the purposes of this paragraph, the expression "***London Business Day***" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) ***Certificates to be Final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b) (*Interest — Interest on Floating Rate Notes and Index Linked Interest Notes*), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(vii) ***Interest on Dual Currency Interest Notes***

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(viii) ***Interest on Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(ix) ***Accrual of Interest***

Each Note (or in the case of the redemption of only part of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(1) the date on which all amounts due in respect of such Note have been paid; and

(2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

7. LIMITED RECOURSE

The amounts payable in respect of the Limited Recourse Notes shall be determined in the manner specified in the applicable Pricing Supplement.

8. PAYMENTS

(a) Method of Payment

Subject as provided below:

(i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively); and

(ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*).

(b) **Presentation of Definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of installments of principal (if any) in respect of definitive Bearer Notes, other than the final installment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of six years after the Relevant Date (as defined in Condition 10 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11 (*Prescription*)) or, if later, six years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "***Long Maturity Note***" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) **Payments in Respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) **Payments in Respect of Registered Notes**

Payments of principal (other than installments of principal prior to the final installment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "***Register***") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "***Designated Account***" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "***Designated Bank***" means (in the case of payment in a Specified Currency other than Euro) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro.

Payments of interest and payments of installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of one business day before the relevant due date (the "***Record Date***") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) **General Provisions Applicable to Payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition applicable to payments on Bearer Notes, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "***Payment Day***" means any day which (subject to Condition 11 (*Prescription*)) is:

(i) in relation to any sum payable in a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively); and/or

(ii) in relation to any sum payable in Euro, a day on which the TARGET2 System is open; and/or

(iii) in the case of any payment in respect of a Note in definitive form, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in (A) the relevant place of presentation and (B) any Additional Financial Center specified in the applicable Pricing Supplement; and/or

(iv) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

(g) **Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*);

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in installments, the Installment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 9(e) (*Redemption and Purchase — Early Redemption Amounts*)); and

(vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 (*Taxation*).

9. REDEMPTION AND PURCHASE

(a) **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) **Redemption for Tax Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 16 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws of a Tax Jurisdiction (as defined in Condition 10 (*Taxation*)) or any regulations or rulings promulgated thereunder or any change in the application or official interpretation of such laws or regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting in taxation to which the Tax Jurisdiction is a party, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by an authorized officer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 9(b) (*Redemption and Purchase — Redemption for Tax Reasons*) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) **Redemption at the Option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 16 (Notices); and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("***Redeemed Notes***") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "***Selection Date***"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) at least five days prior to the Selection Date.

(d) **Redemption at the Option of the Noteholders (Investor Put)**

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 16 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 9(d) (*Redemption and Purchase — Redemption at the Option of the Noteholders (Investor Put)*) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "***Put Notice***") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2 (*Transfers of Registered Notes — Transfers of Registered Notes in Definitive Form*). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 12 (*Events of Default*).

(e) **Early Redemption Amounts**

For the purpose of paragraphs (b) through (d) above and Condition 12 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Note (other than a Zero Coupon Note but including an Installment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(iii) in the case of a Zero Coupon Note, at an amount (the "***Amortized Face Amount***") calculated in accordance with the following formula:

Early Redemption Amount = RP x (1 + AY) y

where:

"***RP***" means the Reference Price; and

"***AY***" means the Accrual Yield expressed as a decimal; and

"***y***" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) **Installments**

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) **Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 9 and the applicable Pricing Supplement.

(h) **Purchases**

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike.

Notes held by the Issuer and its Subsidiaries are not "outstanding" for the purpose of Condition 17 (*Meetings of Noteholders, Modification and Waiver*).

(i) **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) **Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 12 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

10. TAXATION

All payments of principal and interest, Receipts and Coupons in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; provided that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment (where presentation is required) in Korea (provided the Notes can also be presented at an office of a Paying Agent outside Korea); or

(b) where such withholding or deduction is imposed on a payment to a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 8(f) (*Payments — Payment Day*)); or

(d) where such withholding or deduction is imposed on a payment to a holder who would be able to avoid such withholding or deduction by either (i) presenting (where presentation is required) the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union or (ii) by making a declaration or non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so; or

(e) any combination of (a), (b), (c) or (d) above.

Nor will additional amounts be paid with respect to any payment on a Note, Receipt or Coupon to a holder who is a fiduciary, a partnership, a limited liability company or a holder other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of a Tax Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interestholder in a limited liability company or a beneficial owner who would not have been entitled to the additional amounts had that beneficiary, settlor, member or beneficial owner been the holder.

The Issuer shall be permitted to withhold or deduct any amounts required by the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) or pursuant to any agreement with the U.S. Internal Revenue Service ("***FATCA withholding***") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding. The Issuer shall not be liable for, or otherwise obliged to pay, any FATCA withholding deducted or withheld by the Issuer, any paying agent or any other party.

As used herein:

(i) "***Tax Jurisdiction***" means Korea or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the "***Relevant Date***" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16 (*Notices*).

The obligation to pay additional amounts shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest or premium on, the Notes, Receipts or Coupons; provided that, except as otherwise set forth in these Terms and Conditions and in the Agency Agreement, the Issuer shall pay all stamp and other duties, if any, which may be imposed by Korea or the United Kingdom or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Agency Agreement or as a consequence of the initial issuance of the Notes.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note, Receipt or Coupon, such mention shall be deemed to include payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

11. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of six years (in the cases of both principal and interest) after the Relevant Date (as defined in Condition 10 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8(b) (*Payments — Presentation of Definitive Bearer Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 8(b) (*Payments — Presentation of Definitive Bearer Notes, Receipts and Coupons*).

12. EVENTS OF DEFAULT

The occurrence and continuance of the following events will constitute events of default ("Events of Default"):

(a) default in the payment of any installment of interest upon any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable, and continuance of such default for a period of 10 days; or

(b) default in the payment of all or any part of the principal of any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable, and continuance of such default for a period of 2 days; or

(c) failure on the part of the Issuer duly to observe or perform any other of the covenants or agreements on the part of the Issuer contained in these Terms and Conditions for a period of 45 days after the date on which written notice specifying such failure, stating that notice is a "Notice of Default" under these Terms and Conditions and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer or to Issuer at the office of the Agent by the holders of at least 10% in aggregate principal amount of the Notes at the time outstanding; or

(d) any External Indebtedness of the Issuer in the aggregate principal amount of U.S.$15,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Issuer or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Issuer in respect of External Indebtedness of any other Person in the aggregate principal amount of U.S.$15,000,000 or more not being honored when, and remaining dishonored after becoming, due and called, provided that, if any such default under any such External Indebtedness shall be cured or waived, then the default under these Terms and Conditions by reason thereof shall be deemed to have been cured and waived; or

(e) a court or administrative or other governmental agency or body having jurisdiction shall enter a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Issuer to be bankrupt or insolvent and such decree or order shall remain unstayed and in effect for a period of 45 consecutive days; or

(f) the Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business or make any general assignment for the benefit of creditors, or enter into any composition with its creditors or take corporate action in furtherance of any such action.

If any one or more of the above Events of Default shall occur and be continuing then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 9(e) (*Redemption and Purchase — Early Redemption Amounts*)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

13. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be an Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office (outside the United States in the case of Bearer Notes) in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London; and

(d) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for definitive Notes. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 8(e) (*Payments — General Provisions Applicable to Payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

15. EXCHANGE OF COUPONS FOR TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 11 (*Prescription*).

16. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Bearer Notes are listed on the SGX-ST and the rules of the SGX-ST so require, a daily newspaper of general circulation in Singapore. It is expected that such publication will be made in the *Financial Times* in London and the Business Times in Singapore. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first-class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a manner specified by those rules. Any such notice shall be deemed to have been given to the holders of the Notes one day after the day on which the said notice was given to Euroclear and/or Clearstream and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through Euroclear and/or Clearstream and/or DTC, as the case may be, in such manner as the Agent, the Registrar and Euroclear and/or Clearstream and/or DTC, as the case may be, may approve for this purpose.

17. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 5% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(i) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(ii) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

The Agency Agreement also provides that quorum and voting requirements for certain resolutions which may affect the Notes of more than one Series shall be deemed to require separate meetings of the holders of each Series or group of Series so affected.

18. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders, create and issue further notes with the same terms and conditions as the Notes in all respects except for the amount and date of the first payment of interest thereon so that such further issue shall be consolidated and form a single Series with the outstanding Notes; provided that, in the case of Bearer Notes initially represented by interests in a Temporary Global Note exchangeable for interests in a Permanent Global Note or definitive Bearer Notes, such consolidation will occur only upon certification of non-U.S. beneficial ownership and exchange of interests in the Temporary Global Note for interests in the Permanent Global Note or definitive Bearer Notes.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing Law

The Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the law of the State of New York.

(b) Submission to Jurisdiction

To the fullest extent permitted by applicable law, the Issuer irrevocably submits to the non-exclusive jurisdiction of any federal or state court in the Borough of Manhattan, The City of New York, United States of America ("***New York Courts***"), in any suit, action or proceeding brought by any Noteholder, Receiptholder or Couponholder arising out of or based upon the Notes, the Receipts/or the Coupons, and irrevocably agrees that all claims in respect of any such suit, action or proceeding may be determined in any such court. The Issuer irrevocably waives, to the fullest extent permitted by applicable law, any objection it may have to the laying of venue in any such court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. The Issuer hereby appoints Law Debenture Corporate Services Inc., located at 4th Floor, 400 Madison Avenue, New York, New York 10017, as its authorized agent (the "Authorized Agent", which expression shall include any replacement authorized agent) upon whom process may be served in any such suit or proceeding set forth herein, it being understood that the designation and appointment of the Authorized Agent as such authorized agent shall become effective immediately without any further action on the part of the Issuer; *provided that* if for any reason the Authorized Agent named above ceases to act as Authorized Agent hereunder for the Issuer, the Issuer will appoint another person acceptable to the Dealers in the Borough of Manhattan, The City of New York, as Authorized Agent. The Issuer agrees to take any and all action as may be necessary, including the filing of any and all documents that may be necessary, to maintain such designation and appointment of the authorized agent in full force and effect. If for any reason the appointment of the Authorized Agent shall cease to be in force, the Issuer shall forthwith appoint a new agent to be the Authorized Agent and shall deliver to the Dealers and the Arranger a copy of the new Authorized Agent's acceptance for that appointment within 30 days. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Issuer. The parties hereto each hereby waive, to the fullest extent permitted by applicable law, any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Notes, the Receipts and/or Coupons.

(c) Other Documents

The Issuer has in the Agency Agreement submitted to the jurisdiction of the New York Courts and appointed an agent for service of process in terms substantially similar to those set out in subparagraph (b) above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Company for its general corporate purposes or such other purposes as may be specified in the applicable Pricing Supplement.

EXCHANGE RATES

The table below sets forth the Market Average Exchange Rate for the last day of, and the average for, the periods indicated. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Year ended December 31,	At end of period	Average(1)	High	Low
2011	1,153.3	1,108.1	1,199.5	1,049.5
2012	1,071.1	1,126.9	1,181.8	1,071.1
2013	1,055.3	1,095.0	1,159.1	1,051.5
2014	1,099.2	1,053.2	1,118.3	1,008.9
2015	1,172.0	1,131.5	1,203.1	1,068.1
2016 (through March 2)	1,240.9	1,209.9	1,240.9	1,172.0
January	1,208.4	1,201.7	1,212.7	1,172.0
February	1,235.4	1,217.4	1,236.1	1,195.1
March (through March 2)	1,240.9	1,240.9	1,240.9	1,240.9

Source: Seoul Money Brokerage Services, Ltd.

Note:

(1) Annual and monthly averages are calculated using the daily Market Average Exchange Rates during the relevant period.

RISK FACTORS

An investment in the Notes is subject to numerous risks, including those listed below. Investors should carefully consider the following risks as well as the other information contained in this Offering Circular before purchasing the Notes. These risks could materially affect the Company's ability to meet its obligations under the Notes. In such case, investors may lose all or part of their original investment in, and the expected return on, the Notes.

Risks Relating to the Company

Difficult conditions in the Korean and global economy could adversely affect the Company's profitability, liquidity and asset quality.

Most of the Company's assets are located in, and the Company generates most of its income from, Korea. As a result, the Company's business and profitability are subject to political, economic, legal and regulatory risks specific to Korea, many of which are beyond the Company's control. The Korean economy continues to show signs of sluggishness in part due to weak consumer confidence, consumer spending and corporate investment, and its outlook for 2016 and beyond remains uncertain. Market turmoil and economic downturn, particularly in Korea, could materially adversely affect the liquidity, and businesses and/or financial conditions of the Company's customers, which in turn could lower demand for goods such as automobiles and homes the financing of which represents the Company's primary business. Such developments could also hurt the value of assets (such as automobiles and homes) collateralizing the Company's secured receivables and loans, increase the delinquency among the Company's customers and otherwise impair the quality of the Company's receivables, loans and other financial assets.

The Korean economy is closely integrated with, and is significantly affected by, developments in the global economy and financial markets. In light of the ongoing general economic weakness and political turbulence in Europe, signs of cooling economy for China and the continuing political instability in the Middle East and the former republics of the Soviet Union, including Russia, among others, significant uncertainty remains as to the global economic prospects in general and such factors have adversely affected, and may continue to adversely affect, the Korean economy and in turn on the Company's business and profitability, as a result of, for instance, a decrease in domestic consumption of automobiles due to dampened consumer confidence. In addition, the value of the Won relative to the U.S. Dollar has also fluctuated significantly in recent years, and there is no guarantee that similar currency fluctuation will not occur again in the future. See "*Exchange Rates*". Any future deterioration of global economy could adversely affect the Company's business, financial condition and results of operations.

Furthermore, if the conditions in credit or financial markets in Korea or globally worsen in the future due to changes in government policy, structural weaknesses or for other reasons, the Company's ability to borrow may be adversely affected and the Company may be forced to fund its operations at a higher cost or the Company may be unable to raise as much funding as it needs to support its lending to customers and other activities, which could reduce the Company's profitability.

The profitability and financial condition of the Company's operations are largely dependent upon the number of vehicles sold by HMC and KMC.

In recent years, financing and extending lease financing for HMC and KMC vehicles in Korea combined represented a substantial majority of the total new vehicle financing and leasing amounts of the Company in those periods, respectively. As a result, the level of domestic automobile production and sales by HMC and KMC directly impacts the Company's automotive financing and automotive leasing volume. In addition, the resale value of HMC and KMC vehicles in Korea, which may be impacted by various factors relating to their respective businesses, such as brand image or the number of new HMC and KMC vehicles produced, affects the proceeds the Company receives from the sale of repossessed vehicles and off-lease vehicles at lease termination.

HMC and KMC are the leading automobile manufacturers in Korea, with a combined market share of approximately 78.1% as of December 31, 2015 based on units of new vehicles sold (excluding imported units) according to the Korea Automobile Manufacturers Association ("KAMA"). In recent years, the domestic sales volumes and domestic market shares of HMC and KMC in the aggregate have decreased partly as a result of increasing market penetration by import cars. Any further decline in the sales of HMC and KMC vehicles in Korea due to a reduction or suspension of HMC or KMC's production, declining market share, growing popularity of imported cars, excess industry capacity, industry pricing pressures, declines in consumer demand, labor unrest, government action, negative publicity or significant changes to marketing programs sponsored by HMC and KMC may have a material adverse effect on the Company's business, financial condition and results of operations.

Fluctuations in interest rates may negatively affect the Company's margins and volumes.

Between 2005 and 2015, the base interest rate set by the Bank of Korea remained within the band between 2% and 5.25%. In an effort to support Korea's economy in light of the recent slowdown in Korea's growth and uncertain global economic prospects, the Bank of Korea reduced the base interest rate to 1.75% in March 2015 and further reduced such rate to a historic low of 1.5% in June 2015.

The Company's profitability is affected by changes in interest rates, as the Company realizes profit for the period mainly from the margin between interest revenue from its assets and interest expense on its liabilities. Accordingly, if interest rates were to fall sharply or remain at a low level for a significant period of time (the latter being the case in recent years) and the Company is unable, for competitive or other reasons, to pass through the effects of interest rate changes to customers by adjusting the interest rates charged to them or by adjusting its cost of funding on a full or timely basis, such developments may limit or reduce the amount of spread between the interest rate that the Company can charge customers for loans and receivables (which are recorded as assets) and the interest rate payable by the Company for its funding (which is recorded as liabilities). In such cases, the Company's business, financial condition and results of operation may be adversely affected.

Conversely, an increase in interest rates may also adversely affect the Company's business, financial condition and results of operation in a number of ways, including (i) an increase in funding costs that the Company may not be able to timely or sufficiently offset by an increase in the interest rates charged to customers due to competitive, regulatory or other reasons, (ii) a decrease in the volume of the Company's automotive financing due to a higher price associated with purchasing an automobile by use of financing relative to cash purchasers and (iii) a decrease in demand for mortgage loans due to the competitive market and other reasons.

Competition in the Korean consumer financial services industry is intense, and if the Company is unable to compete successfully or if there is increased competition in the automotive financing, automotive leasing, personal loan or mortgage loan markets, the Company's margins could be materially and adversely affected.

The markets for automotive financing, automotive leasing and personal loans (including mortgage loans) are highly competitive. In the past few years, demand for automotive financing and automotive leasing products has generally grown, as customers in Korea have become increasingly familiar with and receptive to automotive financing and automotive leasing. Competition in the automotive financing and automotive leasing sectors has also increased, which has substantially contributed to a decline of the Company's share of automotive financing and lease financing of new HMC and KMC vehicles provided by specialty consumer financing companies (including financial subsidiaries of commercial banks) in Korea from 77.2% and 85.1% in 2013 to 69.8% and 76.5% in 2014 and 71.1% and 80.7% in 2015, respectively. The Company's personal loan (including mortgage loan) business also faces significant competition from existing and new consumer finance companies, including commercial banks, credit card companies and other specialty finance companies in Korea, which have made significant investments and engaged in aggressive marketing campaigns and promotions in these areas. In addition, foreign financial institutions may further add to the competition in the credit specialized financing industry. Commercial banks have extensive distribution networks in Korea and have lower cost structures, lower cost of capital and are less reliant on securitization and have a wide range of financial resources. The Company faces significant competition in various areas, including product offerings, rates, pricing and fees, and customer service. To the extent the Company reduces interest rates or fees on its products and services in response to competitive pressures, the Company's interest margins will decline. Furthermore, the average credit quality of the Company's customers may decline if higher credit quality customers borrow from the Company's competitors rather than from the Company. If the Company is unable to compete effectively in the markets in which it operates, its profitability and financial condition could be adversely affected.

The Company relies on settlement interest arrangements with HMC and KMC.

The Company has an agreement with each of HMC and KMC under which these two companies provide the Company a fixed interest spread over interest on a Korean benchmark Won-denominated financial institution bond with a three-year maturity for installment financings arranged by the Company to its customers for the purchase of new HMC or KMC vehicles (together, the "Settlement Interest Agreements"). Such fixed interest spread may be amended during the term of the agreement by either HMC or KMC, as the case may be, with consultation with the Company and based upon market conditions or the rates of competitors. The Settlement Interest Agreements are currently scheduled to expire in September 2016 subject to an option for continuous renewal for two-year terms thereafter. The Company currently believes that it is highly likely that the Settlement Interest Agreements will continue to be renewed again on terms commercially acceptable to the Company. However, if any of the Settlement Interest Agreements are not so renewed or were to be terminated, amended to provide for a lower fixed interest spread, or found to be unenforceable or illegal under Korean law, the Company would be exposed to greater interest rate risks and its returns on its financing could be substantially reduced which in turn could have a material adverse effect on the Company's business, financial condition and results of operations. See "*Certain Relationships and Related Party Transactions — Settlement Interest Agreements*".

Affiliates of the Hyundai Motor Group may exercise significant control of the Company through their shareholdings and their interests may differ from those of the Company.

As of the date of this Offering Circular, HMC and KMC held 59.7% and 20.1% of the outstanding shares of the Company, respectively, and GECC held 20.0% of the Company. In addition, the Company engages in a variety of related party transactions with HMC, KMC, GECC and their respective affiliates. See "*Certain Relationships and Related Party Transactions*".

When exercising their rights as the Company's shareholders, either alone or in concert, HMC, KMC and GECC may take into account not only the Company's interests, but also their respective interests and the interests of their respective affiliates. Various conflicts of interest among the three shareholders and the Company may arise in the future in a number of areas relating to the Company's business and relationships, including incurrence of indebtedness, financial commitments, sales and marketing functions, indemnity arrangements, service arrangements, potential acquisitions of businesses or properties, and the exercise by HMC, KMC and GECC of control over the Company's management and affairs. Such conflicts of interest may not be resolved in the Company's favor, which may adversely affect the interests of the Company.

On January 5, 2016, GECC sold a 23.3% equity interest in the Company to HMC and KMC. In the past, GECC, as a major shareholder of the Company and through its director nominees, has made substantial contributions to the Company's overall business and operations in the form of corporate governance and risk management expertise, product development and financial support. The Company believes that it has sufficiently developed, and will be able to continue to independently develop, sufficient capabilities to properly maintain advanced standards of corporate governance and risk management as well as develop new products. However, it is uncertain what effect GECC's reduction of its equity interest in, and winding down of its relationship with, the Company may have on the Company's business, financial condition and results of operations.

Reductions in the Company's ratings may adversely affect the Company's ability to raise capital in the debt markets at attractive rates.

Credit ratings are a component of the Company's funding and liquidity profile. Credit ratings are an indicator of the credit worthiness of a particular company, security or obligation. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Funding and Liquidity — Credit Ratings*". Any reduction in the Company's credit ratings could adversely affect its liquidity and competitive position, increase the Company's borrowing costs and limit its access to the capital markets and funding sources on commercially acceptable terms. In addition, as the Company's business performance is closely tied to those of HMC and KMC, downgrades of credit ratings of HMC or KMC may also have an adverse effect on the Company's credit ratings. Such events could adversely affect the Company's financial condition and results of operations.

If external financing is not sufficiently available at commercially reasonable terms or at all, the Company's profitability and financial condition may suffer and the Company may not be able to implement its business strategy and future plans.

The Company depends on its ability to access diversified funding alternatives, including issuances of debt securities in the Korean or international capital markets and additional bank borrowings, to meet future cash flow requirements and to continue to fund its operations. The ability of the Company to access bank loans and capital markets depends on its financial position, the liquidity of the Korean and international capital markets and the Government's policies regarding Korean Won and foreign currency borrowings. Currently, the Company primarily obtains its financing through issuances of bonds. To a lesser extent, the Company relies on ABSs, commercial papers and bank loans as sources of financing. The availability of any one financing source may decrease in the future due to general market conditions or other factors beyond the Company's control. As of December 31, 2014 and 2015, the Company had domestic loans and bonds (which generally have maturities of one to 10 years) in the aggregate amounts of ₩10,579.0 billion and ₩11,618.0 billion, respectively, and commercial papers (which generally have maturities ranging from 30 to 90 days and since January 15, 2013 have included electronically issuable short term bonds with maturities of less than one year) in the amounts of ₩200.0 billion and ₩530.0 billion, respectively. As of December 31, 2015, approximately 27.7% of the Company's long term debt funding was obtained from the international debt capital and lending markets. The Company securitized its receivables in the aggregate amount of ₩2,300.5 billion in 2014 and ₩3,153.6 billion in 2015. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Funding and Liquidity*". If the Company is unable to maintain adequate financing or if other sources of capital are not available, it could be forced to suspend, curtail or reduce certain aspects of its operations, which could harm its revenues, profitability, financial condition and business prospects.

The Company's transactions with its affiliates may be restricted under Korean fair trade regulations.

The Company's business operations and transactions with its affiliates, including with respect to Settlement Interest Agreements, are subject to the ongoing scrutiny of the Korean Fair Trade Commission (the "KFTC") as to, among other things, whether such transactions may constitute undue financial support among the companies of a group.

In August 2013, the KFTC launched investigations against HMC and KMC on allegations that HMC and KMC unfairly coerced their subcontractors and agents to use the auto financing products of the Company, which is an affiliate of HMC and KMC. In May 2014, the KFTC dropped the investigations without charges being filed. However, if the Korean Fair Trade Commission were to pursue similar investigations in the future and order that HMC and KMC refrain from such practices or were to take other actions against the Company, such action by the KFTC may negatively impact the Company's ability to sell auto financing products in connection with sales of HMC and KMC vehicles, which may adversely affect the Company's business, results of operation and financial condition. In addition, the Company's material business transactions with members of the HMG are subject to the approval by its board of directors and a public disclosure requirement. In addition, pursuant to the revised Monopoly Regulation and Fair Trade Act of Korea, which came into effect on February 14, 2014, the Company is restricted from providing unfair benefits to specially related persons (which includes certain affiliates) such as the provision of business opportunities through transactions with such persons. Any adverse determinations by the Korean Fair Trade Commission may impair the ability of the Company to achieve cost reductions and synergies from the integrated activities among the members of the HMG. See "*Certain Relationships and Related Party Transactions*".

Under Korean tax law, the Company, HMC and KMC are related parties, and there is an inherent risk that any transactions of HMC or KMC (or any persons or companies that are related to the Company) with the Company may be challenged by the Korean tax authorities, if such transactions are viewed as having been made on terms that are not on an arm's-length basis.

The Company is subject to contractual arrangements obligating it to purchase delinquent and written-off receivables from three members of the HMG the amount of which may increase significantly in an economic downturn.

The Company has entered into agreements with Hyundai Card, Hyundai Commercial and Hyundai Life Insurance pursuant to which the Company is obligated to purchase all future delinquent and written-off receivables from such companies. Under such arrangements, the Company agrees to purchase all of the 60-day overdue and wholly written-off receivables from these companies each month at a market value of such receivables as determined by an independent accountant. In 2014 and 2015, the aggregate nominal value of the delinquent and written-off receivables the Company purchased from these companies amounted to ₩446.9 billion and ₩419.6 billion, respectively, for which the Company paid ₩183.7 billion and ₩164.3 billion, respectively. See "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Card, — Relationship with Hyundai Commercial and — Relationship with Hyundai Life Insurance*". During an economic downturn, the amount of such delinquent and written-off receivables may increase as delinquency ratios increase and the credit quality of credit card assets deteriorate. The Company may experience difficulty collecting receivables purchased from these companies, which, in turn, may have an adverse effect on the Company's financial condition.

A decline in the value of the collateral securing the Company's loans and an inability to realize the full value of the collateral may adversely affect the Company's credit portfolio.

While most of the Company's automotive financings are secured by liens on the vehicles financed by the Company, there is no assurance that the collateral securing any particular loan will protect the Company from suffering a partial or complete loss if the loan becomes non-performing. In addition, all of the Company's mortgage loans are secured by residential property. The Company's general policy is to provide mortgage loans with loan-to-value ratios, in the case of individual borrowers, up to 70% pursuant to regulatory guidelines and consistent with general market practice for other financial service providers, and in the case of corporate borrowers for which there is no specific regulatory guideline, up to 85%. The value of the collateral may fall below the outstanding principal balance of the underlying loans, for which the Company has signed up for residual value insurance ("RVI") and is insured up to a certain level against declines in real estate prices in Korea. Nevertheless, the Company is not fully protected against such declines and the Company may be required to increase loan loss provisions that may have a material adverse effect on the Company's business, financial condition and results of operations.

Foreclosure on collateral generally requires a written petition to a Korean court. Such application, when made, may be subject to delays and administrative requirements that may result in a decrease in the recovery value of such collateral. Foreclosure proceedings under laws and regulations in Korea generally take seven months to one year from initiation to collection, depending on the nature of the collateral. In addition, there is no assurance that the Company will be able to realize the full value of such collateral as a result of, among other factors, delays in foreclosure proceedings, defects in the perfection of the collateral, fraudulent transfers by borrowers and general declines in collateral value due to oversupply of properties that are placed in the market.

The Company maintains an allowance for doubtful accounts, which it establishes as a reserve against charge-offs for doubtful loans and receivables. If charge-offs exceed the existing allowance, the Company charges the excess to charge-offs for doubtful accounts. The Company may experience higher than anticipated loan and lease defaults and delinquencies, and its allowance for doubtful accounts may not be adequate to cover future charge-offs.

A large portion of the Company's assets are the subject of ABS transactions for which the Company remains contingently liable and which are not available to creditors generally, including the holders of the Notes.

A large portion of the Company's assets were sold in ABS transactions, and the Company may enter into additional ABS transactions in the future without equally and ratably securing the Notes. The assets supporting the payments on the asset-backed securities are not available to creditors of the Company, including holders of the Notes. As of December 31, 2014 and December 31, 2015, ₩3,677.4 billion and ₩4,859.5 billion, or 18.1% and 22.3%, respectively, of the Company's financial receivables, were pledged or sold in connection with ABS transactions.

When the Company securitizes assets, it is required to make customary representations and warranties to the purchaser or securitization trust and is required to indemnify breaches of representations or warranties in connection with its securitizations. Although the Company does not have any obligation to repurchase any assets transferred to the securitization vehicle in the event they become delinquent, if any such assets have certain legal defects and are deemed ineligible receivables, the Company is generally required to repurchase such ineligible receivables from the vehicle or replace such assets. As of December 31, 2014 and 2015, the Company established ₩23.5 billion and ₩24.5 billion, respectively, of allowance for financial receivables that it had securitized. However, there is no assurance that such allowance will be sufficient to cover actual losses resulting from the Company's ABS transactions.

In connection with the securitization of its receivables, the Company generally acquires subordinated notes and/or money receivables trust (including in the form of beneficiary certificates issued by the securitization vehicle), in order to enhance the credit quality of the senior tranches of asset-backed securities being issued by the vehicle to investors in the securitization transaction and, to recapture any revenues generated by the securitized receivables in excess of amounts required to pay principal and interest on the senior tranches of asset-backed securities and the other expenses of the securitization vehicle. As of December 31, 2014 and December 31, 2015, the Company held ₩1,419.4 billion and ₩2,062.2 billion, respectively, of such subordinated notes and money receivables trust (including in the form of beneficiary certificates). The Company's interest income from subordinated bonds and distribution income from subordinated beneficiary certificates from ABS in the aggregate amounted to ₩272.3 billion and ₩254.4 billion in 2014 and 2015, respectively. In the event that the assets transferred to securitization vehicles do not generate sufficient revenues to make payments on the subordinated notes and money receivables trust at current levels after payments of principal and interest on the senior tranches of asset-backed securities and other expenses of the vehicles, the Company's interest income from ABS will decrease.

The Company may from time to time pursue international expansion opportunities that may subject it to different or greater risk from those associated with its domestic operations.

While the Company's operations have, to date, been primarily based in Korea, the Company has expanded and may continue to expand, in each case on a selective basis, its overseas operations in the future. For example, the Company has established subsidiaries in Germany, Brazil, China, India, Russia and the United Kingdom, some of which are in the form of joint ventures with foreign partners. See "*Business — History*".

The Company's overseas operations are currently limited to the provision of automotive financing services in China and the United Kingdom and the provision of primarily consulting services in other countries. However, subject to market conditions, the Company may also seek to provide automotive financing services in other countries. For instance, the Company seeks opportunities to provide automotive financing services to purchasers of vehicles sold by HMC and KMC overseas in conjunction with their existing overseas sales networks. As a result, the Company's overseas expansion plans generally face less risk than would have been the case if the Company were to venture into overseas markets without such support networks. However, overseas operations involve risks that are different from those the Company faces in its domestic operations, including the following:

- challenges of complying with multiple foreign laws and regulatory requirements, including tax laws and laws regulating the Company's operations and investments;
- volatility of overseas economic conditions, including fluctuations in foreign currency exchange rates;
- difficulties in enforcing creditors' rights in foreign jurisdictions;
- risk of expropriation and exercise of sovereign immunity where the counterparty is a foreign government;
- difficulties in establishing, staffing and managing foreign operations;
- differing labor regulations;
- political and economic instability, natural calamities, war and terrorism;
- lack of familiarity with local markets and competitive conditions;
- changes in applicable laws and regulations in Korea that affect foreign operations; and
- obstacles to the repatriation of earnings and cash.

Any failure by the Company to recognize or respond to these differences may adversely affect the success of its operations in those markets, which in turn could adversely affect its business and results of operations.

The Company may not be successful in implementing new business strategies or penetrating new markets, including through acquisitions, joint ventures or alliances.

While the Company is currently focused on maintaining its competitive position in its core business and key operations, including automotive financing, the Company may selectively enter into new business areas, subject to business opportunities and prevailing market conditions. The introduction of new financial products and services exposes it to a number of risks and challenges, including, among others, additional marketing and compliance costs, failure to realize anticipated returns and associated opportunity costs, failure to identify and offer attractive new services in a timely fashion, competitors that may have substantially greater experience and resources, and difficulties in hiring or retaining capable personnel. In addition, as part of its business strategy, the Company may also seek, evaluate or engage in potential acquisitions, mergers, restructurings, combinations, rationalizations, divestments, and other similar opportunities, including with existing or future related-party joint ventures, acquisitions and strategic alliances and with respect to existing or new product lines. The prospects of these initiatives are uncertain, and there is no assurance that the Company will be able to successfully implement or grow new ventures, and these ventures may prove more difficult or costly or less profitable than expected. If the Company is unsuccessful in its new business endeavors, the Company may fail to recover its investments or expenditures, which together with associated opportunity costs, may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's failure to manage operational risk could adversely affect its business.

Operational risk is the risk of loss resulting from, among other factors, inadequate or failed processes, systems or internal controls, theft, fraud, or natural disaster. Operational risk can occur in many forms including, but not limited to, errors, business interruptions, failure of controls, inappropriate behavior of or misconduct by the Company's employees or those contracted to perform services for the Company, and vendors that do not perform in accordance with their contractual agreements. These events may result in financial losses or other damages to the Company, including damage to its reputation.

In order to monitor and manage operational risk, the Company maintains a framework of internal controls designed to provide a sound and well-controlled operational environment. However, due to the complexity of the Company's business, problems could be identified in the future, and there is no assurance that these problems will not have a material effect on the Company's operations. The Company strives to maintain appropriate levels of operational risk relative to its business strategies, competitive and regulatory environment, and the markets in which it operates. The Company believes that it maintains appropriate levels of insurance coverage for those aspects of operating risk that can be mitigated through the purchase of insurance. Notwithstanding these control measures and insurance coverage, the Company remains exposed to certain levels of operational risk and there is no assurance that these problems will not have an adverse effect on the Company's operations.

The Company's failure to manage risks associated with its information and technology systems could adversely affect its business.

The Company is subject to risks relating to its information and technology systems and processes. These risks, which may arise internally and externally, include malfunctions and failures, human error or misconduct and other external factors. Although the Company actively seeks to identify and remedy flaws in its information and technology systems, it may not be able to prevent all types of defects in or malfunctioning of its systems and any such occurrences in the future could potentially result in financial losses or other damages to the Company, including damage to its reputation.

The Company relies on internal and external information and technology systems to generate new business, provide services to customers, administer customer data and manage the Company's operations. The Company administers some of its personal loan operations through third party administered automatic teller machines and internet portals. The Company uses advanced software, systems and networks to manage its customer and accounting data and other aspects of its business. This hardware and software is vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses and similar events or the interruption or loss of support services from third parties such as internet data center operators, system vendors and Internet service providers. Any disruption, outage, delay or other difficulty experienced by any of these information and technology systems could result in underwriting or other delays, slower processing of applications and reduced efficiency in servicing including delays in the provision or repayment of borrowings, or decreased consumer confidence in the Company's business, or otherwise adversely affect the Company's results of operations.

The Company is subject to the Act on Use and Protection of Credit Information, as amended in March 2015, which regulates companies that use databases of personal credit information for its business. The Company is also subject to the Personal Information Protection Act as amended in July 2015, which regulates the collection, use and provision of personal information and the procedure for obtaining consents on handling personal information. Through its business, the Company acquires a large amount of personal and financial information related to its customers. In addition, certain third party vendors may provide services to the Company using personal and financial information of its customers. Improper use or disclosure of, or a failure to protect or properly control, such information could result in violations of applicable laws or reputational or financial harm to the Company. The Company takes precautionary measures, including implementation of internal compliance procedures, to prevent and detect misuse or unauthorized disclosure of customers' personal information, but these measures may not be effective in all cases, particularly in respect of third party vendors. In particular, in January 2014, it was reported that there were widespread leakage of personal information of customers of three credit card companies in Korea, namely, Kookmin Card, Nonghyup Card and Lotte Card. In response, the financial regulatory authorities in Korea have imposed administrative sanctions against these companies and related parties, have applied stricter scrutiny over the protection of personal information in general. There is no assurance that stricter legal and regulatory measures or heightened regulatory activities will not have an adverse effect on the business and operation of such financial institutions, including the Company.

Risks Relating to Government Regulation and Policy

The legal and regulatory environment in which the Company operates could have a material adverse effect on the Company's business and earnings.

The Company's operations are heavily regulated and subject to various laws and regulations imposing various requirements and restrictions relating to supervision and regulation. Such regulation and supervision are primarily for the benefit and protection of the Company's customers, not for the benefit of investors in the Company's securities, and could limit the Company's discretion in operating its business. Non-compliance with applicable statutes or regulations could result in the suspension or revocation of any license or registration at issue, as well as the imposition of civil fines and criminal penalties. In addition, changes in the accounting rules or their interpretation could have an adverse effect on the Company's business and earnings. Such changes may be more restrictive or result in higher costs than current requirements or otherwise materially affect the Company's business, results of operations or financial conditions.

For example, on February 11, 2014, the FSS issued an institutional warning to the Company and imposed a fine of ₩100 million in connection with the Company's breach of a requirement under the SCFBA. Under the SCFBA, at the end of each quarter, the aggregate average balance of loan assets (with specified exceptions) of an entity that is registered with or licensed by the FSC under the SCFBA (a "CSF Company") may not exceed the aggregate average balances of (i) receivables arising from its CSF Businesses (namely, credit card, installment financing, equipment leasing or new technology financing businesses) other than its credit card business and (ii) any acquired receivables. The Company, which is registered with the FSC as a CSF Company, was found to have breached this requirement during the fourth quarter of 2012 and the first and second quarters of 2013 as a result of having promoted its loan products instead of other products such as installment financing products in order to take advantage of market opportunities. Following such warning, the Company has taken active steps to comply with this requirement by de-emphasizing its marketing activities for loan products in the second half of 2013 and has been in full compliance with such requirement since the end of 2013.

In addition, in January 2013, as a measure designed to enhance consumer protection through emphasis on enhanced disclosure during the course of sales, the FSS issued a guideline which called for, effective March 2013, the elimination of upfront fees with respect to automotive loan products. Previously, such fees were generally paid separately from and in addition to interest, and were incorporated into the comprehensive pricing package for automotive loan products without making specific disclosure thereof. As a countermeasure, automotive loan service providers, including the Company, may then pass through, in whole or part, the effect of the elimination of such fees through higher interest rates, but competitive or other commercial reasons may prevent them from doing so, which would adversely affect the Company's business, financial condition and results of operations.

While the Company believes that it is currently in compliance with applicable regulatory requirements in all material respects, failure to do so, whether inadvertently or otherwise, could have a material adverse effect on the Company's operations and on its reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted or that the Company will not be prohibited by laws from adjusting the rates of interest and fees it charges to its customers to a level commercially desirable to the Company, any of which could materially adversely affect the Company's business, financial condition or results of operations.

The level and scope of the Korean government's oversight of the Company's lending business, particularly regarding mortgage loans, may change depending on the economic or political climate.

Curtailing excessive speculation in the real estate market has historically been a key policy initiative for the Korean government, and it has in the past adopted several regulatory measures, including in relation to retail banking, to effect such policy. Some of the measures undertaken in the past include, requiring financial institutions to impose stricter debt-to-income ratio and loan-to-value ratio requirements for mortgage loans for real property located in areas deemed to have engaged in high speculation, raising property taxes on real estate transactions for owners of multiple residential units, adopting a ceiling on the sale price of newly constructed housing units and recommending that commercial banks refrain from making further mortgage lending, among others.

The Korean government may, from time to time, take measures to regulate the housing market in order to pre-empt undue speculation, including by way of imposing restrictions on retail lending, including mortgage lending. Any such measures may be premature, result in unintended consequences or contribute to substantial future declines in real estate prices in Korea, which will reduce the value of the collateral securing the Company's mortgage loans. See "*— Risks Relating to the Company — A decline in the value of the collateral securing the Company's loans and its inability to realize full value of the collateral may adversely affect the Company's credit portfolio and the Company's allowance for doubtful accounts may prove inadequate*". Such measures may also have the effect of limiting the growth and profitability of the Company's retail banking business, especially in the area of mortgage lending.

Risks Relating to Korea

If economic conditions in Korea deteriorate, the Company's customers may face financial problems and the Company's current business and future growth could be materially and adversely affected.

The Company is incorporated in Korea and substantially all of its operations and assets are located in Korea. As a result, the Company's business and profits are subject to political, economic, legal and regulatory risks specific to Korea. The future of the Korean economy is subject to many factors beyond the Company's control. In Korea, uncertainties remain as to the future directions of key macro- and microeconomic indicators such as exports, consumption, demand for business products and services, unemployment rates, debt service burden of households and businesses, the general availability of credit and the asset value of real estate and securities may further deteriorate.

Developments that could adversely affect Korea's economy in the future include the following:

- fiscal difficulties, political turbulence and increased sovereign default risks in select countries in Europe and the resulting adverse effects on the global financial markets;
- adverse change or increased volatility in macroeconomic indicators, including interest rates, inflation level, foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of U.S. Dollar, Euro or Japanese Yen or revaluation of the Renminbi), stock market indices and inflows and outflows of foreign capital;
- adverse developments in the economies of countries and regions that are Korea's important export markets (such as the United States, China and Japan) and deterioration in economic or diplomatic relations between Korea and its major trading partners or allies, including as a result of trading or territorial disputes or disagreements in foreign policy;
- continued sluggishness in the Korean real estate market;
- a continuing rise in the level of household debt and an increase in delinquency and credit default by retail or small- and medium-sized enterprise borrowers;
- a rise in unemployment or stagnation of real wages;
- an increase in social expenditures to support an aging population or decreases in productivity due to shifting demographics;
- social and labor unrest;
- a decline in consumer confidence and a slowdown in consumer spending and corporate investments;
- a widening fiscal deficit from a decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus, unemployment compensation and other economic and social programs;
- political gridlock within the government or in the legislature, which prevents or disrupts timely and effective policy making;
- laws, regulations or other government actions (financial, economic or otherwise) that fail to achieve desired policy objectives, produce adverse unintended consequences or otherwise constrain or distort sound economic activities;

- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues, including in respect of certain *chaebols*;

- any other developments that has a material adverse effect on the global or Korean economy, such geopolitical tensions (such as in the Crimea peninsula, certain former republics of the Soviet Union, the Middle East and the Korean peninsula), an act of war, a terrorist act, a breakout of an epidemic or natural or man-made disasters (such as the sinking of the Sewol ferry in April 2014, which significantly dampened consumer sentiment in Korea for months); and

- an increase in the level of tensions or an outbreak of hostilities in the Korean peninsula.

Any future deterioration of the Korean and global economy could adversely affect the income, financial conditions and liquidity of Korean consumers in general, including the Company's customers. This may adversely impact the ability of the Company's customers to make new purchases through credit cards, including purchases of vehicles produced by HMC and KMC, on whose sales the Company relies for a significant portion of its revenues. In addition, economic or liquidity difficulties faced by the Company's customers could negatively affect their ability to repay outstanding debt, including credit-card related debt, and as a result, increase the Company's delinquency and non-performing loan ratios, impair the quality of the Company's loans and other financial assets and lower the Company's capital adequacy ratio.

Tensions with North Korea could have a material adverse effect on the Company and the price of the Notes.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there continues to be uncertainty regarding the long-term stability of North Korea's political leadership since the succession of Kim Jong-un to power following the death of his father in December 2011, which has raised concerns with respect to the political and economic future of the region.

In addition, there continues to be heightened security tension in the region stemming from North Korea's hostile military and diplomatic actions, including in respect of its nuclear weapons and long-range missile programs. On January 6, 2016, North Korea announced that it had successfully conducted its first hydrogen bomb test, hours after international monitors detected a 5.1 magnitude earthquake near a known nuclear testing site in the country. The claims have not been verified independently. The alleged test followed a statement made in the previous month by Kim Jong-un, who claimed that North Korea had developed a hydrogen bomb.

North Korea's economy also faces severe challenges, including severe inflation and food shortages, which may further aggravate social and political tensions within North Korea. In addition, reunification of Korea and North Korea may suddenly occur in the future, which would entail significant economic commitment and expenditure by Korea that may outweigh any resulting economic benefits of reunification. Any further increase in tension or uncertainty relating to the military, political or economic stability in the Korean peninsula, including a breakdown of diplomatic negotiations over the North Korean nuclear program, occurrence of military hostilities, heightened concerns about the stability of North Korea's political leadership or its actual collapse, a leadership crisis, a breakdown of high-level contacts or accelerated reunification could have a material adverse effect on the Company's business, financial condition and results of operations, as well as the credit rating for Korean issuers, including the Company, or for the Notes.

Risks Relating to the Notes

The Notes issued under the Program may have limited liquidity.

The Notes when issued may constitute a new issue of securities for which there will be no existing trading market. Although the Dealers may make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice. No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the liquidity and market price of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including, among others:

- prevailing interest rates;
- the Company's results of operations, financial condition and prospects;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the financial condition and stability of the Korean financial and other sectors; and
- the market conditions for similar securities.

The Notes are not protected by restrictive covenants.

The Notes and the Agency Agreement do not contain various restrictive financial, operating or other covenants or restrictions, including on change of control, the payment of dividends, the incurrence of indebtedness or the issuance of securities by the Company.

The Notes are subject to transfer restrictions.

The Notes will be offered and sold pursuant to an exemption from registration under the United States and applicable state securities laws. Therefore, you may transfer or resell the Notes in the United States only in a transaction registered under, or exempt from, the registration requirements of the United States and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. In addition, subject to the conditions set forth herein and the Agency Agreement, Notes may be transferred only if the principal amount of Notes transferred is at least U.S.$200,000.

The Notes have not been registered under the Financial Investment Services and Capital Markets Act of Korea (the "FSCMA"). Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Law and Regulation of Korea and its Enforcement Decree), for a period of one year from the date of issuance of the Notes, except (i) in the case where the Notes are issued as bonds other than convertible bonds, bonds with warrants or exchangeable bonds, and where the other relevant requirements are further satisfied, the Notes may be offered, sold or delivered to or for the account or benefit of a Korean resident which falls within certain categories of qualified institutional investors as specified in the FSCMA, its Enforcement Decree and the Regulation on Securities Issuance and Disclosure, or (ii) as otherwise permitted under applicable Korean laws and regulations.

CAPITALIZATION

The following table sets out the Company's capitalization (defined as the sum of long-term debt and equity) as of December 31, 2015. This information has been derived from the financial statements as of and for the year ended December 31, 2015 included elsewhere in this Offering Circular. The financial statements have been prepared in accordance with K-IFRS. This table should be read in conjunction with the Company's financial statements, including the notes thereto, found elsewhere in this Offering Circular.

	As of December 31, 2015	
	(billions of Won)	**(millions of U.S.$)[(1)]**
Long-term debt[(2)]:		
Long-term debt (net of current portion)	₩13,582.8	U.S.$11,589.4
Equity:		
Issued capital	₩496.5	U.S.$423.6
Capital surplus	407.5	347.7
Accumulated other comprehensive income (loss), net	(45.2)	(38.7)
Retained earnings	2,629.1	2,243.3
Non-controlling interests	7.0	6.1
Total equity	3,494.9	2,982.0
Total long-term debt and equity[(2)]	₩17,077.7	U.S.$14,571.4

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Excluding discounts on bonds payable.

There has been no material change in the Company's capitalization since December 31, 2015.

SELECTED FINANCIAL AND OTHER DATA

The following tables set forth selected financial and other data. The selected financial and other data as of and for the years ended December 31, 2013, 2014 and 2015 set forth below have been derived from the audited financial statements and related notes included elsewhere in this Offering Circular, which have been prepared in accordance with K-IFRS.

The selected financial and other data set forth below should be read in conjunction with the financial statements and related notes, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and other historical financial data included elsewhere in this Offering Circular.

Selected Statement of Comprehensive Income Data

	For the Year Ended December 31,			
	2013	2014	2015	2015(1)
	(in billions of Won and millions of U.S.$, except for per share data)			
Operating revenue:				
Interest income	₩32.1	₩40.6	₩25.6	U.S.$21.8
Gain on valuation and sale of securities	2.4	1.8	1.7	1.5
Income on loans	1,492.4	1,274.1	1,080.8	922.2
Income on installment financial assets	255.7	362.5	437.7	373.5
Income on leases	902.7	864.0	865.1	738.1
Gain on sale of loans	63.8	56.4	43.7	37.3
Gain on foreign currency transactions	269.0	116.1	57.5	49.1
Dividend income	4.7	5.6	4.9	4.2
Other operating income	193.6	290.7	422.1	360.0
Total operating revenue	3,216.4	3,011.8	2,939.1	2,507.7
Operating expenses:				
Interest expenses	800.6	752.6	649.0	553.8
Lease expenses	505.9	500.5	516.1	440.4
Provision for loan losses	453.1	418.3	307.2	262.1
Loss on foreign currency transactions	31.4	150.3	280.0	238.9
General and administrative expenses	671.7	702.2	744.4	635.2
Other operating expenses	324.6	166.0	103.3	88.0
Total operating expenses	2,787.3	2,689.9	2,600.0	2,218.4
Operating income	429.1	321.8	339.1	289.3
Non-operating income	101.6	41.0	37.2	31.7
Non-operating expenses	6.5	31.9	4.5	3.8
Profit before income taxes	524.2	331.0	371.8	317.2
Income tax expense	132.8	93.3	95.1	81.1
Profit for the period	₩391.4	₩237.7	₩276.7	U.S.$236.1
Earnings per-share (in Korean Won and U.S.$)	₩3,942	₩2,394	₩2,786	U.S.$2.4

Selected Statements of Financial Position Data

	As of December 31, 2013	As of December 31, 2014	As of December 31, 2015	As of December 31, 2015[(1)]
	(in billions of Won and millions of U.S.$)			
Assets:				
Cash and due from other financial institutions	₩1,502.6	₩1,594.7	₩1,624.1	U.S.$1,385.8
Securities	210.1	272.6	321.0	273.9
Loans receivable, net	11,124.2	9,584.2	8,492.1	7,245.8
Installment financial assets, net	4,799.9	6,502.8	8,861.0	7,560.6
Lease receivables, net	2,990.0	2,685.2	2,630.7	2,244.6
Leased assets, net	1,069.7	1,189.8	1,466.8	1,251.5
Property and equipment, net	233.0	248.3	253.2	216.0
Assets held for sale	22.3	—	—	—
Other assets, net	437.2	461.1	658.7	562.1
Total assets	₩22,389.0	₩22,538.7	₩24,307.6	U.S.$20,740.3
Liabilities and equity:				
Borrowings	₩17,238.3	₩17,461.7	₩19,401.4	U.S.$16,554.1
Other liabilities	1,897.9	1,639.5	1,411.3	1,204.2
Total liabilities	19,136.2	19,101.2	20,812.7	17,758.3
Issued capital	496.5	496.5	496.5	423.6
Capital surplus	407.5	407.5	407.5	347.7
Accumulated other comprehensive income and loss, net	(11.6)	(64.6)	(45.2)	(38.7)
Retained earnings	2,360.4	2,598.1	2,629.1	2,243.3
Non-controlling interest	—	—	7.0	6.1
Total equity	3,252.8	3,437.5	3,494.9	2,982.0
Total liabilities and equity	₩22,389.0	₩22,538.7	₩24,307.6	U.S.$20,740.3

Selected Other Data

	As of or for the year ended December 31, 2013	2014	2015
	(in billions of Won, except percentages)		
Capital adequacy ratio[(2)]	15.1%	15.4%	14.9%
NPL[(3)] balance[(4)]	₩808.1	₩731.0	₩537.2
Ratio of NPLs to total financial receivables	4.0%	3.6%	2.5%
Ratio of delinquent receivable to total financial receivables[(5)]	1.7%	1.4%	1.2%
Allowance as percentage of total financial receivables	2.1%	2.3%	2.1%
Coverage ratio[(4)(6)]	62.9%	67.2%	72.7%

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Capital adequacy ratio is calculated by dividing adjusted total capital by adjusted total assets. Adjusted total capital represents the sum of total capital and the allowance for normal and precautionary assets, less reserve for bad loans. Adjusted total assets are total assets less cash and cash equivalents and reserve for bad loans.

(3) Defined as substandard or below. For a description of assets that are classified as substandard or below, see "*Business — Risk Management — Allowances for Doubtful Accounts*".

(4) Reflects securitized assets as well as receivables on the statements of financial position. Also includes delinquent and written-off receivables purchased by the Company from Hyundai Card, Hyundai Commercial and Hyundai Life Insurance as further described in "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Card, — Relationship with Hyundai Commercial and — Relationship with Hyundai Life Insurance*".

(5) Delinquent receivables are those overdue for 90 days or more.

(6) Represents ratio of (x) allowance to (y) total assets less assets classified as "normal".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read together with its audited financial statements and the related notes included elsewhere in this Offering Circular. This discussion may contain forward-looking statements that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Offering Circular.

Overview

The Company is a leading financial services company in Korea with ₩24.3 trillion of assets as of December 31, 2015, and offers a broad range of financial products and services primarily to individuals and, to a lesser extent, corporate customers. Established in 1993 as Hyundai Auto Finance Co., Ltd., the Company was the first company in Korea to engage in installment financing business starting in 1996. The Company principally operates in the following business areas: automotive financing, automotive leasing, personal loans including mortgage loans, and other related businesses such as durable household and other goods financing and rental car services.

The Company operates as the primary financing arm of HMC and KMC. As a result, providing financing for the purchase and lease of new HMC and KMC vehicles has historically represented and continues to represent the principal source of the Company's automotive financing and automotive leasing businesses. With respect to the Company's installment financing of new HMC and KMC vehicles, the Company has an agreement with each of HMC and KMC under which each of HMC and KMC provides the Company a fixed interest spread over interest on a Korean benchmark Won-denominated financial institution bond with a three-year maturity for installment financings arranged by the Company for the purchase of new HMC or KMC vehicles.

The following table sets forth the Company's share of automotive and lease financing of new HMC and KMC vehicles provided by specialty consumer financing companies (including financial subsidiaries of commercials banks) in Korea as a percentage for the periods presented.

	For the Year Ended December 31,		
	2013	**2014**	**2015**
	(in billions of Won, except percentages)		
Percentage of Company's automotive financing of new HMC and KMC vehicles	77.2%	69.8%	71.1%
Percentage of Company's lease financing of new HMC and KMC vehicles	85.1%	76.5%	80.7%

Source: HMC and KMC

The Company also provides personal loan services, including mortgage loans for residential property. Outstanding financial receivables for personal loans, including mortgage loans, amounted to ₩3,907.0 billion, ₩3,906.9 billion and ₩3,896.5 billion as of December 31, 2013, 2014 and 2015, respectively. The Company believes that it has developed, and will continue to develop, competitive personal loan products under a risk-based pricing scheme that will maintain or enhance the Company's financial position. The Company's risk-based pricing scheme allows it to charge rates according to a customer's individual credit risk profile, data that is compiled by the Company based on a comprehensive and proprietary data gathering and analysis system. The Company's current asset portfolio guideline is to maintain approximately 80% of its assets in auto-related products with 20% in non-auto related products (primarily personal loans, including residential property mortgage products), subject to change depending on macroeconomic and business environment factors.

Sources of the Company's Revenues

The Company generates revenue, income and cash flows by providing automotive financing and leasing products and services primarily to customers of HMC and KMC, and by making personal loans (including mortgage loans) to individuals and small business owners. Revenues from the Company's operations consist mainly of the following:

- *Income on loans*: Consists of interest and fees on loans charged on the outstanding balances, including any default interest. Interest rates charged by the Company vary depending on the consumer's credit score and the maturity of the loan. For automotive loans, the Company charges interest at rates currently ranging from 5.90% to 10.90% per year. For personal loans, the Company charges interest at rates currently ranging from 5.75% to 29.99% per year. For mortgage loans, the Company charges interest at rates ranging from 3.00% to 10.82% per year. The Company does not charge an initial loan origination fee.

- *Income on leases*: For the Company's leasing operations, the Company acquires the vehicle or equipment that is the subject of the lease from the manufacturer before leasing it to the Company's customers. The Company receives interest payments currently ranging from 5.0% to 15.5% per year of the purchase price, and typically receives a security deposit up to 50.0% of the purchase price of the vehicle or equipment, as the case may be. For operating leases, lease rates vary depending on the type of the product and vehicle.

- *Income on installment financial assets*: Consists of interest and fees on installment purchases charged on the outstanding balances of the installment purchases. For installment purchase financing for the purchase of new automobiles, the Company charges interest at rates currently ranging from 0.00% to 7.90% per year with no initial loan origination fee. The Settlement Interest Agreements provide that with respect to the Company's installment financing of new HMC and KMC vehicles, the Company must return to HMC and KMC any interest payments received that represent payments in excess of the agreed interest payments.

- *Interest income*: Consists of interest income on bank deposits, securities and others.

- *Others*: Consists of gain on valuation and disposal of securities, loan and derivatives, foreign currency trading income, dividends income and others.

As a consumer finance company, the Company's profit margin is sensitive to its funding costs. As part of its funding portfolio, the Company issues bonds and loans, and accesses the asset securitization and commercial paper markets, while also seeking other alternative methods of diversification of funding sources. The Company's target funding portfolio is to maintain approximately a 70:20:10 ratio on the outstanding principal amounts of bonds/loans, asset securitizations and commercial paper, subject to macroeconomic and business environment factors. The effects of these transactions on the Company's financial structure are discussed below. See "— *Funding and Liquidity*" and "— *Factors Affecting Results of Operations*" for additional information about the Company's securitization and loan sale activities.

Factors Affecting Results of Operation

The Company's financial results are generally affected by a variety of macroeconomic and industry factors, including but not limited to, interest rate, demand for new and used vehicles, sales commission rate, price of goods, unemployment rate, government policies, as well as the Company's ability to respond to changes in interest rates with respect to both contract pricing and funding and the level of competitive pressure. Changes in these factors can influence the demand for new and used vehicles, the number of contracts that default and the loss per occurrence, the realizability of residual values on the Company's lease earning assets, and its gross margins on financing volume. For the Company's personal loan (including mortgage loan) business, additional factors affecting its results include consumer spending patterns, the Government's housing policies and housing prices, and the Company's ability to cross-sell its personal loan (including mortgage loan) products to its existing automotive financing and automotive leasing customers. The Korean economy continues to show signs of an uncertain outlook, and a continued slump in the Korean economy or any future deterioration of the Korean or global economy could adversely affect the Company's business, financial condition and results of operations in 2015 and beyond. In addition, since as a consumer finance company the Company operates in an industry that is heavily regulated by the government, any legal or regulatory developments that impede with the Company's ability to take full advantage of market opportunities could also have an adverse effect on the Company's business, financial condition and results of operations in 2015 and beyond. See, for example, "*Risk Factors — Risks Relating to the Company — Difficult conditions in the global credit and financial markets could adversely affect the Company's liquidity and performance*" and "*Risk Factors — Risks Relating to Government Regulation and Policy — The legal and regulatory environment in which the Company operates could have a material adverse effect on the Company's business and earnings*".

The Company measures the performance of its finance operations using the following metrics: financing volume and mix, market share and pricing related to HMC and KMC vehicle sales, return on assets, financial leverage, financing margins, operating efficiency, reserve of allowance through the coverage ratio and loss metrics. The volume of the Company's financial receivables and net investment in lease assets depends on many factors, including, but not limited to, the volume of new and used vehicle sales and leases, the sales price of the vehicles financed, and funding costs. For installment financing receivables, financing margin equals the difference between revenue earned on financing receivables and the cost of borrowed funds. For leased assets, financing margin equals revenue earned on operating lease assets, less depreciation expenses and the cost of borrowed funds.

The Company's foreign currency transaction and translation gain and gains on derivatives valuation and foreign currency transaction and translation losses and losses from derivatives valuation relate principally to the Company's foreign currency-denominated borrowings. Since all of the Company's foreign currency-denominated borrowings are fully hedged by currency swaps, the foreign currency transaction and translation gain and gains on derivatives valuation related to foreign currency denominated borrowings are nearly entirely offset by corresponding losses from derivatives valuation and foreign currency transaction and translation losses, and accordingly do not have any significant impact on profit for the period.

Critical Accounting Policies, Estimates and Judgments

The preparation of the Company's financial statements and related disclosures in conformity with K-IFRS requires the Company to make estimates and judgments that affect the reported amounts in its financial statements and related disclosures. The Company's estimates and judgments are based on historical experience, forecasted future events and various other assumptions that it believes to be reasonable under the circumstances. Estimates and judgments may differ under different assumptions or conditions. The Company evaluates its estimates and judgments on an ongoing basis.

Set forth below is a description of some of the accounting policies that the Company has identified as critical to understanding its business, financial condition and results of operations. See Note 3 to the Company's financial statements as of and for the years ended December 31, 2015, 2014 and 2013 included elsewhere in this Offering Circular for a further discussion of accounting policies deemed critical by the Company.

Subsidiaries

The Company, regardless of the nature of its involvement with the investee, determines whether it is a parent by assessing whether it controls the investee. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee; Thus, the principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

The Company has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. The Company is exposed, or has rights, to variable returns from its involvement with the investee when the Company's returns from its involvement have the potential to vary as a result of the investee's performance. The Company's returns can be only positive, only negative or both positive and negative. The Company controls an investee if the Company not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the Company's returns from its involvement with the investee. When the Company assesses it controls an investee, it consolidates the investee's financial statements as the parent.

Certain securitization vehicles sponsored by the Company under its securitization program are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Company is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles and by issuing financial guarantees. Outside the day-to-day servicing of the receivables (which is carried out by the Company under a servicing contract), key decisions are usually required only when receivables in the vehicles go into default. Therefore, in considering whether it has control, the Company considers whether it manages the key decisions that most significantly affect these vehicles' returns. As a result, the Company has concluded that it controls these vehicles although its ownership interests over such vehicles do not exceed 50%. The following table sets forth the subsidiaries of the Company as of December 31, 2015.

	Subsidiaries
Asset-backed securitization special purpose entities(1).....	Autopia Forty-fourth SPC (trust)
	Autopia Forty-fifth SPC (trust)
	Autopia Forty-sixth SPC (trust)
	Autopia Forty-seventh SPC (trust)
	Autopia Forty-ninth SPC (trust)
	Autopia Fiftieth SPC (trust)
	Autopia Fifty-first SPC (trust)
	Autopia Fifty-second SPC (trust)
	Autopia Fifty-fourth SPC (trust)
	Autopia Fifty-sixth SPC (trust)
	Autopia Fifty-seventh SPC (trust)
	Autopia Fifty-eighth SPC (trust)
	Autopia Fifty-ninth SPC (trust)
	HB Fourth SPC
Limited liability companies	Hyundai Capital Europe GmbH(2)
	Hyundai Capital Services Deutschland GmbH
	Hyundai Capital India Private Limited
	Hyundai Capital Brasil LTDA
Special money trusts(3)	20 special money trusts

Notes:

(1) Autopia Forty-first SPC (trust) was liquidated in 2011 and Thirty-fifth, Thirty-seventh, Thirty-ninth, and Fortieth SPC (trust) were liquidated in 2013. Autopia Fiftieth SPC (trust), Autopia Fifty-first SPC (trust), and Autopia Fifty-second SPC (trust) were established in 2013. Autopia Thirty-sixth SPC (trust), and Forty-second SPC (trust) were liquidated in 2014. Autopia Fifty-fourth SPC (trust) and Fifty-fifth SPC (trust) were established in 2014. Autopia Forty-third SPC (trust), Autopia Fifty-fifth SPC(trust) and HB Third SPC were liquidated in 2015. Autopia Fifty-sixth (trust), Autopia Fifty-seventh (trust), Autopia Fifty-eight (trust) and Autopia Fifty-ninth SPC (trust) were established in 2015.

(2) Holds 100% of the shares in Hyundai Capital Services LLC.

(3) These trusts are structured entities where investment managers of broker-dealer firms invest funds held by such entities in various financial investment products (primarily, commercial papers, repurchase transactions, certificates of deposit and other money market instruments) in accordance with directions from the Company.

Measurement of fair value

The Company uses widely recognized valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter ("OTC") derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Allowance for loan losses and doubtful accounts

The Company presents the allowance for loan losses and doubtful accounts calculated based on the best estimates that are necessary to reflect the impairment incurred at each reporting date. Allowance for loan losses and doubtful accounts is recognized as individual and collective units considering the financial circumstances of customers, net realizable value, credit quality, size of portfolio, the level of concentration of accounts, economic factors and others. Depending on any change in these factors, the allowance for loan losses and doubtful accounts will change in a future period. The accuracy of the allowance depends on the model assumptions and parameters used in determining the allowance. Allowance for loan losses and doubtful accounts consists of impairments related to individually material financial receivables and allowances of collective assessment for impairment incurred in homogeneous assets.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset measured at amortized cost is impaired. Impairment losses are incurred only if there is objective evidence of impairment and that loss event has an impact on the estimated future cash flows of the financial asset. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the income statement.

For the available-for-sale financial assets, if any evidence that the financial asset is impaired exists, the amount recorded for impairment is the cumulative loss measured as the difference between the acquisition cost and current fair value, less any impairment loss on that investment previously recognized in profit or loss. When there is a significant or prolonged decline in the fair value of an investment in an equity instrument below its original cost, there is objective evidence that available-for-sale equity investments are impaired. A decline in the fair value of more than 30% against the original cost for marketable or non-marketable equity securities, as applicable, is considered to be a "significant decline". A decline in the market price for marketable equity securities for a period of six consecutive months is considered to be a "prolonged decline".

Provisions for unused loan commitments

Provisions are recognized when the Company has a present unused loan commitments, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from unused loan commitments, a corresponding amount of provision is recognized in the financial statements. Provisions are the best estimate of the expenditure required to settle the present obligation that consider the risks and uncertainties inevitably surrounding many events and circumstances as of the reporting date. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Results of Operations

The following table sets forth a summary of the Company's results of operations for the periods presented.

	For the Year Ended December 31,			
	2013	2014	2015	2015[1]
	(in billions of Won and millions of U.S.$)			
Operating revenue:				
Interest income	₩32.1	₩40.6	₩25.6	U.S.$21.8
Gain on valuation and disposal of securities	2.4	1.8	1.7	1.5
Income on loans	1,492.4	1,274.1	1,080.8	922.2
Income on installment financial assets	255.7	362.5	437.7	373.5
Income on leases	902.7	864.0	865.1	738.1
Gain on sale of loans	63.8	56.4	43.7	37.3
Gain on foreign currency transactions	269.0	116.1	57.5	49.1
Dividends income	4.7	5.6	4.9	4.2
Other operating income[2]	193.6	290.7	422.1	360.0
Total operating revenue	3,216.4	3,011.8	2,939.1	2,507.7
Operating expenses:				
Interest expenses	800.6	752.6	649.1	553.8
Lease expenses	505.9	500.5	516.1	440.4
Provision for loan losses	453.1	418.3	307.2	262.1
Loss on foreign currency transactions	31.4	150.3	280.0	238.9
General and administrative expenses	671.7	702.2	744.4	635.2
Other operating expenses[3]	324.6	166.0	103.2	88.0
Total operating expenses [3]	2,787.3	2,689.9	2,600.0	2,218.4
Operating income [2]	429.1	321.8	339.1	289.3
Non-operating income	101.6	41.0	37.2	31.7
Non-operating expenses	6.5	31.9	4.5	3.8
Profit before income taxes [2]	524.2	331.0	371.8	317.2
Income tax expense	132.8	93.3	95.1	81.1
Profit for the period [2]	₩391.4	₩237.7	₩276.7	U.S.$236.1

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Includes, among others, gain on valuation of derivatives of ₩12.1 billion, ₩144.8 billion and ₩225.4 billion in 2013, 2014 and 2015 respectively.

(3) Includes, among others, loss on valuation of derivatives of ₩252.5 billion, ₩88.9 billion and ₩28.6 billion in 2013, 2014 and 2015, respectively.

Operating Revenues

Operating revenues. Operating revenues, net of gain on foreign currency transactions, gain on valuation of derivatives and gain on derivatives transactions, decreased by 2.4% to ₩2,939.1 billion in 2015 from ₩3,011.8 billion in 2014, mainly due to a decrease in income on loans and, to a lesser extent, a decrease in interest income, which was partially offset by an increase in income on installment financial assets.

Operating revenues, net of gain on foreign currency transactions, gain on valuation of derivatives and gain on derivatives transactions, decreased by 5.8% to ₩2,745.9 billion in 2014 from ₩2,915.1 billion in 2013, mainly due to a decrease in income on loans and, to a lesser extent, a decrease in income on leases, which was partially offset by an increase in income on installment financial assets. The sum of gain on foreign currency transactions, gain on valuation and gain on derivatives transactions is substantially offset by the sum of corresponding operating expense line items (namely, loss on foreign currency transactions, loss on valuation of derivatives and loss on derivatives transactions), and accordingly, on a net basis, these line items do not have a significant impact on profit for the period.

Interest income. Interest income decreased by 36.9% to ₩25.6 billion in 2015 from ₩40.6 billion in 2014, primarily due to a decrease in profitability of ordinary deposits, which resulted mainly from a decrease in market interest rates in Korea, which was partially offset by an increase in the average balance of ordinary deposits. Interest income increased by 26.5% to ₩40.6 billion in 2014 from ₩32.1 billion in 2013, due primarily to an increase in interest on cash and other bank deposits to ₩37.6 billion in 2014 from ₩30.6 billion in 2013, which mainly resulted from an increase in the average balance of ordinary deposits which was partially offset by a lower interest rate payable thereon largely due to a decrease in market interest rates in Korea.

Income on loans. Income on loans decreased by 15.2%, or ₩193.3 billion, to ₩1,080.8 billion in 2015 from ₩1,274.1 billion in 2014, primarily due to a decrease in the average balance of automotive loan products following de-emphasis of marketing such products mainly for purposes of focusing on the strategic marketing of the installment financial products, and to a lesser extent, a decline in the rate of fees and interest charged thereon due to a decrease in market interest rates in Korea. Income on loans decreased by 14.6%, or ₩218.3 billion, to ₩1,274.1 billion in 2014 from ₩1,492.4 billion in 2013, primarily due to a decrease in the average balance of automotive loan products.

Income on installment financial assets. Income on installment financial assets increased by 20.7%, or ₩75.2 billion, to ₩437.7 billion in 2015 from ₩362.5 billion in 2014, primarily due to an increase in the average balance of installment financing products (especially new automotive financing products) following aggressive marketing of such products for purposes of focusing on the strategic marketing of the installment financial products, which was partially offset by a decline in the rate of fees and interest charged thereon as a result of a decrease in market interest rates in Korea. Income on installment financial assets increased by 41.8%, or ₩106.8 billion, to ₩362.5 billion in 2014 from ₩255.7 billion in 2013 primarily due to an increase in the average balance of installment financing products(especially new automotive financing products).

Income on leases. Income from leased assets in 2015 remained largely unchanged from 2014, despite an increase in the average balance of leased assets mainly as a result of retail focused leasing products, as such increase was offset by a decline in the rate of fees and interest charged thereon as a result of a decrease in market interest rates in Korea. Income from leased assets decreased by 4.3%, or ₩38.7 billion, to ₩864.0 billion in 2014 from ₩902.7 billion in 2013, primarily due to a decrease in interest rates charged for such lease products mainly as a result of the general decrease in market interest rates as well as a decline in the rate of fees and interest charged thereon as a result of intensifying competition and the elimination of the up-front fees pursuant to the FSS guidelines implemented in 2013, and temporary reduction of imported automobile leasing business in 2014. For a further description of financial leases compared to operating leases, see Note 3(9) of the financial statements included elsewhere in this Offering Circular.

Gain on foreign currency transactions. Gain on foreign currency transactions decreased by 50.5% to ₩57.5 billion in 2015 from ₩116.1 billion in 2014, primarily due to a decrease in foreign currency translation gain as a result of the depreciation of the Korean Won against the U.S. dollar during 2015 compared to 2014. Gain on foreign currency transactions decreased by 56.8% to ₩116.1 billion in 2014 from ₩269.0 billion in 2013, primarily due to a significant decrease in foreign currency translation gain due to depreciation of Korean Won against the U.S dollar during 2014 compared to 2013.

Other operating income. Other operating income increased by 52.1% to ₩442.1 billion in 2015 from ₩290.7 billion in 2014, due primarily to the depreciation of the Korean Won against the U.S. dollar during 2015 compared to 2014. Other operating income increased by 50.2% to ₩290.7 billion in 2014 from ₩193.6 billion in 2013, due primarily to net gain on valuation of derivatives in 2014 compared to net loss on valuation of derivatives in 2013, due primarily to the depreciation of Korean Won against the U.S. dollar during 2014 compared to 2013. The Company's derivatives consist largely of currency swaps, and appreciation of the Korean Won against major foreign currencies generally results in a decrease in the asset value of the currency swaps relating to the Company's liabilities denominated in foreign currencies, which results in loss on valuation of derivatives, while depreciation of the Korean Won has the opposite effect. In the process of applying hedge accounting, any gain or loss from valuation of derivatives is, with limited exceptions, offset by foreign currency translation gain or loss, effectively eliminating any significant impact on profit for the period.

Gain on sale of loans. Gain on sale of loans decreased by 22.5% to ₩43.7 billion in 2015 from ₩56.4 billion in 2014, primarily due to a decrease in the volume of such loans and receivables sold in 2015. Gain on sale of loans, which primarily consists of sale or disposal of delinquent and written-off loans and receivables purchased from Hyundai Card, Hyundai Commercial and Hyundai Life Insurance as discussed in "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Card, — Relationship with Hyundai Commercial and — Relationship with Hyundai Life Insurance,*" decreased by 11.6%, to ₩56.4 billion in 2014 from ₩63.8 billion in 2013, primarily due to a decrease in the volume of such loans and receivables sold in 2014 compared to 2013. The volume of such loans sold varies from year to year depending on the outstanding volume of such loans purchased as well as pricing and other market considerations, particularly in respect of loans with a low level of expected recovery and accordingly a low resale value.

Operating Expenses

Operating expenses, net of loss on foreign currency transactions, loss on valuation of derivatives and loss on derivative transactions, decreased by 3.3% to ₩2,600.0 billion in 2015 from ₩2,689.9 billion in 2014, primarily due to a decrease in interest expenses as a result of a decrease in market interest rates and provision for loan losses. Operating expenses, net of loss on foreign currency transactions, loss on valuation of derivatives and loss on derivative transactions, decreased by 2.5% to ₩2,423.8 billion in 2014 from ₩2,486.8 billion in 2013, primarily due to a decrease in interest expenses and provision for loan losses, which were partially offset by an increase in general and administrative expenses. As discussed above, the sum of loss on foreign currency transactions, loss on valuation of derivatives and loss on derivatives transactions is substantially by the sum of corresponding operating income line items (namely, gain on foreign currency transactions, gain on valuation of derivatives and gain on derivatives transactions), and accordingly, on a net basis, these line items do not have a significant impact on profit for the period.

Interest expenses. Interest expenses decreased by 13.8% to ₩649.1 billion in 2015 from ₩752.6 billion in 2014, primarily due to a decrease in market interest rates in Korea in 2015lowered the Company's cost of funding. Interest expenses decreased by 6.0% to ₩752.6 billion in 2014 from ₩800.6 billion in 2013, primarily due to a general decrease in market interest rates in Korea in 2014, which lowered the Company's cost of funding.

Lease expenses. Lease expenses increased by 3.1% to ₩516.1 billion in 2015 from ₩500.5 billion in 2014, primarily due to an increase in depreciation expenses and other related expenses as a result of the Company's expansion in retail-focused leasing products. Lease expenses decreased by 1.1% to ₩500.5 billion in 2014 from ₩505.9 billion in 2013, primarily due to a decrease in handling charges and depreciation associated with the decrease in the average balance of lease products following the temporary reduction of imported automobile leasing business in 2014.

Provision for loan losses. Provision for loan losses decreased by 26.6% to ₩307.2 billion in 2015 from ₩418.3 billion in 2014, primarily due to an improvement in the overall quality of the Company's assets as a result of a decrease in the delinquency rate of the Company's loans and receivables and a strategic reduction of exposure to higher-risk personal loan (including mortgage loan) assets. Provision for loan losses decreased by 7.7% to ₩418.3 billion in 2014 from ₩453.1 billion in 2013, primarily due to an improvement in the overall quality of the Company's assets resulting from a decrease in the delinquency rate for the Company's loans and receivables and reduction of high-risk personal loan (including mortgage loan) assets as well as a decline in the average balance of the Company's loan assets, which led to a decrease in loss estimates.

General and administrative expenses. General and administrative expenses increased by 6.0% to ₩744.4 billion in 2015 from ₩702.3 billion in 2014, primarily due to a reclassification of the Company's dispatched employees as contract employees, which reclassified salaries of these employees, previously under other operating expenses account, as general and administrative expenses. General and administrative expenses increased by 4.5% to ₩702.2 billion in 2014 from ₩671.7 billion in 2013, primarily due to increases in salaries largely resulting from initial recognition of certain long-term employment benefits as expenses on an accrual basis.

Loss on foreign currency trading. Loss on foreign currency transactions increased to ₩280.0 billion in 2015 from ₩150.3 billion in 2014, primarily due to an increase in foreign currency translation loss following the depreciation of the Korean Won against the U.S. dollar during 2015 compared to 2014. Loss on foreign currency transactions increased to ₩150.3 billion in 2014 from ₩31.4 billion in 2013, primarily due to an increase in foreign currency translation loss following the depreciation of Korean Won against U.S. dollar during 2014 compared to 2013.

Other operating expenses. Other operating expenses decreased to ₩103.3 billion in 2015 from ₩166.0 billion in 2014, primarily due to a decrease in loss of valuation of derivatives following the depreciation of the Korean Won against the U.S. dollar during 2015 compared to 2014. Other operating expenses decreased by 48.9% to ₩166.0 billion in 2014 from ₩324.6 billion in 2013, primarily due to a decrease in loss of valuation of derivatives following the depreciation of Korean Won against U.S. dollar during 2014 compared to 2013. As discussed above, the Company's derivatives consist largely of currency swaps, and appreciation of the Korean Won against major foreign currencies generally results in a decrease in the asset value of the currency swaps relating to the Company's liabilities denominated in foreign currencies, which results in loss on valuation of derivatives while depreciation of the Korean Won has the opposite effect. Also as discussed above, in the process of applying hedge accounting, any loss or gain from valuation of derivatives is, with limited exceptions, offset by foreign currency translation loss or gain, effectively eliminating any significant impact on profit for the period.

Operating Income

As a cumulative result of the factors described above, operating income increased by 5.3% to ₩339.1 billion in 2015 from ₩321.8 billion in 2014 while it decreased by 25.0% to ₩321.8 billion in 2014 from ₩429.1 billion in 2013.

Non-operating Income

The Company recorded non-operating income of ₩37.2 billion in 2015 compared to ₩41.0 billion in 2014, which, after removing one-time gain on sale of assets held for sale, was positively affected by an increase in equity method net income of associates, mainly from the Company's investment in Beijing Hyundai Auto Finance Co., Ltd., the Company's joint venture in China and Hyundai Capital UK Ltd., its joint venture in the United Kingdom. The Company recorded non-operating income of ₩101.6 billion in 2013, primarily due to a one-time gain of ₩85.6 billion from the sale of the Company's headquarters building to Hyundai Life Insurance, an affiliate, in 2013.

Non-operating Expenses

The Company recorded non-operating expenses of ₩4.5 billion in 2015, compared to ₩31.9 billion in 2014, primarily due to a one-time expense of impairment loss on investments in associates in 2014. The Company recorded non-operating expenses of ₩31.9 billion in 2014 compared to ₩6.5 billion in 2013, primarily due to impairment loss on investments in associates related to HK Mutual Savings Bank in 2014, which was realized upon the sale of all of the Company's shares in HK Mutual Savings Bank in October 2014.

Income Tax Expense

Income tax expense increased by 2.0% to ₩95.1 billion in 2015 from ₩93.3 billion in 2014, primarily due to an increase in taxable income. Income tax expense decreased by 29.7% to ₩93.3 billion in 2014 from ₩132.8 billion in 2013, primarily due to decrease in taxable income. The effective tax rate decreased to 25.6% in 2015 from 28.2% in 2014. The effective tax rate increased to 28.2% in 2014 from 25.3% in 2013, primarily due to the payment of tax adjustments following tax audit results, which was partially offset by foreign tax credits.

Profit for the Period

As a cumulative result of the factors described above, profit for the period increased by 16.4% to ₩276.7 billion in 2015 from ₩237.7 billion in 2014 and decreased by 39.3% to ₩237.7 billion in 2014 from ₩391.4 billion in 2013.

Financial Condition

The table below describes the Company's financial condition as of the dates indicated.

	As of December 31, 2013	As of December 31, 2014	As of December 31, 2015	As of December 31, 2015[1]
	(in billions of Won and millions of U.S.$)			
Assets:				
Cash and due from other financial institutions	₩1,502.6	₩1,594.7	₩1,624.1	U.S.$1,385.8
Securities	210.1	272.6	321.0	273.9
Loans receivable, net	11,124.2	9,584.2	8,492.1	7,245.8
Installment financial assets, net	4,799.9	6,502.8	8,861.0	7,560.6
Lease receivables, net	2,990.0	2,685.2	2,630.7	2,244.6
Leased assets, net	1,069.7	1,189.8	1,466.8	1,251.5
Property and equipment, net	233.0	248.3	253.2	216.0
Assets held for sale	22.3	—	—	—
Other assets, net[2]	437.2	461.1	658.7	562.1
Total assets	₩22,389.0	₩22,538.7	₩24,307.6	U.S.$20,740.3
Liabilities and Equity:				
Borrowings	₩17,238.3	₩17,461.7	₩19,401.4	U.S.$16,554.1
Other liabilities[3]	1,897.9	1,639.5	1,411.3	1,204.2
Total liabilities	19,136.2	19,101.2	20,812.7	17,758.3
Issued capital	496.5	496.5	496.5	423.6
Capital surplus	407.5	407.5	407.5	347.7
Accumulated other comprehensive income (expenses), net	(11.6)	(64.6)	(45.2)	(38.7)
Retained earnings	2,360.4	2,598.1	2,629.1	2,243.3
Non-controlling interest	—	—	7.0	6.1
Total equity	3,252.8	3,437.5	3,494.9	2,982.0
Total liabilities and equity	₩22,389.0	₩22,538.7	₩24,307.6	U.S.$20,740.3

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Includes, among others, derivative assets of ₩23.9 billion, ₩20.3 billion and ₩179.2 billion, as of December 31, 2013, 2014 and 2015, respectively.

(3) Includes, among others, derivative liabilities of ₩512.7 billion, ₩383.1 billion and ₩140.2 billion, as of December 31, 2013, 2014 and 2015, respectively.

The financial condition of the Company over the periods indicated in the above table was affected by the following factors:

Major Factors Affecting Changes to the Company's Assets.

Cash and due from other financial institutions. Cash and due from other financial institutions increased by 1.8% to ₩1,624.1 billion as of December 31, 2015 from ₩1,594.7 billion as of December 31, 2014 and increased by 6.1% to ₩1,594.7 billion as of December 31, 2014 from ₩1,502.6 billion as of December 31, 2013. The outstanding amount of cash and due from other financial institutions varies from time to time in line with the Company's daily cash management in line with its overall liquidity policy.

Loans receivable. Loans receivable decreased by 11.4% to ₩8,492.1 billion as of December 31, 2015 from ₩9,584.2 billion as of December 31, 2014, mainly due to a decrease in the average balance of automotive loan products following de-emphasis of marketing such products mainly for purposes of focusing on the strategic marketing of the installment financial products. Loans receivable decreased by 13.8% to ₩9,584.2 billion as of December 31, 2014 from ₩11,124.2 billion as of December 31, 2013, mainly due to a decrease in the average balance of automotive loan products following de-emphasis of marketing such products mainly for purposes of regulatory compliance with the aggregate loan asset limits under the SCFBA discussed above and, to a lesser extent, reduction of high-risk personal loan (including mortgage loan) assets as part of the Company's effort to improve its overall asset quality.

Installment financial assets. Installment financial assets have increased by 36.3% to ₩8,861.0 billion as of December 31, 2015 from ₩6,502.8 billion as of December 31, 2014, and by 35.5% as of December 31, 2014 from ₩4,799.9 billion as of December 31, 2013. Such increase in the balance of installment financing products, and in particular, new automotive financing products, reflects increased co-marketing efforts with HMG to promote installment financing products which feature more competitive financing rates compared to those of automotive loan products.

Lease receivables. Lease receivables, which relate to financial leases with non-affiliates, decreased by 2.0% to ₩2,630.7 billion as of December 31, 2015 from ₩2,685.2 billion as of December 31, 2014, primarily due to an increase in the average balance of lease assets and in particular operating lease products. Lease receivables decreased by 10.2% to ₩2,685.2 billion as of December 31, 2014 from ₩2,990.0 billion as of December 31, 2013, primarily due to the temporary reduction of imported automobile leasing business in 2014.

Leased assets. Leased assets, which relate to operating leases, increased by 23.3% to ₩1,466.8 billion as of December 31, 2015 compared to ₩1,189.8 billion as of December 31, 2014, primarily due to an increase in the average balance of operating leased assets resulting mainly from retail customers. Leased assets increased by 11.2% to ₩1,189.8 billion as of December 31, 2014 from ₩1,069.7 billion as of December 31, 2013, primarily due to an increase in the average balance of operating leases mainly following the release by HMC of a new model for Genesis.

Other Assets. Other assets increased by 42.9% to ₩658.8 billion as of December 31, 2015 from ₩461.1 billion as of December 31, 2014, primarily due to an increase in derivative assets. Other assets increased by 5.5% to ₩461.1 billion as of December 31, 2014 from ₩437.2 billion as of December 31, 2013, primarily due to an increase in advance payments related to information-technology system upgrades.

Major Factors Affecting Changes to Liabilities and Equity

Liabilities. Total liabilities increased by 9.0% to ₩20,812.7 billion as of December 31, 2015 from ₩19,101.2 billion as of December 31, 2014, as a result of an increase in bonds and securitizations. Total liabilities remained largely stable, having changed by 0.2% to ₩19,101.2 billion as of December 31, 2014 from ₩19,136.2 billion as of December 31, 2013.

Equity. Total equity increased 1.7% to ₩3,494.9 billion as of December 31, 2015 from ₩3,437.6 billion as of December 31, 2014, primarily due to an increase in retained earnings, which was partially offset by dividends paid of ₩249.9 billion. Total equity increased by 5.7% to ₩3,437.6 billion as of December 31, 2014 from ₩3,252.8 billion as of December 31, 2013, primarily due to increase in earned surplus.

Cash Flow

Cash and cash equivalents increased by 15.4% from ₩1,302.2 billion as of the beginning of 2013 to ₩1,502.6 billion as of the end of 2013, decreased by 59.5% from ₩1,502.6 billion as of the beginning of 2014 to ₩608.2 billion as of the end of 2014 and increased by 41.9% from ₩608.2 billion as of the beginning of 2015 to ₩862.9 billion as of the end of 2015.

The increase in cash and cash equivalents during 2013 was principally due to a net inflow of cash from investing activities of ₩69.1 billion (largely as a result of proceeds from disposal of land related to the sale of the Company's headquarters building) and a net inflow of cash from financing activities of ₩272.0 billion, which was partially offset by a net outflow of cash used in operating activities of ₩140.7 billion.

The decrease in cash and cash equivalents during 2014 was principally due to a net outflow of cash from operating activities of ₩976.8 billion and, to a lesser extent, a net outflow of cash from investing activities of ₩64.9 billion, which was partially offset by a net inflow from financing activities of ₩147.3 billion resulting from an increase in short-term investment products as part of the Company's liquidity management.

The increase in cash and cash equivalents during 2015 was principally due to a net inflow of cash from financing activities of ₩1,493.9 billion mainly resulting from an increase in the proceeds from issuance of bonds, which was partially offset by a net outflow from operating activities of ₩1,211.6 billion.

The Company recorded cash used in operations of ₩521.6 billion in 2015 compared to cash used in operations of ₩223.1 in 2014 principally as a result of an increase in installment financial assets and increase in operating lease assets which was partially offset by a decrease in loan receivables. The Company recorded cash used in operations of ₩223.1 billion in 2014 compared to cash generated by operations of ₩710.5 billion in 2013 principally as a result of an increase in short-term financial investments and an increase in installment financial assets, which were partially offset by a decrease in loans receivable and decreases in finance and operating lease receivables. The increase in short-term financial investments was largely due to increased investment in investment-grade money market instruments as part of the Company's short-term liquidity management policy. The changes in installment financial assets, loans receivable and finance and operating lease receivables were due to reasons discussed above in "— *Results of Operations*".

Funding and Liquidity

The Company fully hedges its foreign currency exposure through currency swap contracts and the amounts that the Company is actually liable under such borrowings and bonds are the Won amounts payable under the corresponding swap contracts. Accordingly, in the following subsection, unless otherwise stated, amounts payable under foreign currency-denominated borrowings and bonds are presented on an "as swapped" basis based on the Won amounts payable under the corresponding currency swap contracts under which such borrowings and bonds are swapped into Won-denominated borrowings and bonds.

Funding Sources and Strategy

The Company's liquidity and profitability are, in large part, dependent upon its timely access to capital and the costs associated with raising funds in different segments of the capital markets. The Company's funding strategy is based on general market conditions, prevailing interest rates, the desirability of diversified funding sources, the Company's liquidity needs, the desired maturity profile of the Company's liabilities and the Company's ability to enter into the different segments of the capital market. Over the past several years, the Company's funding strategy has focused on developing diversified funding sources across a global investor base, both public and private, and increasing the proportion of long-term debt. This diversification has been achieved in a variety of ways, including by engaging in ABS transactions, accessing the public and private debt capital markets and establishing credit facilities.

The following table summarizes outstanding debt and other sources of funding as of the periods indicated:

	As of December 31,						
	2013		2014		2015		
	Amount	% of Total	Amount	% of Total	Amount	Amount(1)	% of Total
	(billions of Won and millions of U.S.$, except percentages)						
Domestic							
Corporate bonds............	₩8,835.0	49.8%	₩9,251.0	52.0%	₩10,384.0	U.S.$8,860.1	53.7%
Commercial paper.........	320.0	1.8	200.0	1.1	530.0	452.2	2.7
Securitizations	1,020.0	5.7	1,360.0	7.6	1,841.0	1,570.8	9.5
Bank loans and other	1,440.0	8.1	1,328.0	7.5	1,234.0	1,052.9	6.4
Total domestic debt....	11,615.0	65.4	12,139.0	68.2	13,989.0	11,936.0	72.3
International							
Corporate bonds(2)	4,679.9	26.4	4,657.1	26.2	4,053.1	3,458.3	20.9
Securitizations	1,401.3	7.9	940.5	5.3	1,312.6	1,120.0	0.0
Bank loans and other	58.6	0.3	58.6	0.3	—	—	6.8
Total international debt.......................	6,139.8	34.6	5,656.2	31.8	5,365.8	4,578.3	27.7
Total funding(3)	₩17,754.8	100.0%	₩17,795.2	100.0%	₩19,354.8	U.S.$16,514.3	100.0%

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) For further information, see "— *Bonds*" below.

(3) Does not include discounts on bond payable and gains and profits from foreign currency translation.

As of December 31, 2013, 2014 and 2015, the Company obtained 34.6%, 31.8% and 27.7%, respectively, of its debt funding in the international debt capital markets and banking markets, in the form of corporate bonds, bank loans and international and loan sales, among others. The Company obtained remaining financing from domestic sources, including corporate bonds, commercial paper, bank loans, securitizations and loan sales. The Company's target funding portfolio is to maintain approximately a 70:20:10 ratio on the outstanding balance of bonds/loans, asset securitizations and commercial paper.

Borrowings

The Company's short-term funding needs are met through the issuance of commercial paper in Korea. The maturity for commercial paper ranges from 30 to 365 days. The Company also utilizes Won-denominated and foreign-currency denominated bank loans to meet its funding needs. The maturity for the Company's bank loans ranges from one year to three years. The Company's loan and other borrowings amounted to ₩1,818.6 billion, ₩1,586.6 billion and ₩1,764.0 billion as of December 31, 2013, 2014 and 2015, respectively.

Bonds

The Company principally meets its long-term funding requirements through the issuance of a variety of debt securities in both Korea and international capital markets. To diversify its funding sources, the Company has issued in a variety of geographic and product markets, with different currencies and maturities, and to a wide range of investors and has also extended the maturity profile of its liabilities, which has allowed the Company to broaden the distribution of its securities and further enhance its liquidity.

The following table summarizes the components of the Company's unsecured debt securities:

	Domestic bonds(1)	GMTN bonds(2)	Samurai bonds(3)	Malaysia bonds(4)	Kangaroo bonds(5)	FRN(6)	Others	Total bonds(7)
				(in billions of Won)				
Balance at December 31, 2012	₩8,095.0	₩3,371.9	₩380.8	₩492.4	—	₩524.2	—	₩12,864.3
Issuances during 2013	2,970.0	—	275.5	—	278.3	—	—	3,523.8
Payments during 2013	2,230.0	186.0	—	235.5	—	221.7	—	2,873.2
Balance at December 31, 2013	₩8,835.0	₩3,185.9	₩656.3	₩256.9	₩278.3	₩302.5	₩ 0.0	₩13,514.9
Issuances during 2014	2,510.0	843.4	—	—	—	—	—	3,353.4
Payments during 2014	2,094.0	377.0	380.8	—	—	108.4	0	2,960.2
Balance at December 31, 2014	₩9,401.0	₩3,652.3	₩275.5	₩256.9	₩278.3	₩194.1	₩ —	₩14,058.0
Issuances during 2015	3,001.0	562.4	228.2	—	—	237.0	—	4,028.6
Payments during 2015	2,018.0	1,024.0	275.5	138.0	—	194.1	—	3,649.5
Balance at December 31, 2015	₩10,384.0	₩3,190.7	₩228.2	₩118.9	₩278.3	₩237.0	₩ —	₩14,437.1

Notes:

(1) Domestic bonds have terms to maturity ranging from approximately one year to 10 years, and have interest rates at the time of issuance ranging from 1.80% to 6.53%.

(2) Through a drawdown from the Company's U.S.$5.0 billion Global MTN Program, the Company issued Swiss Franc denominated notes in a principal amount of CHF200 million with maturity of five years at an interest rate of 2.50% in February 2012. The Company entered into a cross currency interest rate swap agreement to convert payments of principal and interest on these bonds to Korean Won. In March 2012, the Company issued a U.S.$500 million bond with a maturity of five and half years at an interest rate of 3.5%. The Company entered into a cross currency interest rate swap agreement to convert payments of principal and interest on these bonds to Korean Won. In March 2014, the Company issued a U.S.$500 million bond with a maturity of three years at an interest rate of three month U.S. dollar LIBOR + 0.80%. In October 2014, the Company issued two Swiss Franc denominated notes in an aggregate principal amount of CHF280 million with maturities of 23 months and three years at interest rates of three month Swiss Franc LIBOR + 0.34% and CHF mid-market swap rate + 0.43%, respectively. In April 2015, the Company issued a U.S.$400 million bond with a maturity of 65 months at an interest rate of 2.625%. In August 2015, the Company issued an AUD135 million bond with a maturity of two years at an interest rate of three month BBSW + 0.90%.

(3) In October 2015, the Company issued Samurai Bonds in an aggregate principal amount of JPY25.0 billion with two tranches with maturities of two and three years at interest rates of 0.52% and 0.54%, respectively.

(4) In February 2012, the Company issued debt securities in a principal amount of MYR320 million with a maturity of five years at an interest rate of 4.2%.

(5) In May 2013, the Company issued Australian Dollar-denominated bonds in an aggregate principal amount of AUD250 million with two tranches in Australia with maturities of four years at a floating interest rate of 3 month AUD BBSW + 1.50% and a fixed interest rate of 4.50%, respectively.

(6) In September 2015, the Company issued a floating rate note in September in a principal amount of U.S.$200 million with a maturity of three years at an interest rate of 3 month U.S. dollar LIBOR + 0.70%.

(7) Does not include discounts on bond payable and gains and profits from foreign currency translation.

The interest rates, maturity schedule and the proportion of the Company's short-term and long-term debt obligations outstanding as of December 31, 2015 are as follows:

Payments due by Period	**Interest Rate**	**Amount**	**% of Total**
	(billions of Won, except percentages)		
Short-term debt (including current portion of long-term debt)	1.65-5.50%	₩5,772.1	29.8%
Long-term debt			
within 1~2 years (due on or prior to December 31, 2015)	1.70-5.97%	5,470.6	28.3
within 2~3 years (due on or prior to December 31, 2016)	1.68-6.54%	4,140.3	21.4
within 3~4 years (due on or prior to December 31, 2017)	1.63-4.83%	1,758.7	9.1
more than 4 years (due on or after January 1, 2018)	1.90-4.07%	2,213.1	11.4
Total long-term debt		₩13,582.8	70.2
Total debt(1)		₩19,354.8	100.0%

Note:

(1) Does not include discounts on bonds payable and gains or losses from foreign currency translation.

Credit Facilities

For additional liquidity purposes, the Company maintains credit facilities with Korean branches of international banks as well as domestic banks, as described in the table below as of December 31, 2015.

Lender	**Issue Date**	**Maturity Date(1)**	**In billions of Won or billions of U.S.$**
GE Capital European Funding & Co(2)	January 9, 2015	January 8, 2016	U.S.$0.6
Citibank Korea Inc.	October 27, 2015	October 27, 2016	₩100.0
ING Bank, N.V., Seoul Branch	January 31, 2015	January 31, 2016	₩100.0
Société Générale, Seoul Branch	February 28, 2015	February 28, 2016	₩110.0
Bank of China, Seoul Branch	April 15, 2015	April 15, 2016	₩50.0
Sumitomo Mitsui Banking Corporation, Seoul Branch	April 30, 2015	April 30, 2016	₩50.0
BNP Paribas, Seoul Branch	May 30, 2015	May 30, 2016	₩100.0
Bank of America, N.A., Seoul Branch	June 27, 2015	June 27, 2016	₩20.0
Crédit Agricole Corporate and Investment Bank	October 31, 2015	October 31, 2016	₩70.0
DBS Bank, Seoul Branch	November 3, 2015	November 3, 2016	₩150.0
Mizuho Corporate Bank, Seoul Branch	December 10, 2015	December 10, 2016	₩65.0
Standard Chartered, Seoul Branch	December 28, 2015	December 27, 2016	₩50.0
China Construction Bank, Seoul Branch	March 27, 2015	March 27, 2016	₩100.0
Industrial and Commercial Bank of China, Seoul Branch	January 30, 2015	January 30, 2016	₩100.0
Bank of Communications, Seoul Branch	June 30, 2015	March 11, 2016	₩100.0
Citibank, N.A.	July 26, 2015	July 26, 2016	U.S.$0.2
Korea Development Bank	February 25, 2015	February 24, 2017	₩60.0
Kyobo Life Insurance Co., Ltd.	January 16, 2015	January 16, 2017	₩50.0
Kyobo Life Insurance Co., Ltd.	June 13, 2015	June 12, 2017	₩50.0
Kookmin Bank	March 13, 2015	March 11, 2016	₩200.0
Suhyup Bank	March 6, 2015	March 6, 2016	₩20.0
Daegu Bank	November 6, 2015	November 6, 2016	₩30.0
Hana Bank	October 30, 2015	October 31, 2016	₩100.0
Shinhan Bank	November 19, 2015	November 18, 2016	₩100.0

Notes:

(1) If original maturity dates have been extended, such extended dates are reflected as maturity dates.

(2) In relation to such credit facility agreement, HMC shall pay GE Capital European Funding & Co. any amount not paid by the Company, multiplied by the shareholding ratio of HMC. As of the date of this Offering Circular, the available amount under the credit facility was U.S.$600 million.

As of the date of this Offering Circular, the Company has not drawn down on any of the above credit facilities.

Cash Reserves

As at December 31, 2015 the Company held ₩1,624.1 billion in cash and due from other financial institutions and ₩321.0 billion of securities.

Securitizations

In 2013, the Company raised ₩918.6 billion through two domestic securitization transactions and one overseas securitization transaction. In 2014, the Company raised ₩600 billion through two domestic securitization transactions. In 2015, the Company raised ₩1,626.1 billion through two domestic securitization transactions and two overseas securitization transactions.

In June, July and November 2013, the Company raised ₩300.0 billion, ₩300.0 billion and U.S.$300.0 million, respectively, through securitization of its new vehicle lease financing receivables, vehicle installment financing receivables and loans with an average weighted life of three years, at an average interest rate of 3.02% and 3.22% and 2.68%, respectively. In May 2014, the Company raised ₩300 billion through securitization of its new vehicle installment financing receivables and loans with an average weighted life of three years at an average interest rate of 3.19%. In December 2014, the Company raised another ₩300 billion through securitization of its new vehicle installment financing receivables and loans with an average weighted life of 3 years at an average interest rate of 2.40%. In June, September, November and December 2015, the Company raised ₩400.0 billion, U.S.$400.0 million, ₩400.0 billion and U.S.$300.0 million, respectively, through securitization of its new vehicle installment financing receivables and loans with an average weighted life of three years at an average interest of 2.02%, 1.46%, 2.14% and 1.74%, respectively.

The Company's asset securitization income from subordinated bonds and subordinated beneficiary certificates amounted to ₩264.4 billion, ₩272.3 billion and ₩254.4 billion in 2013, 2014 and 2015, respectively. In the event that the assets transferred to securitization vehicles do not generate sufficient revenues in the future to make payments on the subordinated beneficiary certificates at current levels after payments of principal and interest on the senior tranches and other expenses of the vehicles, the Company's interest income will decrease.

The table below sets forth outstanding balances of the Company's securitizations and direct loan sales for the periods indicated.

	As of December 31,			
	2013	**2014**	**2015**	**2015[1]**
	(in billions of Won and millions of U.S.$)			
Securitizations	₩3,509.8	₩3,677.4	₩4,859.5	U.S.$4,146.4
Ratio of total assets securitized	17.2%	18.1%	22.3%	22.3%
Total financial receivables	₩20,397.2	₩20,323.3	₩21,811.6	U.S.$18,610.5

Note:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

The amount of financial receivables sold in securitization transactions was ₩1,454.0 billion, ₩873.7 billion and ₩2,464.9 billion during 2013, 2014 and 2015, respectively.

Credit Ratings

The cost and availability of unsecured financing is influenced by credit ratings, which are intended to be an indicator of the credit worthiness of a particular company, security or obligation. Lower credit ratings generally result in higher borrowing costs as well as reduced access to the capital markets. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency.

As of the date of this Offering Circular, the Company is rated "A-" by S&P and "BBB+ (stable)" by Fitch, as well as "Baa1" by Moody's with a stable outlook. The Company is also rated "AA+" by each of Korean Information Service and Korea Ratings, each with a stable outlook. In addition, the Company is rated "A+" by Japan Credit Rating Agency, with a stable outlook, same as the sovereign rating of Korea "A+". The Company's MYR2 billion Medium-Term Notes Programme is rated "AAA" by RAM Rating Service Berhad, a Malaysia-based rating agency, with a stable outlook.

Capital Adequacy

The Company's capital management policies are to allocate capital efficiently and to maintain a prudent relationship between the Company's capital and the risks of its underlying business. In determining capital requirements, the Company projects business growth, capital investment plans, earnings and reserve requirements. The Company is subject to capital adequacy requirements of the FSC, which are primarily based on the capital adequacy accord reached by the Basel Committee of Banking Supervision, Bank of International Settlements in 1988.

Under the FSC's guidelines, all specialized credit financial companies in Korea, including the Company, are required to maintain a minimum ratio of adjusted capital to adjusted assets of 7.0% (8.0% for credit card companies). Adjusted capital consists of shareholders' equity and (to the extent it does not exceed shareholders' equity) supplementary capital less certain deductions. Shareholders' equity consists of paid-in capital, capital surplus, retained earnings, accumulated other comprehensive income and expenses and capital adjustments. Specialized credit financial companies applying the K-IFRS accounting method must deduct certain items from adjusted capital. For example, (i) accumulated unrealized gains or losses represented in a comprehensive income item on valuation of loans, receivables on capital lease and certain advances (the "Balance Loans") must be deducted from accumulated other comprehensive gains or losses as credit, (ii) reserves for bad debts must be deducted from retained earnings, (iii) accumulated unrealized gains or losses accounted in retained earnings on the Balance Loans and financial loans must be deducted from retained earnings, and (iv) revaluation gains after income tax on tangible assets and investment properties accounted for as retained earnings on the date such specialized credit financial company adopted K-IFRS, to the extent that distribution of such revaluation gains as dividend is not restricted by a resolution of the board of directors or a general shareholders' meeting or an amendment of the articles of incorporation of such company, must be deducted from retained earnings. Supplementary capital includes, among other things, provisions for normal and precautionary assets (in the case of card receivables, provisions for non-delinquent card receivables) and unsecured subordinated debt the maturity of which is five years or longer, which qualifies for certain requirements for being supplementary capital specified in the Detailed Regulation on Supervision of Specialized Credit Financial Business. In the case of subordinated debt with a remaining maturity period equal to or longer than 10 years, the subordinated debt amount is recognized as supplementary capital up to an amount equal to 100% of shareholders' equity, and in the case of subordinated debt with a remaining maturity equal to or longer than five years, but less than 10 years, the subordinated debt amount will be recognized as supplementary capital up to an amount equal to 50% of shareholders' equity. Subordinated debt that qualifies for supplementary capital treatment is generally subject to amortization of such capital treatment at an annual rate of 20%, commencing five years prior to the applicable maturity date of such debt. Deductions include, among other things, deferred tax assets and goodwill. Adjusted assets consist of total assets less (i) cash, short-term deposits without security arrangements and treasury or public bonds maturing within three months and (ii) certain deductions. Specialized credit financial companies utilizing the K-IFRS accounting method must deduct from adjusted assets accumulated unrealized gains or losses on valuation of reserves for bad debts and the Balance Loans.

The following table sets forth details of the Company's capital, on a separate basis, as of the dates indicated.

	As of December 31,			
	2013	**2014**	**2015**	**2015[1]**
	(in billions of Won, except percentages)			
Equity				
Issued capital	₩496.5	₩496.5	₩496.5	U.S.$423.7
Capital surplus	407.5	407.5	407.5	347.7
Accumulated other comprehensive income (loss)	(8.8)	(55.1)	(39.6)	(33.8)
Retained earnings	2,339.5	2,580.9	2,615.9	2,232.0
Reserve for bad loans	(328.7)	(336.5)	(256.0)	(218.5)
Total equity (basis capital)[2]	2,906.0	3,093.3	3,224.3	2,751.1
Total equity	3,234.6	3,437.6	3,480.4	2,969.6
Supplementary capital				
Provisions	254.3	277.4	315.0	268.7
Total Supplementary capital	254.3	277.4	315.0	268.7
Deductions	30.4	24.9	21.0	17.9
Adjusted total capital	3,129.9	3,345.8	3,518.3	3,001.9
Adjusted total assets	₩20,672.9	₩21,792.5	₩23,559.2	U.S.$20,101.7
Total capital adequacy ratio	15.14%	15.35%	14.93%	14.93%

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Total basis capital is calculated as total equity less reserve for bad loans.

The Company's total capital adequacy ratio decreased from 15.35% in 2014 to 14.93% in 2015, primarily due to an increase in adjusted total assets to ₩23,559.2 billion in 2015 from ₩21,792.5 billion in 2014 mainly as a result of an increase in installment financial assets. The Company's total capital adequacy ratio increased from 15.14% in 2013 to 15.35% in 2014, primarily due to an increase in adjusted total capital from ₩3,129.9 billion in 2013 to ₩3,345.8 billion in 2014 mainly as a result of an increase in retained earnings.

Market Risk and Risk Management

Currency Exchange Risk

To meet funding objectives, the Company borrows in a variety of currencies, principally Won, U.S. dollars and Japanese Yen. The Company faces exposure to currency exchange rate fluctuations, particularly if there is a mismatch between the currency of its receivables (which are primarily in Won) and the currency of the debt funding those receivables. The Company's policy is to hedge all exposure to the Company's operating results arising from changes in currency exchange rates at the time it obtains foreign currency denominated borrowings. As of December 31, 2015, the Company had fully hedged its exposure to foreign currency fluctuations through swaps.

Interest Rate Risk

The Company's interest rate risk exposure results principally from "re-pricing risk" or differences in the re-pricing characteristics of assets and liabilities. An instrument's re-pricing period refers to the time it takes an instrument's interest rate to reflect a change in market interest rates. For fixed-rate instruments, the re-pricing period is equal to the maturity of the instrument's principal because the principal is considered to re-price only when re-invested in a new instrument. For a floating-rate instrument, the re-pricing period is the period of time before the interest rate adjusts to the market rate. Re-pricing risk arises when assets and the debt funding those assets have different re-pricing periods, and consequently, respond differently to changes in interest rates.

The Company's receivables consist primarily of fixed-rate retail installment sale and lease contracts. Fixed-rate retail installment sale and lease contracts are originated principally with maturities ranging between two and five years and generally require customers to make equal monthly payments over the life of the contract.

Funding sources consist primarily of short- and long-term unsecured debt and sales of receivables in securitizations. In the case of unsecured debt, and in an effort to have funds available throughout business cycles, the Company may borrow at terms longer than the terms of its assets. These debt instruments are principally fixed-rate and require fixed and equal interest payments over the life of the instrument and a single principal payment at maturity.

The Company is exposed to interest rate risk to the extent that a difference exists between the re-pricing profile of its assets and its debt. The Company's Asset Liability Committee ("ALCO") manages its exposure to interest rate risks through the use of its proprietary asset-liability management system which measures the Company's risk exposures and provides forecasts of cash inflows and outflows, including scenario analysis of market interest rates, calculation of actual maturity taking into account customer behavior forecasts, analysis of interest rate and liquidity risk using actual cash flows and expedient generation of analysis reports to aid decision making processes including adjustments to the terms and conditions of the Company's funding. During its quarterly meetings, the ALCO establishes counterparty limits, formulates hedging strategies, implements risk management strategies and optimizes risks stemming from liquidity, interest rate, foreign exchange and maturity mismatch.

Derivative Financial Instruments

In the normal course of business, the Company uses derivative financial instruments to manage exposure to currency risk and interest rate risks in floating rate bonds. The Company enters into swap agreements primarily for hedging purposes. Swap agreements are valued at the fair value as of the relevant balance sheet date. See Note 17 to the financial statements as of and for the year ended December 31, 2015 included elsewhere in this Offering Circular.

Counterparty Credit Risk

Certain debt and derivative instruments involve counterparty credit risk, which is the risk that the counterparty may fail to perform on its contractual obligations. The Company manages this risk through the use of a policy that includes credit standard guidelines, counterparty diversification, monitoring of counterparty financial condition and exposure limits based on counterparty credit, exposure amount and management risk tolerance. This policy is reviewed on an annual basis and as conditions warrant.

Operational Risk

Operational risk is the risk of loss resulting from, among other things, inadequate or failed processes or systems, theft, fraud, or natural disaster. These events can potentially result in financial losses or other damages to the Company. The Company relies on internal and external information and technological systems to manage its operations and therefore is exposed to risk of loss resulting from potential failures of these systems. In order to monitor and manage operational risk, the Company maintains a framework of internal controls designed to provide a sound operational environment, including through enhanced fraud detection systems, and strives to maintain appropriate levels of operational risk relative to its businesses strategies, competitive and regulatory environment, and markets in which it operate.

Asset Quality

The Company analyzes its financial performance and reports to the FSC certain of its operating performance, including delinquency ratios. The Company periodically securitizes and sells receivables generated from its automotive financing and leasing operations to diversify its funding sources. Under K-IFRS, a financial asset is removed only if the contractual rights on cash flow of the financial asset terminates or all the risk and reward of ownership of the financial asset are substantially transferred. The Company continues to manage such securitized and sold receivables including billing and payment as well as record keeping, and receives service fees from the securitization vehicles for servicing such receivables. For information on the treatment of the securitized assets under K-IFRS, see to Note 3 of the Company's financial statements as of and for the year ended December 31, 2015 included elsewhere in this Offering Circular.

The asset quality of a portfolio is generally a function of the initial underwriting criteria used, account management activities and demographic concentration, as well as general economic conditions. The following table provides a breakdown of the Company's financial receivables as of the dates indicated.

	As of December 31,			
	2013	2014	2015	2015[1]
	(in billions of Won and millions of U.S.$)			
Financial Receivables:				
Automotive financing:				
New vehicles	₩10,368.5	₩10,377.0	₩11,488.9	U.S.$9,802.8
Used vehicles	1,483.7	1,463.7	1,395.9	1,191.0
Maturity extension[2]	141.0	95.4	62.7	53.6
Subtotal	11,993.2	11,936.1	12,947.5	11,047.4
Automotive leasing	3,976.4	3,818.1	3,996.6	3,410.1
Personal loan:				
Direct Loans and other branded personal loans[3]	1,969.9	2,021.1	1,969.5	1,680.4
Mortgage	1,796.1	1,745.0	1,835.6	1,566.2
Others[4]	141.0	140.8	91.4	78.0
Subtotal	3,907.0	3,906.9	3,896.5	3,324.7
Others:				
Re-aged loans	4.1	5.4	10.6	9.0
CRS loans[5]	71.1	82.9	94.5	80.6
Others[6]	445.4	573.9	865.9	738.9
Subtotal	520.6	662.2	971.0	828.5
Total financial receivables	₩20,397.2	₩20,323.3	₩21,811.6	U.S.$18,610.7

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Includes non-delinquent loans whose maturity has been extended.

(3) Consists principally of Direct Loans, a brand for the Company's unsecured personal loans. For further description, see "*Business — Personal Loans — Unsecured Personal Loans*".

(4) Includes specialized loans not sold under one of the Company's brands.

(5) Includes loans restructured in coordination with the Credit Counseling and Recovery Service. See "*Business — Risk Management — Collections in respect of Delinquent Assets*."

(6) Includes other corporate loans and loans purchased from Hyundai Card, Hyundai Commercial and Hyundai Life.

Delinquencies

The following table summarizes the quality of the Company's financial receivables, including information relating to non-performing loans ("NPLs"), delinquent receivables and credit write-offs both on an overall and a product-level basis.

	As of December 31,			
	2013	2014	2015	2015[1]
	(in billions of Won and millions of U.S.$, except percentages)			
Total financial receivables	₩20,397.2	₩20,323.3	₩21,811.6	U.S.$18,610.6
NPL[2] balance	808.1	731.0	537.2	458.4
Automotive financing	386.0	361.9	209.1	178.4
Automotive leasing	105.2	119.5	106.4	90.8
Personal loan	171.3	161.7	126.3	107.8
Others[3]	145.6	87.9	95.4	81.4
Ratio of NPLs to total financial receivables	3.96%	3.60%	2.46%	2.46%
Delinquent receivables[4]	₩350.2	₩276.5	254.0	216.7
Automotive financing	78.5	52.0	48.3	41.2
Automotive leasing	36.2	41.0	32.3	27.6
Personal loan	112.0	104.7	87.1	74.3
Others[3]	123.5	78.8	86.3	73.6
Ratio of delinquent receivables to total financial receivables	1.72%	1.36%	1.16%	1.16%
Allowances, beginning of period	₩385.2	₩436.5	₩440.8	U.S.$376.1
Provisions for losses	453.8	423.9	316.5	270.1
Charge-offs	494.2	530.0	410.3	350.1
Recoveries and others	91.7	110.4	118.4	101.0
Allowances, end of period	436.5	440.8	465.4	397.1
Loan allowance as percentage of total financial receivables	2.14%	2.17%	2.13%	2.13%
Net charge-offs as a percentage of average amount outstanding (finance receivables)	1.98%	2.03%	1.36%	1.36%

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Defined as sub-standard or below.

(3) Includes re-aged loans, CRS Loans and other restructured loans and corporate loans.

(4) Delinquent receivables are those overdue for 90 days or more. The Company purchases delinquent and written-off receivables from Hyundai Card, Hyundai Commercial and Hyundai Life Insurance as further described in "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Card, — Relationship with Hyundai Commercial and — Relationship with Hyundai Life Insurance*".

The tables below show the delinquency amounts and ratios for the Company's automotive financing, automotive leasing, personal loan and other assets as of the dates indicated. The entire balance of an account is contractually delinquent if a payment is not received by the payment due date. Delinquencies have the potential to impact earnings (and the capital adequacy ratio) if the account is written off and/or provision for loss increases, and also result in additional costs in terms of the personnel and other resources dedicated to resolving such delinquencies.

	As of December 31,			
	2013	2014	2015	2015(1)
	(in billions of Won and millions of U.S.$, except percentages)			
Automotive financing:				
Total automotive financing receivables	₩11,993.2	₩11,936.1	₩12,947.5	U.S.$11,047.4
Delinquent loans:	783.3	696.9	616.9	526.4
Less than 1 month	617.9	557.5	502.3	428.6
Over 1 month:	165.4	139.4	114.6	97.8
Between 1 to 3 months	86.9	87.4	66.3	56.6
Between 3 to 6 months	74.7	47.3	43.6	37.2
Over 6 months	3.8	4.7	4.7	4.0
Delinquency ratio (over 1 month)(1)	1.38%	1.17%	0.88%	0.88%
Delinquency ratio (over 1 day)(2)	6.53%	5.84%	4.76%	4.76%
Automotive leasing:				
Total automotive leasing receivables	₩3,976.4	₩3,818.1	₩3,996.6	U.S.$3,410.1
Delinquent loans:	262.2	281.7	293.9	250.8
Less than 1 month	203.2	200.5	217.3	185.4
Over 1 month:	59.0	81.2	76.6	65.4
Between 1 to 3 months	24.6	40.0	24.4	20.8
Between 3 to 6 months	14.3	14.7	9.1	7.8
Over 6 months	20.1	26.5	43.1	36.8
Delinquency ratio (over 1 month)(1)	1.49%	2.13%	1.92%	1.92%
Delinquency ratio (over 1 day)(2)	6.60%	7.38%	7.35%	7.35%
Personal loan:				
Total personal loan	₩3,907.0	₩3,906.9	₩3,896.5	U.S.$3,324.7
Delinquent loans:	376.4	368.2	325.0	277.3
Less than 1 month	203.6	206.0	193.3	164.9
Over 1 month:	172.8	162.2	131.7	112.4
Between 1 to 3 months	60.8	57.5	44.6	38.1
Between 3 to 6 months	64.3	54.1	49.0	41.8
Over 6 months	47.7	50.6	38.1	32.5
Delinquency ratio (over 1 month)(1)	4.42%	4.15%	3.38%	3.38%
Delinquency ratio (over 1 day)(2)	9.63%	9.42%	8.34%	8.34%
Other assets:				
Total other assets	₩520.6	₩662.2	₩971.0	U.S.$828.5
Delinquent loans:	170.3	128.2	137.4	117.2
Less than 1 month	16.9	20.0	22.8	19.4
Over 1 month:	153.4	108.2	114.6	97.8
Between 1 to 3 months	30.7	29.5	29.7	25.3
Between 3 to 6 months	52.8	47.8	56.8	48.5
Over 6 months	69.9	30.9	28.1	24.0
Delinquency ratio (over 1 month)(1)	29.47%	16.32%	11.80%	11.80%
Delinquency ratio (over 1 day)(2)	32.71%	19.35%	14.15%	14.15%

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Represents ratio of receivables that are overdue for more than one month to the total amount of such receivables.

(3) Represents ratio of receivables that are overdue for more than one day to the total amount of such receivables.

Net Charge-offs

The FSS guidelines permit charge-offs, with FSS approval, on a quarterly basis for balances categorized as estimated loss with an expected loss of greater than ₩5 million, without any minimum delinquency period or collection effort requirements. Balances of ₩5 million or less that are categorized as estimated loss may be charged off at any time without approval from the FSS, subject to certain restrictions.

In accordance with the FSS guidelines, the Company charges off balances of ₩10,000 or more that are delinquent for 180 days or more and categorized as estimated loss. Prior to a charge-off, the Company collects documentation to justify the charge-off, such as documents showing the relevant customer's inability to pay or the customer's death or disappearance. Amounts equal to or less than ₩5 million are charged off monthly, and the Company applies for FSS approval to charge-off balances of more than ₩5 million on a quarterly basis. The FSS reviews all such charge-off applications submitted by the Company to the FSS.

The following table sets forth information regarding the Company's charge-offs (excluding those in relation to other assets) for the periods indicated.

	For the Year Ended December 31,			
	2013	2014	2015	2015(1)
	(in billions of Won and millions of U.S.$, except percentages)			
Average interest earning assets	₩20,342.2	₩20,220.5	₩20,608.4	U.S.$17,584.0
Gross charge-offs	494.2	530.0	410.3	350.1
Recoveries	103.0	119.5	129.5	110.5
Net charge-offs	391.2	410.5	280.8	239.6
Gross charge-off ratio(2)	2.43%	2.62%	1.99%	1.99%
Net charge-off ratio(3)	1.92%	2.03%	1.36%	1.36%

Notes:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

(2) Represents the ratio of gross charge-offs for the year to average daily balances of interest earning assets for the period.

(3) Represents the ratio of net charge-offs for the year to average daily balances of interest earning assets for the period.

Net charge-offs include the principal amount of losses (excluding accrued and unpaid interest, fees and current period recoveries). All amounts collected on previously charged off accounts are included in recoveries. Costs to recover previously charged off accounts are recorded as collection fees and litigation-related expenses in other operating expenses.

Allowance for Loan Losses

The Company maintains its allowances at an amount estimated to be sufficient to absorb probable losses, net of recoveries, inherent in the Company's total portfolio of assets. These allowances are based on the Company's classification of the assets in its portfolio as of the date of the statement of financial position, based on the asset classification criteria set by the Company which is within the guidelines set by the FSC. If additions to the allowances are made on the statement of financial position, the Company records provision for loss as the periodic cost of maintaining an adequate allowance which is charged to the Company's statement of comprehensive income. Credit exposures that become uncollectible are charged directly against the allowances.

The following is a summary of the asset classification criteria under the guidelines of the FSC and related minimum allowance ratios under FSC guidelines that the Company, as a CSF Company, must apply in the classification of its financing receivables.

Classification	**Description**	**FSC Minimum Reserve Ratio**
Normal.............................	Credits that do not raise concerns regarding the customers' ability to repay on the obligation.	1.0% in the case of installment financing assets relating to individuals and retail household loans and 0.5% in all other cases.
Precautionary	Credits extended to customers that, in consideration of such customers' financial transaction conditions, credit conditions and business and operations, are to be managed with normal or extra caution (e.g., credits to customers, which, despite the repayment thereof being in arrears for three months or more, but less than six months (in the case of retail household loans, one month or more, but less than three months), do not raise any concern regarding such credits' collectability).	10.0% for installment financing assets to individuals and retail household loans and 1.0% in all other cases.
Sub-standard.....................	Expected collectible portion of credits extended to customers that are subject to aggressive collection measures or management because such customers' financial transaction conditions, credit conditions and business and operations are poor (e.g., expected collectible portion of (i) credits in arrears for six months or more (three months or more in the case of retail household loans) or (ii) credits extended to customers that are in the process of corporate reorganization or composition).	20.0%
Doubtful...........................	Expected but not fixed amounts in excess of collectible portion of credits classified as sub-standard.	75.0%
Estimated Loss	Fixed amounts in excess of expected collectible portion of credits classified as sub-standard.	100.0%

The Company records the allowance amount based on incurred losses. The following tables provide a breakdown of the Company's financial receivables by asset quality classification and the related allowance based on incurred losses, as of the dates indicated.

	As of December 31, 2013											
	Automotive financing			Automotive leasing			Personal loans			Total receivables		
	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total
	Assets	Allowance	Ratio	Assets	Allowance	Ratio	Assets	Allowance	Ratio	Assets	Allowance	Ratio
Normal	₩11,405.3	₩83.7	0.7	₩3,822.6	₩23.3	0.6	₩3,629.8	₩78.9	2.2	₩19,184.4	₩190.8	1.0
Precautionary	202.0	14.0	7.0	48.5	2.1	4.3	105.9	11.9	11.2	404.7	39.2	9.7
Sub-standard	—	—	—	—	—	—	26.7	0.3	1.1	83.3	0.3	0.4
Doubtful	386.0	66.5	17.2	105.3	34.8	33.0	144.6	57.2	39.5	724.7	206.2	28.5
Estimated loss	—	—	—	—	—	—	—	—	—	—	—	—
Total	₩11,993.3	₩164.2	1.4	₩3,976.4	₩60.2	1.5	₩3,907.0	₩148.3	3.8	₩20,397.1	₩436.5	2.1

	As of December 31, 2014											
	Automotive financing			Automotive leasing			Personal loans			Total receivables		
	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total
	Assets	Allowance	Ratio	Assets	Allowance	Ratio	Assets	Allowance	Ratio	Assets	Allowance	Ratio
Normal	₩11,366.7	₩85.9	0.8	₩3,616.5	₩18.7	0.5	₩3,618.9	₩85.5	2.4	₩19,137.5	₩201.3	1.1
Precautionary	207.5	15.3	7.4	82.1	2.6	3.1	126.3	13.7	10.8	454.8	59.9	13.2
Sub-standard	—	—	—	—	—	—	26.3	0.3	1.1	26.3	0.3	1.1
Doubtful	361.9	47.2	13.0	119.5	45.5	38.1	135.4	51.9	38.8	704.7	179.3	25.4
Estimated loss	—	—	—	—	—	—	—	—	—	—	—	—
Total	₩11,936.1	₩148.4	1.2	₩3,818.1	₩66.8	1.8	₩3,906.9	₩151.4	3.9	₩20,323.3	₩440.8	2.2

	As of December 31, 2015											
	Automotive financing			Automotive leasing			Personal loans			Total receivables		
	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total	Billions of Won	Billions of Won	% of Total
	Assets	Allowance	Ratio	Assets	Allowance	Ratio	Assets	Allowance	Ratio	Assets	Allowance	Ratio
Normal	₩12,562.4	₩101.6	0.8	₩3,815.8	₩19.3	0.5	₩3,639.2	₩86.2	2.4	₩20,821.8	₩216.8	1.0
Precautionary	176.0	13.4	7.6	74.5	2.2	2.9	131.0	10.6	8.1	452.6	47.2	10.4
Sub-standard	—	—	—	—	—	—	16.9	0.2	1.4	17.8	0.8	4.6
Doubtful	209.1	42.6	20.4	106.3	45.6	42.9	109.4	46.7	42.7	519.4	200.6	38.6
Estimated loss	—	—	—	—	—	—	—	—	—	—	—	—
Total	₩12,947.5	₩157.6	1.2	₩3,996.6	₩67.1	1.7	₩3,896.5	₩143.7	3.7	₩21,811.6	₩465.4	2.1

According to the Regulation on Supervision of Specialized Credit Financial Business, if allowances under K-IFRS do not meet the minimum amount under FSC guidelines, the Company is required to appropriate reserve for loan losses in an amount that is not less than the difference between the allowance under K-IFRS and the FSC guidelines. The estimated regulatory reserve for loan losses as of December 31, 2015 was ₩255.4 billion.

The Company determines the amount of provisioning for each quarter based on the amount of outstanding receivables, the charge-offs experience and the amount of receivables that were delinquent.

The following table sets forth changes in the Company's allowance for loan losses excluding other assets for the periods indicated.

	For the Year Ended December 31,			
	2013	**2014**	**2015**	**2015[(1)]**
	(in billions of Won and millions of U.S.$, except percentages)			
Allowance at beginning of period	₩385.2	₩436.5	₩440.8	U.S.$376.1
Net charge-off	(391.2)	(410.5)	(280.9)	(239.7)
Provision	453.8	423.9	316.5	270.1
Others	(11.3)	(9.1)	(11.0)	(9.4)
Ending balance	₩436.5	₩440.8	₩465.4	U.S.$397.1

Note:

(1) Translated from Won to U.S. dollars at the rate of ₩1,172.0 to U.S.$1.00, the Market Average Exchange Rate in effect on December 31, 2015.

Overview

The Company is a leading financial services company in Korea that primarily offers automotive financing services. As of the date of this Offering Circular, the HMG owns 79.78% of the Company, which has enabled the Company to derive significant benefit from the support from its major shareholders, particularly in the form of easy access to a captive market of customers that purchase automobiles sold by HMC and KMC, which together have a dominant market share of automobiles sold in Korea. As the primary financing arm of HMC, the largest automotive manufacturer in Korea, and KMC, an affiliate of HMC, the Company has historically held the largest share of the Korean automotive financing and automotive lease markets based on sales volume.

The Company's offerings include the following:

- *Automotive Finance*: The Company provides automotive financing to purchasers of new and used vehicles, arranged as either installment financing or loans;

- *Automotive Leasing*: The Company provides automotive leasing to individual and corporate customers, which service includes maintenance and accident management services and arrangement of third-party automobile insurance; and

- *Personal Loans*: The Company provides consumer loans to individuals and small business owners. These loans consist of mortgage loans, which are typically secured by real property owned by the borrowers, and other personal loans, which are typically unsecured and without a guarantee. The Company utilizes its extensive automotive financing and leasing customer database to cross-sell its personal loan products.

The Company recorded operating revenue and profit for the period of ₩3,216.4 billion and ₩391.4 billion, respectively, in 2013, ₩3,011.8 billion and ₩237.7 billion, respectively, in 2014 and ₩2,939.1 billion and ₩276.7 billion, respectively, in 2015. The Company had total assets of ₩24,307.6 billion and equity of ₩3,494.9 billion as of December 31, 2015.

History

The Company was incorporated in December 1993 as Hyundai Auto Finance Co., Ltd. The Company subsequently changed its trade name to Hyundai Financial Services Co. in April 1995. In January 1996, the Company was licensed as an installment financing company by the Ministry of Strategy and Finance of Korea. Shortly thereafter, the Company commenced its housing and automotive installment financing businesses and began providing automotive financing to purchasers of new HMC vehicles and used vehicles.

In 1998, the SCFBA was implemented, which removed certain restrictions on the scope of activities of installment financing companies. In response, the Company expanded its business and in January 1998, the Company was registered as a specialized credit financial institution under the SCFBA. After that expansion, the Company engaged in installment financing, non-automotive leasing and new technology financing businesses. In December 1998, the Company's trade name was changed to Hyundai Capital Services, Inc. The Company commenced its automotive leasing business in July 2001.

In October 2004, the Company and HMC entered into a strategic alliance with GECC whereby GECC, through its wholly-owned subsidiary, GECIH, acquired a 38.0% equity interest in the Company and in 2005 GECC acquired an additional 5.0% equity interest in the Company, increasing its equity interest in the Company to 43.0%. In July 2012, In August 2012, the Company acquired a 100% equity interest in GECK. On January 5, 2016, GECC sold a 23.3% equity interest in the Company to HMC and KMC, reducing its equity interest in the Company to 20.0%.

In September 2009, Hyundai Capital Germany GmbH ("Hyundai Capital Germany") was established as a joint venture among the Company, Hyundai Motor Europe GmbH, Kia Motors Deutschland GmbH and Santander Consumer Holding GmbH., in order to provide market research and consulting services to KMC for sale of their vehicles in the European market.

In May 2010, Hyundai Capital Europe GmbH ("Hyundai Capital Europe") was established as a wholly-owned subsidiary of the Company. Hyundai Capital Europe provides consulting and advisory services for HMC and KMC and through its strategic partnership with Santander, ALD Automotive and BNP Paribas. In December 2015, the businesses of Hyundai Capital Europe were transferred to Hyundai Capital Services Deutschland GmbH ("Hyundai Capital Deutschland") through an asset transfer and Hyundai Capital Europe filed for liquidation in February 2016.

In July 2015, the Company established Hyundai Capital Deutschland in order to provide financing services in Germany. Hyundai Capital Deutschland provides banking services including lending and deposits services and plans to expand such operations to other markets in Europe. Hyundai Capital Deutschland was established as a joint venture among the Company, which owns an 80% equity interest and KMC, which owns a 20% equity interest. The Company has applied for the appropriate banking license in Germany and expects to receive approval from Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") by the end of the first half of 2016. Upon receiving approval from BaFin, the Company plans to consolidate its German business through the discontinuance of the operations and liquidation of Hyundai Capital Germany and Hyundai Capital Europe, and the consolidation of their respective businesses under Hyundai Capital Deutschland, which will then change its name to Hyundai Capital Bank Europe GmbH.

In July 2010, the Company, HMC and Beijing Automotive Industry Holding Co., Ltd. ("BAI") entered into a joint venture to create Beijing Hyundai Auto Finance Co., Ltd. ("Beijing Hyundai Auto Finance"). In June 2012, Beijing Hyundai Auto Finance was established with a registered capital of RMB 500 million. According to the joint venture agreement, as amended, the Company, BAI, BHMC (a joint venture between HMC and BAI) and HMC own 46%, 33%, 14% and 7% equity interests, respectively, in Beijing Hyundai Auto Finance. Beijing Hyundai Auto Finance aims to support the Company's initiatives to grow its retail auto loan and dealer inventory financing activities in China over the long term. The total amount of capital contribution made by the Company into Beijing Hyundai Auto Finance is RMB 0.92 billion to-date.

In December 2011, the Company, Hyundai Motor UK Limited ("HMUK"), Kia Motors UK Limited ("KMUK"), and Santander Consumer (UK) PLC ("SCUK") entered into a joint venture agreement to create Hyundai Capital Services UK Limited ("HCUK"). In February 2012, HCUK was established and began its operations in July 2012. According to the joint venture agreement, the Company, HMUK, KMUK, and SCUK own 29.99%, 10%, 10%, and 50.01% equity interests, respectively, in HCUK. The joint venture aims to support the Company's initiatives to grow its retail auto loan and dealer inventory financing activities in the United Kingdom over the long term. The total amount of capital contribution made by the Company into HCUK is GBP 16.5 million to-date.

In May 2013, the Company established Hyundai Capital Brasil LTDA ("Hyundai Capital Brazil") as a wholly-owned subsidiary of the Company. Hyundai Capital Brazil provides financial consulting services in Brazil.

The Company also has established subsidiaries in Russia and India and is currently exploring business opportunities (including automotive financing services) in such countries and adjacent regions, subject to market conditions.

Industry Overview

Overview of the Korean Credit Specialized Financing Industry

In Korea, credit specialized financing companies, including installment financing companies, lease companies, credit card companies and new technology financing companies, offer a wide range of credit specialized financing products as defined in the SCFBA, which include installment financing, leasing, credit card products and other types of credit specialized financing products. These companies are not legally permitted to take customer deposits but instead rely on other funding sources, such as commercial papers, corporate debentures and asset-backed securitizations, to provide the above mentioned financing products.

Historically, credit specialized financing companies have generally targeted customer segments that, on average, have less financial means and credit profiles less robust than those targeted by major commercial banks in Korea and did so by offering financial products at higher rates than would be charged by the major commercial banks. Accordingly, servicing these customers, on average, entail higher return but also higher risks, which means that the credit specialized financing business tends to be more susceptible to the fluctuations in the general economic cycles. For example, in the aftermath of the Asian financial crisis in 1997 which adversely affected the Korean economy, the credit specialized financing industry went through substantial restructuring under close government supervision amid significant financial difficulties, and the government enacted the SCFBA in 1998 to provide a comprehensive framework for credit specialized financing products and companies providing these products. In addition, following deterioration of the Korean consumer credit sector in 2002 partly as a result of aggressive competition by credit card service providers to capture market share without adequate risk management practices which led to excessive credit card usage and leveraging by cardholders, the credit card sector underwent significant industry-wide consolidation. Furthermore, following the global financial crisis in 2008, many credit specialized financing companies also faced significant financial difficulties, as a result of which the government introduced a number of measures to enhance risk management and consumer protection with respect to the overall financial industry, including the credit specialized financing sector.

The financial performance of credit specialized financing companies depends, in large part, on the general direction and volatility of the general economic cycle and macroeconomic elements such as the interest rate movements and domestic consumption, as well as the level of competition among industry participants. The sustained low interest rate environment in Korea and globally in recent years has also tightened the margin between financing provided by and funding required by financial service providers, including credit specialized financing companies, and thereby narrowed opportunities for their business growth, which in turn has contributed to intensifying competition in the credit specialized financing industry. According to FSS, the total assets for special credit financing service providers amounted to ₩200.8 trillion as of September 30, 2015, representing a relatively slow growth of 4.9% on a compounded annual basis over the preceding three years, and total net income for these companies showed stagnant growth, amounting to ₩2.9 trillion, ₩3.2 trillion and ₩2.7 trillion in 2013, 2014 and during the nine months ended September 30, 2015, respectively.

According to the Korea Credit Finance Association, credit card companies in Korea also experienced stagnant growth in terms of new credit card issuances and total credit card assets over the past three years in large part due to the maturation of the credit card sector in Korea, stringent regulatory standards implemented with respect to the issuance of new credit cards and the introduction of check cards (which are similar to debit cards in other countries) which have increasingly replaced credit cards. In addition, one notable trend in recent years has been the increasing use of credit card loans (which generally have longer maturity than cash advances) over cash advances.

Historically, the regulatory focus of the government in relation to the credit specialized financing industry has been to ensure the soundness of asset quality for these companies. Recently, particularly following the massive leakage of personal information of customers by certain credit card companies and breakdowns of information technology systems among certain commercial banks in 2013, the Korean financial regulators have also placed greater emphasis on consumer protection and contingency planning as part of their key policy objectives. One example of such policy change is the regulatory requirement adopted in March 2013, which effectively prohibits separately charging an upfront fee to the customer of installment financing services for various ancillary administrative costs related to providing such services; instead, the upfront fees for providing such services are presently required to be built into the interest rate charged to the customer so that it will be easier for the customer to understand the total charges payable by such customer in relation to a particular installment financing service and also to compare the charges by one service provider to those by other service providers on a consistent basis. Such measure, however, has adversely affected, and may continue to adversely affect, the business, financial condition and operating results of credit specialized financing service providers as they have not been able to, and may not be able to in the future, to fully pass through the upfront fees in the interest rate charged to the customer due to competitive and other reasons.

From time to time, the FSC also promulgates measures to strengthen lending standards and raise the asset soundness standards for credit specialized finance companies on par with other financial institutions. For example, under the Regulation on Supervision of Specialized Credit Financial Business, the FSC requires credit-specialized financial companies to maintain a minimum 7% (or 8% for credit card companies) adjusted equity capital ratio to adjusted total assets, a minimum 100% current ratio of assets denominated in Korean Won currency, and (in the case of credit card companies) less than 10% delinquency ratio over a one month period. Korean regulators are required to take prompt corrective actions with regard to finance companies that show a decline in credit quality. In addition, under the aforementioned FSC Regulation, a Credit Specialized Finance Company, in making loans, should secure the transparency of the loans by implementing comprehensive review and analysis of the loans, such as borrower's purpose for obtaining the loan and the size of the loan, and taking measures to prevent the loans from being used for a purpose other than specified.

In October 2015, the Government submitted a bill for the amendment of the SCFBA to the National Assembly. Such bill contains proposals, among others, that (i) the total amount of credit extension which the CSF company is allowed to grant to its major shareholder shall not exceed 50% of the equity capital of such CSF company, (ii) a CSF Company should not provide credit support to its major shareholder for the purpose of making investments in other companies, and (iii) the total amount of shares issued by the major shareholder of a CSF company which the CSF company is allowed to hold shall not exceed 100% of the equity capital of such CSF company. It remains uncertain as to whether and when such bill will pass and in what final form such bill will pass.

Unless otherwise described, the description set forth herein is based on information available from the Korean Credit Finance Association and the Financial Supervisory Services of Korea.

Installment Financing

Installment financing companies provide loans to consumers who wish to purchase durable consumer goods (automobiles and home appliances), houses or machinery. In the case of installment financing for automobiles, a tripartite agreement is entered into between the customer, the installment financing provider and the automobile manufacturer. The seller receives full payment upfront from the installment financing provider, and the customer then repays the principle and interest of the loan in installment payments. According to the Korea Credit Finance Association, the substantial majority of installment financing in Korea relates to automobile purchases.

Installment financing was first introduced in Korea in 1967 to purchasers of automobiles. The industry has undergone extensive consolidations, including in the aftermath of the Asian financial crisis of the late 1990s, the introduction of the SCFBA in 1998 and the global financial crisis in 2008. As of December 31, 2015, there were 42 companies in Korea dedicated to providing installment financing. According to the FSS, the Company, Woori Finance, Shinhan Card, JB Woori Capital, RCI Financial and Aju Capital were the largest providers of installment financing, based on installment financing assets outstanding as of September 30, 2015.

According to the Korea Credit Finance Association, automotive financing represents the largest operating segment for the credit specialized financing companies (excluding credit card companies) in terms of assets. Accordingly, automobile sales is an important indicator of the financial health of such companies. In recent years, the automotive financing industry in Korea has seen stagnant growth despite an increase in the number of automobiles sold, largely due to the sustained low-interest rate environment as well as increased competition from commercial banks and insurance companies who are increasingly showing interest in the automotive financing segment, which generally carry a larger margin than the traditional commercial banking or insurance services.

According to FSS, the total amount of outstanding installment financing in Korea was approximately ₩18.3 trillion and ₩20.1 trillion as of December 31, 2014 and September 30, 2015, respectively.

Leasing

Under the SCFBA, a lease is defined as the act of purchasing or borrowing an asset, for the purpose of lending to another party for a fixed period of time. The lessee pays periodic payments to the lessor in return for using the asset, and the disposition of the asset at expiration of the lease agreement is agreed separately by the two parties. Assets that can be leased include machinery, facilities, equipment, vehicles, ships, airplanes, and real estate assets linked to such assets. Leases are classified as either operating leases or finance leases, and can also be divided into sub leases, syndicated leases, sales and lease backs, and vendor leases. The majority of lease financing in Korea relates to automobile leasing. According to the Korea Credit Finance Association, the Company, BMW Financial, Lotte Capital, Mercedes-Benz Financial and Samsung Card were the largest providers of lease financing, based on lease financing assets outstanding as of September 30, 2015.

As of December 31, 2015, there were 45 companies based in Korea dedicated to lease financing. According to the FSS, the total outstanding balance of lease financing amounted to ₩23.5 trillion and ₩25.3 trillion as of December 31, 2014 and September 30, 2015, respectively.

Personal Loans

Under the reporting guidelines of the Bank of Korea, personal credit refers to credit extended to individuals and small-sized sole proprietorships (commonly referred to as "SOHOs"), which in turn consist of "personal loans" and, to a less extent, "sales on credit". Personal loans represent the sum of general loans made to individuals and SOHOs (including cash advance, card loans, revolving loans and automotive loans) and housing-related credit (including secured housing mortgage loans and housing-related installment financing). Sales on credit represent the sum of installment financing (other than housing-related installment financing), upfront credit card payments and credit card installment receivables. Personal loans are typically extended by commercial banks, savings banks, mutual savings banks, post office, insurance companies, pension funds, credit specialized financing companies and securities companies.

According to the Bank of Korea, the total outstanding amount of personal credit in Korea was ₩1,085.3 trillion and ₩1,207.0 trillion as of December 31, 2014 and 2015, respectively, of which personal loans represented 94.5% (or ₩1,025.1 trillion) and 94.6% (or ₩1,141.8 trillion) as of such dates. According to the Bank of Korea, credit specialized financing companies accounted for 4.4% and 4.2% of personal loans outstanding as of December 31, 2014 and 2015, respectively, while they accounted for the substantial majority of sales on credit outstanding as of such dates.

In recent years, due to the sustained low interest rate environment, personal credit (particularly housing-related credit) has been on the rise, although to a limited extent and at a relatively low delinquency rate in part due to the reduced interest burden in tandem with the general decrease in market interest rates over the recent years. The personal loan sector is subject to heavy government regulations partly as a result of a government policy to protect consumers of financial services. For example, as of the date of this Offering Circular, the maximum legally permitted interest rate for personal loans applicable to all financial institutions in Korea is 34.9% under the Act on Registration of Credit Business and Protection of Finance Users and the Enforcement Decree thereunder.

Housing Loans

Housing loans are one of the key products in the Korean personal loan market. Typically customers are provided with a number of mortgage loan products, which is a type of loan in which the borrower uses the equity in their home as collateral, that have flexible features for terms, repayment schedules, amount and eligibility for such loans. Mortgage loans typically involve long-term loans (with maturities of 10 years or more) provided to consumers seeking to finance home purchases. Mortgage loans are primarily provided by banks, but insurance companies and non-banking finance entities also make such loans.

According to the Bank of Korea, the total amount of outstanding housing loans made by the banking and non-banking institutions (including savings banks, credit cooperatives, mutual savings banks, post offices and other savings institutions) in Korea was ₩501.2 trillion as of December 31, 2015, representing a 8.8% increase from ₩460.6 trillion as of December 31, 2014. In addition, according to the Bank of Korea, as of December 31, 2015, the total secured housing mortgage loans (including asset-backed securitized loans) amounted to ₩608.8 trillion, of which ₩401.7 trillion, or 66.0%, was extended by commercial banks, ₩99.5 trillion, or 16.3%, was extended by non-banking depositary institutions (such as savings banks) and ₩107.6 trillion, or 17.7%, was extended by government-owned public enterprises, such as Korea Land & Housing Corporation.

In 2013, the FSS adopted several measures designed to enhance borrower protection, particularly among the low-income households. For example, in light of the increasing number of "house poors", namely homeowners who purchased their homes with a mortgage and have negative or close to negative equity in their home values due to the prolonged slump in the Korean housing market, in June 2013 under the FSS guidelines, the Korea Federation of Banks expanded the availability of pre-bankruptcy debt restructuring to loans secured by residential property, which increases the risk that lenders of such loans may not collect on such loans. However, loans secured by residential property carrying residual value insurance or mortgage credit insurance do not qualify for restructuring and the Company's exposure to secured loans not carrying such insurance is currently limited. In addition, in July 2013, the FSS issued an order which bans "second-tier" financial institutions from imposing joint and several liability on guarantors of loans from such institutions. However, such order may have a limited impact on the return on assets of these financial institutions as they seek to increase loan assets through aggressive pricing and other marketing efforts.

In 2014, as a way to stimulate the long-stagnant real estate market, the government adjusted upwards the mandatory upper limit for housing-related mortgage loans based on the loan-to-value ratio and the debt-to-income ratio to 70% and 60%, respectively, which adjustments were to be applied uniformly to all financial institutions, unlike the case previously. It remains unclear whether this measure will achieve the intended effect of significantly stimulating the real estate market, particularly in light of the dampened outlook for future real estate demand. Such measure may also have an unintended consequence of unduly encouraging over leverage to the effect of deteriorating the overall asset quality of household debt, which already is at a historically high level.

In March 2015, in response to increasing levels of consumer debt and amid concerns over the debt-servicing capacity of retail borrowers if interest rates were to rise, the Government launched a mortgage loan refinancing program aimed at reducing the payment burden on and improving the asset quality of outstanding mortgage loans. Earlier in March, the Government launched a ₩40 trillion program that allows eligible borrowers of the floating rate mortgage-backed loans held by the local lenders to transfer them to fixed rate loans at a lower 2% range rate. In addition, in December 2015, the Financial Services Commission, jointly with the Korean Association of Lenders, have announced tightened lending guidelines including reduction in loan grace periods and heightened standard in credit checks applicable for new borrowers, which will take into effect in Seoul in February 2016 and for the rest of Korea, in May 2016. These programs apply to Korean commercial banks and insurance providers, and do not apply to the Company. However, it is unclear what impact the implementation of these programs by commercial banks and insurance providers may have on levels of household debt and the credit risk of borrowers, and the indirect impact it may have on the Company's business.

Business Strengths

Core Member of the Hyundai Motor Group

The Company, as the provider of automotive financing services for a captive market of customers that purchase automobiles produced by HMC and KMC, is a core member of HMG, for which HMC is the flagship company. HMC is Korea's largest motor vehicle manufacturer, producing cars, trucks, buses and special purpose vehicles for sale in Korea and overseas. Together, HMC and, its affiliate, KMC had a combined domestic market share of 78.6% and 78.1% based on units of new vehicles sold (excluding imported units) in 2014 and 2015, respectively. HMG has continued to provide, and the Company believes will continue to provide, critical support to the Company by virtue of its affiliation with HMC and otherwise, including in areas of captive markets, brand awareness, credit rating support (including on account of the Company being one of HMC's "core subsidiaries") as determined by rating agencies, potential direct and indirect financial support and joint business opportunities (particularly in relation to HMC's overseas expansions).

Best-in-class Credit Profile within the Korean Consumer Finance Industry

As of the date of this offering circular, Standard & Poor assigned a credit rating of "A-" to the Company's long-term debt securities. The Company believes that only a handful of Korean companies that are not owned or controlled by the government have been awarded a rating equal to or above such rating. According to major domestic credit rating agencies, the Company also has the highest domestic credit rating among domestic consumer finance companies. In addition, the Company has the largest domestic market share of automotive financing in terms of sales volume as of December 31, 2015, and is one of the largest consumer finance companies in Korea in terms of assets and revenues as of December 31, 2015. The Company believes that such credit profile and asset size has enabled and will continue to enable the Company to withstand market challenges and adverse changes in the market environment as well as leverage new business opportunities, compared to its other competitors.

Rigorous and Effective Credit Risk Management Practice

The Company maintains an effective risk management process that is implemented across various functions and levels within the Company. As part of its risk management process, the Company maintains rigorous credit risk controls, collects and analyzes credit and repayment capability profiles of its customers and constantly monitors risk appetite thresholds and profitability targets to maintain a healthy asset portfolio. For example, in relation to its new automotive installment financing services, the Company minimizes exposure to credit and counterparty risk by requiring a significant advance payment from the customers and transferring to the Company the title to the vehicle until full payment of receivables, and reduces loss through efficient and effective collection efforts. The Company also seeks to reduce risks by targeting prime customers with sound credit profiles. Partly as a result of such business model, the delinquency ratio (the ratio of balances that are overdue for more than one month to total assets) for its receivables has stabilized in recent years to 2.7%, 2.4% and 2.0% during 2013, 2014 and 2015, respectively.

Business Strategies

The Company seeks to continue to solidify its position as a leading financial services provider in Korea. In order to achieve these goals, the Company intends to implement the following strategies.

Maintain Its Leading Position in Automotive Financing and Automotive Leasing

The Company seeks to maintain and strengthen its leading position in the automotive financing and automotive leasing markets as the provider of automotive financing services for a captive market of customers that purchase automobiles produced by HMC and KMC by leveraging the Company's high brand recognition and reinforcing the value chain of the Company's auto financing business. The Company has been collaborating with HMC and KMC to jointly develop various new marketing initiatives that has expanded its suite of low-interest rate financing offers, enabling it to attract a wider range of customer segments. In addition, the Company seeks to enhance the competitive position of its services through the introduction of innovative risk-based pricing systems in addition to other value-added services in order to provide its customers with greater financial flexibility.

In the leasing business, the Company provides a free vehicle maintenance service for its customers, resulting in higher retention rates as well as attracting customers with preferences for higher-priced automobiles. In addition, the Company continues to develop and offer unique financing and leasing services to its customers. For instance, the Company has recently launched a personal contract purchase lease program which enables the Company's customers to lease vehicles at a lower monthly cost. In the used vehicle sector, the Company maintains a certified pre-owned vehicle showroom which offers to its customers off-lease used vehicles with a high quality maintenance record.

Further Enhance Credit Risk Management

The Company plans to continue its risk monitoring and stress tests to ensure that it remains resilient to negative market conditions and its growth does not come at the cost of increased risk. The Company will continue to focus on monitoring its products using various risk monitoring systems (including risk appetite management, monthly performance reviews and projections and monitoring of bad debt expenses) and offer its products at price levels determined by its proprietary risk-based pricing model. The Company plans to further invest in upgrading its technological infrastructure and accounting systems to maintain high standards of operational risk control mechanisms commensurate to its level of growth and its overall business expansion strategy.

Further Diversify the Funding Portfolio

The Company is dependent on external sources of funding both to generate the liquidity necessary to provide loans and other financing to its customers and to provide the Company with the capital necessary to meet its operating needs. Currently, the Company's primary sources of financing include issuance of bonds and bank loans, and to a lesser extent, ABS transactions, and the Company seeks to maintain an optimal mix of such funding sources as part of its funding diversification efforts. As part of its overseas funding strategy, the Company also seeks to diversify its funding sources by issuing bonds denominated in various currencies (which include U.S. dollars, Euros, Japanese Yen, Swiss Franc, Australian Dollar and Malay Ringgit), reflecting in part the Company's efforts to reduce the currency concentration risk, and to a larger extent reflecting the Company's flexible and sophisticated approach in accessing the capital markets spanning across various jurisdictions. The Company plans to enhance its liquidity position by increasing the tenor of its long-term debt portfolio and increasing the ratio of long-term debt over short-term borrowings The Company's Executive Finance Committee has implemented policies and procedures that establish the Company's framework to achieve its funding goals by tapping the domestic and international capital markets for capital raising opportunities while also monitoring significant variances from its existing debt issuance structure or interest rate levels.

Selectively Pursue Overseas Business Opportunities

The Company seeks to selectively expand the countries and regions in which it provides automotive financing services by marketing to local purchasers of vehicles sold by HMC and KMC overseas in tandem with the existing overseas sales networks of HMC and KMC. The Company believes that such approach will help it to grow its revenue base while reducing risk that the Company would have faced if the Company were to venture into overseas markets without such support network. To that end, the Company has established subsidiaries in China and the United Kingdom, where it currently is actively providing automotive financing services. The Company has also established subsidiaries in other regions, including Germany, Brazil, India, Russia and Canada, to explore providing similar services, subject to market conditions.

Business Operations

Automotive Financing

The Company is the largest automotive financing company in Korea and operates as the primary financing arm of HMC and KMC. As a result, financing for the purchase of new HMC and KMC vehicles has historically represented and continues to represent the principal source of the Company's automotive financing business. In 2013, 2014 and 2015, based on sales volume information provided to the Company by HMC and KMC, the Company financed 77.2%, 69.8% and 71.1% of the total automotive financing of new HMC and KMC vehicles as provided by specialty consumer financing companies (including financing subsidiaries of commercial banks), respectively. The Company benefits from customer referrals by HMC and KMC and cooperates with HMC and KMC in marketing and customer management to deliver well-integrated customer services. To a limited extent, the Company also provides automotive financing for other domestic vehicles.

The Company's automotive financing products are arranged either as installment financing or loans. In 2015, 84.8% of the Company's automotive financings for new and used vehicles were arranged as installment financings and 15.2% were arranged as loans.

Installment Financing

The Company's installment financing is arranged as tripartite agreements among (i) the Company, (ii) the automobile manufacturer and (iii) the customer. For installment financing, the amount of financing may not exceed the price of the vehicle financed and the customer must be the registered owner of the vehicle.

The following describes the key terms and features of the Company's installment financing products for new vehicles. Excluding the "full expense" option, the amount that the Company provides is limited to the cost of the vehicle.

Repayment option	Description	Interest rate	Maturity
Amortization	Equal monthly payments for principal and interest	4.90-7.90%	3-60 months
Interest only	Interest payment only on a monthly basis with a one-time payment of principal on or before the maturity date	5.90-7.90%	36, 48 and 60 months
Personal Contract Purchase...	Equal monthly payments for a partial amount of the principal followed by payment of remaining principal amount at the used car value upon maturity	5.90-7.50%	36 and 48 months
Principal deferred	Equal monthly payments for a partial amount of the loan principal followed by payment for the outstanding amount	5.90-6.50%	36 and 48 months
Full expense	Provide amount of up to 125% of purchase vehicles and other related costs; repaid through amortization	9.90-10.50%	37-60 months

The Company has a Settlement Interest Agreement with each of HMC and KMC, under which each of HMC and KMC provides a fixed interest spread over interest on a Korean benchmark Won-denominated financial institution bond and commercial paper for installment financings extended to its respective customers. See "*Certain Relationships and Related Party Transactions — Settlement Interest Agreements*".

Loans

Unlike installment financing, automotive loans are arranged as a bilateral agreement between the Company and the customer. Automotive loan rates are determined solely by the Company and such rates generally cover the cost of the automobile purchase price, the Company's margin, as well as certain other related expenses. Unlike installment financing products, automotive loan rates are not predetermined pursuant to any arrangement with HMC or KMC, but are influenced by rates offered by the Company's competitors and the Company's margin target.

Automotive Financing of Used Vehicles

The Company provides automotive financing for used vehicles, including used HMC and KMC vehicles and other used domestic and imported vehicles. The Company's automotive financing of used vehicles is typically capped at an amount equal to the lower of the "blue book" value of the relevant used vehicle and ₩100 million. The Company offers financing of used vehicles at interest rates ranging from 7.5% to 24.9% per annum, with a maximum maturity of up to five years.

In recent years, the Company has increased its focus on automotive financing of used vehicles. As of December 31, 2015, the Company operated nine automotive financing branches specializing in used car financing. The Company believes it is the leading provider of automotive financing for used vehicles in the Korean market.

The Company offers extended warranties and a vehicle exchange reward program for used vehicles in order to enhance customer retention and enhance its competitive position. In 2014, the Company became the first Korean company to introduce a vehicle exchange reward program for used vehicles. The program guarantees up to ₩5 million to customers who finance no less than ₩5 million for purchases of used vehicles and offers the option to exchange such vehicle within 14 days of such purchase. In addition, under the terms of its automotive financing of used vehicles, the Company generally provides an extended warranty for defects occurring (i) within five months from the effective date of purchase or (ii) within the first 5,000 kilometers of use following the effective date of purchase. Such extended warranties are provided and serviced by the Warranty Group Korea under an exclusive contract, which is automatically renewed on an annual basis.

Automotive Leasing

The Company is a leading automotive leasing company in Korea. Lease financing for HMC and KMC vehicles represents the principal source of the Company's automotive leasing business, although the Company also provides lease financing for other domestic and imported vehicles.

The Company offers two types of automotive leases: (i) operating leases and (ii) financial leases. In the case of operating leases, they carry a substantial residual value and offer greater flexibility to customers in terms of financing options. In the case of finance leases, the residual value is set at a *de minimis* level (usually ₩10,000 or less), and the customer pays for the lease in a manner substantially similar to that for installment financing. Under both types of leases, the Company holds the title to the vehicle, with limited exceptions, and provides maintenance services with limited exceptions.

In 2015, 10% of the Company's leases were finance leases and 90% were operating leases. Under the *Automotive Leasing* platform, the Company provides the following maintenance services: regular vehicle servicing; on-site vehicle inspections by a qualified mechanic; automobile tax, insurance and fine payments. Unlike automotive financing products, under the terms of the Company's automotive lease products, the title of the leased automobile does not automatically pass to the customer at the end of the lease term.

When compared to automotive financing products, automotive operating leasing products have the following advantages for customers:

- payments made under an automotive lease may be deductible by the customer as a business expense;
- customers have the option to extend the lease, purchase or return the leased vehicle at the expiry of the lease period;
- lease payments exclude the residual value of the vehicle;
- customers pay the acquisition tax and the registration tax in monthly installments as opposed to one lump-sum payment at the time of purchase of the vehicle;
- customers do not bear the responsibility for disposal of the vehicle at the end of a lease term;
- customers are not responsible for sale or disposal of the vehicle at the end of the lease term; and
- customers pay all ancillary fees to the Company, which handles payments on behalf of such customers, rather than making payments to multiple third parties.

Automotive Leasing Terms

The Company provides a wide range of auto lease products. While the Company's marketing efforts previously focused primarily on high-end customers (including corporations) for leasing of high-priced vehicles, the Company has expanded its marketing programs to also target other customer segments (including individuals and sole proprietors) for leasing of mid- to low-priced vehicles. Automotive leases targeting high net-worth professionals and individuals generally have lease periods of 12, 24, 36, 48 or 60 months, with a distance limit of 30,000 kilometers per 12 months. Such leases generally cover the vehicle price, registration cost and applicable tax expenses for the lease period. Depending on the credit profile of a customer, a deposit of up to 50% of the lease value may be required upon commencement of the lease, which is returned upon expiration. The residual value of vehicles leased to professionals is generally 30% to 60% of the original vehicle purchase price.

The customer is typically given the option to extend the lease or purchase the vehicle at the end of the lease term. If the customer does not exercise such option, the Company will sell the vehicle to a third party. The Company has contractual arrangements with Glovis (a member company of the HMG), Autoplus, Wooshin Motors, Koryo Motors and Gadomotors in respect of domestic vehicles. In addition, the Company plans to provide vehicle leasing services for imported vehicles in 2016 and enter into contractual arrangements with third parties for the sale of imported vehicles in the event the customer does not extend the lease or purchase the vehicle. Under these arrangements, the counter-party pays a pre-agreed price for returned vehicles protecting the Company from residual value losses. These contracts are automatically renewable for one-year terms unless either party provides written notice of its intent to terminate the contract.

The Company's automotive leasing products generally have lease periods ranging from 12 to 60 months and interest rates ranging from 5.0% to 15.5% per annum, depending on, among other factors, the amount of initial deposit. Although automotive leasing products in the market generally have 36-month lease periods, the Company prefers to offer 60-month maturity products, which increase customer retention and interest income.

Fleet Services

The Company operates a fleet leasing business which involves the leasing of HMC, KMC and imported vehicles for corporate customers as a total solution package. The Company oversees management of the vehicles for fleet leasing customers, including maintenance, payment of fines, arrangement of automobile insurance, and other ancillary responsibilities associated with ownership of vehicles. Fleet leasing customers can access approximately 2,300 maintenance facilities of HMC and KMC that are located throughout Korea to service their fleet vehicles. In 2015, sales in the Company's fleet leasing business was ₩120.3 billion.

Rental Car

The Company operates a rental car business, which provide for the rentals of HMC, KMC, Renault Samsung Motors, Chevrolet and SsangYong Motor vehicles. The Company increased its sales from ₩320.2 billion in 2014 to ₩348.5 billion in 2015. With approximately 2,300 maintenance facilities of HMC and KMC, the Company believes it has an advantage in providing key services to its customers, which it believes is critical in the rental car business. As of December 31, 2014 and 2015, the number of registered rental cars provided by the Company totaled 41,436 and 47,054, respectively.

Personal Loans

Unsecured Personal Loans

The Company offers unsecured and unguaranteed personal loans to individuals and small business owners. The Company's personal loan products are marketed under the "Direct Loan" brands. The Direct Loan products offers, through online means, target customers (namely, those who apply in response to cable channel and online advertisements) with beneficial rates and loan limits offered to customers offline, and are distinguishable from the traditional personal loan offerings, which were channeled mainly through in-person sales force.

The Company targets mainly near-prime customers. As of December 31, 2014 and 2015, total outstanding personal loans (other than mortgage loans) were ₩2,161.9 billion and ₩2,060.9 billion, respectively, representing 10.6% and 9.4% of the Company's total financial receivables balance as of the respective dates.

Under the Direct Loan brand, the Company offers different terms to its personal loan customers depending on the customer's credit profile, which the Company categorizes into "outstanding", "excellent" and "general". The "outstanding" customers are those with sound credit ratings and a minimum annual income of ₩24 million and employed at large corporations, government organizations or schools, to whom an annual percentage rate ("APR") between 5.75% and 29.9% generally applies. The "excellent" customers are those with a minimum annual income of ₩13 million, to whom an APR between 15.9% to 29.9% as well as a loan approval limit of between ₩1 million to ₩50 million generally applies. The "general" customers are typically individual proprietors or those with stable employment, to whom an APR between 16.9% to 29.9% as well as a loan approval limit of ₩25 million generally applies. As of December 31, 2015, the average APR for the Company's entire personal loan portfolio was 26.1% with an average maturity of 31.6 months.

Mortgage Loans

The Company offers mortgage loans to individuals and small business owners. As of December 31, 2014 and 2015, the outstanding balance of the Company's mortgage loans amounted to ₩1,745.0 billion and ₩1,835.6 billion, respectively, representing 8.6% and 8.4% of the Company's total outstanding financial receivables balance as of the respective dates.

The Company primarily targets the prime segment of the domestic residential market, mainly individuals and small business owners who are residents of apartment complexes in major cities in Korea. The Company provides mortgage loans with LTV ratios, in the case of individual borrowers, up to 70% pursuant to regulatory guidelines and consistent with market practice for other financial service providers, and in the case of corporate borrowers for which there is no specific regulatory guideline, up to 85%, and with floating interest rates calculated as a spread over the interest rate on the average yield of three month debentures issued by Korean financial institutions rated AA0 by domestic rating agencies. Mortgage loans have varying repayment periods ranging from 36 to 420 months with interest rates ranging from 3.00% to 10.82% per annum.

The Company also offers key-money loans, which allow individuals to make a lump-sum deposit on rental property, instead of paying monthly rent, with such deposit amounts ranging between 50% to 80% of the market value. At the end of the contract, which typically runs for two years, the landlord returns the amount in its entirety to the renter of such property unless the renter has defaulted on the key money loans with the Company, in which case the Company has a priority right over the renter to receive such money. As of December 31, 2014 and 2015, the balance of the Company's key-money loans amounted to ₩236.7 billion and ₩136.4 billion, respectively, representing 1.2% and 0.6% of the Company's total financial receivables balance as of the respective dates. The Company believes that key-money loans present a niche market opportunity by enabling customers to obtain loans at higher amounts and with more favorable interest rates compared to uncollateralized loans. The Company charges interest on key-money loans at a rate between the range of 4.12% to 13.00%, with the average being 5.68%. Typically, the Company imposes a limit to its key-money loans of up to 80% of the actual amount of the key-money deposit. Key-money loans are only available in residential properties that have Korea Appraisal Board prices and if the borrower resides at the property as a tenant.

Sales and Marketing

Sales Network

Automotive Financing and Automotive Lease

The Company sells its automotive financing products (including installment financing and loan products) for the purchase of new HMC and KMC vehicles, as a well as its leasing products, through HMC's and KMC's extensive dealer networks. Automotive financing products sold to purchasers of new vehicles of other manufacturers are marketed through the dealers of such other manufacturers located throughout Korea.

As of December 31, 2015, the Company had a sales network consisting of 19 automobile financing or leasing branches and 10 regional offices strategically located throughout Korea, whose sales and marketing efforts are supported by 10 support teams. The Company's sales network is designed to work closely with the automobile dealers. The branches principally cover dealers that are directly owned and operated by HMC and KMC, while the sales teams principally cover dealers that are owned by individuals. The Company's sales force consists of those known as "relationship managers" who market automotive financing products for the purchase of new vehicles and those known as "auto planners" who market automotive leasing products. The relationship managers are generally regular employees of the Company while the auto planners are agents that work under exclusive agency agreements with the Company. As of December 31, 2015, the Company employed 196 auto planners.

For sales of used vehicles, the Company relies on approximately 1,300 dealers affiliated with 200 third-party agencies nationwide with whom the Company has an on-going business relationship. The Company has a "loyalty focusing strategy" designed to encourage these agencies to recommend to their customers the Company's used car financing products as opposed to the products offered by the Company's competitors. The dealers and sales agents receive a combination of commissions and other incentives for their services.

Personal Loans

The Company offers personal loan (including mortgage loan) products primarily through its personal loan branches. As of December 31, 2015, the Company had a sales network of 13 personal loan branches nationwide. In addition, the Company also employs 385 individual loan planners to market products related to mortgage loans and key money loans.

Cross-Selling

The Company, through the Financial Business Division, focuses on effectively and strategically expanding cross-selling opportunities to its loyal customers, including in the automotive financing and leasing segments. The sale of personal loan products through cross-selling has shown strong growth in recent years, having nearly doubled in the past three years. In 2015, 77.5% of the Company's personal loan customers in 2015 were sourced from its existing automotive customer base. The Company also seeks to continuously enlarge the base of quality customers by operating a membership system, which will be available to both its existing and new customers, to offer various personal loan and other financial services.

Risk Management

Credit Risk Management

The Company's credit risk management process is mainly comprised of an initial credit scoring system to review the credit profile of the applicant and an on-going credit review system for existing customers. The Company believes that its credit risk management system ("CRMS") is among the most sophisticated and advanced systems in the Korean consumer finance industry. The Company has also adopted a "Champion & Challenger" strategy as part of its CRMS. The Champion & Challenger strategy operates by applying a new strategy ("Challenger") under the same condition as the existing strategy ("Champion") for a specific period and monitoring the performance of the new strategy. If the performance of the Challenger is better than that of the existing strategy, the new strategy replaces it, becoming the new Champion. The objective is to continually optimize business strategies and minimize business risks.

The overall responsibility of the Company's credit risk management rests with its Risk Management Committee, which was established by the Board of Directors of the Company in November 2015 as a result of amendments to the Enforcement Decree of the SCFBA in March 30, 2015, pursuant to which the Company was required to adopt certain amendments to its Articles of Incorporation and establish additional committees.

The Risk Management Committee meets regularly and reports directly to the board of directors of the Company. As of the date of this Offering Circular, the Risk Management Committee consists of three members. The Chairman of the Risk Management Committee is appointed by HMC. Due to the varied nature of the risks faced by the Company, the Company has also established special committees such as the Risk Control Committee and the Asset Liability Committee, which function as sub-committees of the Risk Management Committee, in order to effectively manage specialized risks that may arise during the operation of the Company's business. The Risk Control Committee's responsibilities include review of the performance of product portfolios against the targets set forth in approved business plans, determination of whether key risk indicators are within their tolerance levels and setting appropriate courses of actions in respect thereof. The special agenda items of the Risk Control Committee include the establishment and amendment of the Company's risk management strategy and review process, the establishment review processes for newly introduced products, review of underwriting strategies, approval of the launch of new product lines and approval of extraordinary credit lines. These special committees include senior officers of the Company with specialized expertise in their respective fields, and are involved in the implementation and the monitoring of the Company's risk management framework and the implementation of policies for efficient asset and liability management. The determinations made by the special committees are reported each quarter to the Risk Management Committee for further review and monitoring. See "*Management — Board of Directors*".

The Company performs loss simulations to predict the expected bad debt expenses for each product as well as the Company's overall assets. Such loss simulation enables the Company to make annual and long-term business plans based on profitability projections that factor in various bad debt expense scenarios.

With respect to any new loans or receivables, the Company implements a "Risk Appetite" framework in order to manage appropriate levels of risk-adjusted returns for such assets. Under this framework, the Company sets minimum profitability targets for each product and product segment and monitors whether such product or product segment actually meets such targets.

The Company also implements stress test methodology and has created stress test models for each of the Company's products. Stress tests are conducted on a quarterly basis. By performing extensive simulations under the stress test methodology using a variety of assumptions relating to major macro-economic indicators such as unemployment rate, interest rate and consumer price index, the Company tests the resilience and financial health of its assets under negative market conditions and other scenarios.

Origination

Automotive Financing and Automotive Leasing

The underwriting process for the Company's automotive financing business begins with the origination of loan applications for the financing of purchases of new HMC and KMC vehicles. HMC's and KMC's sales representatives or car masters ("CMs") originate loan applications from their prospective customers and also obtain supporting loan documentation. As of December 31, 2015, HMC's sales network in Korea consists of 436 HMC sales offices and 387 independent dealerships. KMC's sales network in Korea consists of 330 KMC sales offices and 390 independent dealerships. The sales representatives or CMs, who are either employees of HMC or KMC or independent contractors of HMC and KMC acting as their exclusive agents, perform an initial credit screening in accordance with the procedures and criteria established by the Company.

As of December 31, 2015, the Company had 10 regional offices and 19 automobile financing or leasing branches throughout Korea which provide support to the dealers. The local branch representatives of the Company visit HMC and KMC sales representatives daily to collect loan applications and to provide updates on new products, daily interest rate quotes, and any changes to underwriting procedures.

Personal Loans

The Company's personal loan customers are generally either walk-in customers or cross-sales customers. Walk-in customers are new customers who approach the Company through its various distribution channels. Cross-sales customers are existing customers that the Company has specifically targeted based on the perceived needs of such customer.

The Company selects cross-sales customers by screening its existing customers based on transaction records and credit history. The Company then provides the targeted customers with application materials.

The Company also markets mortgage loans to walk-in customers and cross-sales customers. As with personal loans, cross-sales customers are targeted through brochures, telemarketing and other direct sales efforts based on the perceived needs of existing customers.

As of December 31, 2015, the Company employed 385 loan planners ("LPs") to facilitate the origination of personal loans for walk-in customers. Walk-in customers are served by LPs, contract or commissioned employees who are responsible for not only explaining various mortgage loan products to customers but also for collecting from them loan applications and supporting documents. LPs are managed and educated by mortgage planner leaders. The LP channel accounted for approximately 71% of origination for sales of mortgage loan products in 2015. The remainder of sales of mortgage loan products was originated through telemarketing and the Internet.

As of December 31, 2015, the Company had 13 personal loan branches.

Credit Approval

Automotive Financing and Automotive Leasing

The Company has established standardized underwriting procedures and credit guidelines in accordance with a master agreement between the Company and each of HMC and KMC. The Company's credit approval process is substantially the same for all of the vehicles it finances or for which it extends lease financing. There are three independent departments that take part in the Company's credit approval process — CMs, the credit department of the Company's sales branches and the Company's underwriting team.

The initial credit check is performed by the CMs who collect loan applications and required supporting documentation. Following the initial credit check, the loan application undergoes a thorough, standardized credit assessment process with the credit department of the Company. Once the credit department receives the documentation, it screens the applicant and sets a credit limit. The Company's initial screening process is strict and an application typically undergoes two stages of screening before an approval can be granted. The Company's credit assessment procedures are managed according to a Rule Based Management System ("RBMS") which generates a score code for each application, assigns a credit limit for the loan and determines any required level of credit enhancement and any other relevant factors. If the approved credit limit is less than the value of the vehicle, the Company requires credit enhancement in the form of a third party guarantee, mortgage on the vehicle or, in rare cases, a mortgage over real property covering the difference between the value of the vehicle and the approved credit limit.

In accordance with the RBMS, the credit department reviews the applicant's current and past credit relationships with the Company as well as with other creditors and verifies the information such as the applicant's employment status and income. The Company also obtains centralized credit information on borrowers from the Korea Federation of Banks, National Information & Credit Evaluation, Inc. and Korea Credit Bureau. If the loan application is incomplete or inaccurate, the credit department will return the loan application to the HMC or KMC sales representative to obtain more information to substantiate the applicant's ability to repay or net worth, such as employment or business records or, if the applicant is unemployed, property records. In the event that these requests are not met, the application is rejected. Ultimately, the application will be (i) approved and a credit limit will be set; (ii) rejected; (iii) reconsidered after additional or supplemental documentation is provided to the Company; or (iv) determined to be eligible for exceptional approval whereby the Company's underwriting team has discretion to approve borderline credits in accordance with established policies and procedures.

After receiving the formal approval from the Company's credit department, the loan information, including the requested loan principal amount and the Company's branch code, is transferred to the Company's accounting department and the sales finance department at HMC or KMC. The Company's accounting department sends a copy of the formal approval and notice of the total loan principal amount to the Company's internal finance department. On the day following the approval, the Company's internal finance department transfers the principal amount of the loan to the sales finance department at HMC or KMC. The amount is verified with the loan information received earlier. Upon verification, the funds are transferred to the HMC or KMC dealership.

The Company has a systematic approach to managing the three independent departments in the credit approval process. For CMs, the Company focuses on detecting any fraudulent activities and divides the CMs into three groups based on their fraud-related score. For sales branches, the Company grants branch heads a small degree of discretion for credit approval based on the prior month's performance of credit originated from the relevant branch. For the Company's underwriting team, exceptional approval authority is apportioned based upon consideration of the customer's credit score, guarantor, and down payment rate.

Personal Loans

The Company's credit assessment process for personal loans differs for walk-in customers and cross-sales customers. For walk-in customers, the credit assessment process consists of two stages. First, the marketing channel assesses the customer's credit based on external credit information and any information available internally. Applications that pass this initial screening are sent to the Company's underwriting center for more detailed analysis. Credit assessment criteria for walk-in customers include annual salary, length of employment and credit history. The Company also relies on information from credit bureaus. To supplement the information available from existing credit bureaus, the Company, together with certain Korean banks and credit card companies, established a private credit bureau to facilitate the sharing of credit information in January 2006. The loan limit is based upon the customer's debt to income ratio and the interest rate is determined through a risk based pricing model.

With respect to cross-sales customers, if a target customer submits the application materials at a branch through the internet or by telephone, the application is reviewed by such branch, telemarketer, or initial credit assessment system, and the customer's credit is assessed based on external and internal credit information available with respect to such customer. Applications that meet the necessary credit criteria at this stage are referred to the underwriting center for final approval. Credit limits are determined with reference to the customer's capacity to repay the loan, including the customer's Debt to Income Ratio, and the interest rate is based on a risk based pricing model.

Credit assessments for mortgage loans are substantially the same as those for personal loans except that the credit limit is based on the value of the real property being purchased as well as the debt to income ratio of the customer. The Company also confirms the title of the real property being purchased with the mortgage proceeds through First American Title Insurance Company, LIG and Dongbu Insurance Co., Ltd. Mortgage loans are secured by the value of the real property being purchased with the proceeds of the loan. The value of collateral is determined by the Korea Appraisal Board and Kookmin Bank. The Company is insured under residual value insurance for mortgage loans with LTV ratio of higher than 70%. For such loans, if the Company suffers a loss due to a decline in the value of collateral, the Company is compensated for its loss by residual value insurance up to 30% of the loan amount.

On-Going Credit Review

Once an application for a loan or financing has been approved and a loan or financing has been extended, the credit profile of such customer will be monitored and reviewed by the Company on an on-going basis. For these purposes, the Company uses the Behavior Scorecard System ("BSS") to review the credit profile of the customer. The BSS system is specifically designed to evaluate and manage information about each customer's credit quality. The system reviews the length of time a particular customer has been a customer as well as the employment history of the customer and seeks to detect any negative credit data, such as payment and delinquency information both from internal and external sources such as credit bureaus. Credit scoring under the BSS system is fully automated and reported to the Chief Risk Officer on a quarterly basis.

Portfolio Quality Review

In addition to the on-going credit review of individual customers, the Company conducts a portfolio quality review ("PQR") on a bimonthly basis to help monitor main indices such as the approval rate, exceptional approval rate, delinquency ratio and the average initial credit line by product line. In the event any index exceeds the trigger point, the Company implements appropriate actions and also reviews its underwriting strategies.

Fraud Management and Control

The Company's fraud loss prevention program consists of an internally developed system known as "de-dup" and fraud RBMS (standing for "rule-based management system"). The Company has an Anti-Fraud Team which is dedicated to preventing, detecting and investigating fraud in order to reduce fraud losses. The Company has one of the largest anti-fraud teams in the nation in terms of the number of staff and as a result, believes it had one of the lowest levels of fraud loss to sales volume as of December 31, 2015 compared against the industry average.

Collections in Respect of Delinquent Assets

The Company handles collection of its automotive financings, automotive leases and personal loans through its Collection Management Department and Collection Support Department which manages local collection centers in 36 different regions in Korea including regional offices. The Company also has a Collection Planning Department that streamlines the Company's collection strategies. In addition, collection process is centrally managed from the early stages at the Company's call team which utilizes various statistical programs and an automated dialing system. The call teams are staffed by approximately 160 permanent and contract employees.

The Company has an agreement with Hyundai Card under which the Company purchases delinquent and written-off receivables from Hyundai Card. Under this arrangement, the Company is obligated to purchase all of Hyundai Card's 60-day overdue and wholly written-off receivables on five fixed dates of each month at the market value of such receivables as determined by an independent valuation firm. In 2014 and 2015, the Company purchased in the aggregate ₩392.7 billion and ₩355.3 billion, respectively, of such receivables for which it paid ₩157.0 billion and ₩138.7 billion, respectively. The Company also has an agreement with Hyundai Commercial pursuant to which the Company is obligated to purchase all future delinquent and written-off receivables from Hyundai Commercial. Under this agreement, the Company purchases 60-day overdue and written off receivables on one or two fixed dates of each month at the market value of such receivables as determined by an independent valuation firm. The aggregate value of delinquent and written-off receivables purchased from Hyundai Commercial was ₩49.1 billion and ₩50.9 billion in 2014 and 2015, respectively, of such receivables for which it paid ₩25.4 billion and ₩22.3 billion, respectively. The Company also has a similar agreement with Hyundai Life Insurance The aggregate value of delinquent and written-off receivables purchased from Hyundai Life Insurance was ₩5.1 billion and ₩13.4 billion in 2014 and 2015, respectively, of such receivables for which it paid ₩1.4 billion and ₩3.8 billion in 2015, respectively. See "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Card*", "*— Relationship with Hyundai Commercial*" and "— Relationship with Hyundai Life Insurance". Since the Company needs to have a collection system for its own delinquent receivables, having entered into agreements to provide collection services for Hyundai Card, Hyundai Commercial and Hyundai Life Insurance provides greater economy of scale and efficiency for the Company's overall collection processes. See "*Risk Factors — Risks Relating to the Company — The Company is obligated to purchase delinquent and written-off receivables from three members of the Hyundai Motor Group under a contractual arrangement and, in an economic downturn, the amount of such receivables may increase significantly and the Company may experience difficulties collecting on such receivables*," "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Card, — Relationship with Hyundai Commercial and — Relationship with Hyundai Life Insurance*".

The Company operates a Collection Efficiency Support system by Score (“CESS”), through which the Company generates collections scores and ratings of receivables based on information from credit bureaus and the Company’s own Application Scoring System and Behavior Scoring System. The Company also considers value-at-risk (“VaR”) for purposes of the CESS analysis, which enables the Company to expand its focus in collection efforts from a simple collection rate to also cover the final collection amount. The scoring and ratings provided by CESS and VaR serve as the basis for the Company’s basic collection functions such as allocation of receivables to designated collection teams, determination of incentives and evaluation of collection rates, which make the collection process more efficient.

The collection team at the Company’s headquarters oversees all unresolved delinquencies. The Company’s collection teams are assigned to specific delinquent assets and attempt to contact the delinquent obligor by telephone, text message or by telegram based on the length of delinquency and the history of the account. The Company also uses an early warning system of phone calls from the call center reminding customers of approaching due dates for payment. The Company also utilizes text messaging on mobile telephones to remind customers of impending due dates. The collection process for the receivables purchased from Hyundai Card is the same as the collection process for the Company’s own delinquent assets. The Company has established dedicated teams to make collections with respect to the acquired Hyundai Card receivables.

Receivables which are past due are scored by the CESS based on collectability. Call teams are responsible for collecting receivables with higher scores while local collection branches are responsible for loans with lower scores. Receivables that are written-off are further graded into different categories to be handled by local collection branches separately.

When a customer misses his/her payment due date, call teams contact the customers to arrange for payment or a promise of payment within a scheduled time period. Once the contact with the customer has been made, the system continues to track the delinquency. If payment is not received by the promised date, the customer is called again until the payment is received or the account becomes more than two months past due.

Once a receivable becomes delinquent for 45 days or more, the local collection branches become involved in the process, with separate teams assigned for automotive financing and leasing and personal loans. Depending on the CESS gradation, collectors contact customers by phone, make personal visits, investigate the borrower’s overall asset status, initiate legal actions and/or request credit enhancement such as a third party personal guarantee. When receivables are past due by 90 days or more, collectors typically file a lawsuit, following which it usually takes approximately three months to obtain a final court order.

The Company also manages delinquent assets through re-aged loans and credit relief support loans.

Re-aged Loans

The re-aged loans are refinancing loans provided by the Company for delinquent loans under which a delinquent loan is replaced with a new loan with amended terms. As of December 31, 2015, the total outstanding balance of the Company’s re-aged loans was ₩10.6 billion.

Credit Relief Support Loans

Credit relief support loans are made by the Company as a way of restructuring a delinquent loan upon request from the Credit Counseling and Recovery Service (the "CCRS"), together with confirmation from the CCRS that the delinquent customer has the ability to repay the loan. The CCRS is a non-profit organization founded by an association of financial institutions in Korea to advise and support credit rescheduling through workout programs for individuals. Unlike re-aged loans discussed above, where the Company has discretion in selecting customers for restructuring, credit relief support loans are generally required to be made upon request from the CCRS, generally on terms as recommended by the CCRS, including in respect of interest rate and maturity. However, once a customer remains delinquent for 90 days or more, the Company may set its own terms for restructuring. In addition, a credit relief support loan granted to an individual by a financial institution, including a credit company, will be deemed to be immediately delinquent if another credit relief support loan granted to such individual becomes delinquent. As of December 31, 2015, the total outstanding balance of the Company's credit relief support loans (including pre-workout loans) was ₩94.5 billion.

Write-off Policy

The Company assesses credit risk before extending financing or loans, and monitors outstanding financing receivables, in order to determine loans that must be written off. Based on a write-off policy that is more conservative than the guidelines of the FSS, the Company writes off payments in arrears in respect of automotive financings and leases that have been overdue for more than seven months and payments in arrears in respect of personal loans that have been overdue for more than seven months. Receivables of an amount exceeding ₩5 million require FSS approval prior to a write-off.

Allowances for Loan Losses

The Company maintains its allowances for doubtful accounts at an amount estimated to be sufficient to absorb probable losses, net of recoveries, inherent in the Company's total portfolio of assets. These allowances are based on the Company's classification of the assets in its portfolio as of the balance sheet date, based on the asset classification criteria set by the Company which is within the guidelines set by the FSC. If additions to the allowances are made on the balance sheet, the Company records provision for loss as the periodic cost of maintaining an adequate allowance which is charged to the Company's income statement. Credit exposures that become uncollectible are charged directly against the allowances.

The Company estimates the rate of loss for assets under the "expected loss (EL)" method in accordance with its credit risk management system. The Company was the first in the industry to adopt this accounting policy of estimating expected loss by factoring in the probability of default, loss given default and exposure at default.

The following is a summary of the asset classification criteria under the guidelines of the FSC and related minimum reserve ratios under FSC guidelines that the Company must apply in the classification of its financing receivables.

Classification	Description	FSC Minimum Reserve Ratio
Normal	Credits that do not raise concerns regarding the customers' ability to repay on the obligation.	1.0% for installment financing assets relating to individuals and retail household loans and 0.5% in all other cases.
Precautionary	Credits extended to customers that, in consideration of such customers' financial transaction conditions, credit conditions and business and operations, are to be managed with normal or extra caution (e.g., credits to customers, which, despite the repayment thereof being in arrears for three months or more, but less than six months (in the case of retail household loans, one month or more, but less than three months), do not raise any concern regarding such credits' collectability).	10.0% for installment financing assets relating to individuals and retail household loans and 1.0% in all other cases.
Substandard	Expected collectible portion of credits extended to customers that are subject to aggressive collection measures or management because such customers' financial transaction conditions, credit conditions and business and operations are poor (e.g., expected collectible portion of (i) credits in arrears for six months or more (three months or more in the case of retail household loans) or (ii) credits extended to customers that are in the process of corporate reorganization or composition).	20.0%
Doubtful	Expected but not fixed amounts in excess of collectible portion of credits classified as sub-standard	75.0%
Estimated Loss	Fixed amounts in excess of expected collectible portion of credits classified as sub-standard	100.0%

Regulation and Supervision

Legal and Regulatory Framework

The Company is registered with the FSC under the SCFBA. The SCFBA, which took effect on January 1, 1998, was enacted in order to uniformly regulate various non-bank banking businesses, i.e., those companies that provide various forms of financing but did not take any deposits. Up until the enactment of the SCFBA, such entities were regulated under separate laws such as the Credit Card Business Law, the Equipment Lease Business Law, the Installment Financing Business Law or the New Technology Financing Business Law.

An entity that is registered with or licensed by the FSC under the SCFBA (a "CSF Company") may conduct credit card, installment financing, equipment leasing or new technology financing businesses (collectively, "CSF Businesses") and other businesses as specified in the SCFBA and the Implementing Decree thereunder including acquisition, management and collection of sales/service receivables from the companies that originated such receivables, lending (including discounting of promissory notes) and other specified ancillary businesses.

A CSF Company is subject to the regulations and supervision of the FSC and the FSS. The FSS may periodically examine the business and finance of a CSF Company and any CSF Company that is determined to be conducting unsafe and unsound business in violation of the SCFBA and regulations thereunder may be subjected to various administrative sanctions by the FSC.

Principal Regulations Applicable to a CSF Company

Capital Adequacy and Liquidity

Regulations issued by the FSC under the SCFBA provide for several financial ratios that a CSF Company must comply with. Such financial ratios include the following:

- the ratio of adjusted capital to adjusted total asset must be at least 7% (8% for credit card companies);

- the ratio of Korean Won current assets to Korean Won current liabilities must be at least 100%; and

- for credit card companies, the ratio of receivables delinquent more than one month must be less than 10%.

A CSF Company that fails, or, in the determination of the FSS, is likely to fail, to maintain any of the above ratios will be subjected to the FSS' orders to submit and implement a plan for improvement of its finances.

Limitations on Funding

A CSF Company may obtain funding only in certain specified methods which include the following:

- borrowings from financial institutions;

- issuances of bonds or promissory notes;

- sales of securities owned by the company;

- sales of receivables;

- foreign currency borrowings or issuances of foreign currency securities as a foreign exchange business company registered with the Ministry of Strategy and Finance under the Foreign Exchange Transaction Law of Korea; and

- issuances of securities backed by receivables owned by the CSF Company.

A CSF Company may not issue bonds or promissory notes to an individual. It may publicly offer bonds or promissory notes only through the underwriting by a licensed securities company in the case of bonds or through the underwriting, discount purchase or brokerage by either a licensed securities company or a merchant bank in the case of promissory notes.

Limitations on Acquisition of Real Property

A CSF Company is generally prohibited from acquiring real property except for its own business operations. Exceptions include cases where the real property is the subject matter of its leasing business or installment financing business or the real property is acquired as a result of a foreclosure on collateral. Even in instances when a CSF Company acquires real property for its own business operations, the aggregate amount of such real property shall not be more than 100% of its capital.

Limitations on Lending

As of each quarter end, the aggregate average balance of a CSF Company's loans should not exceed the aggregate average balance of the receivables that arise under its CSF Business (excluding credit card business) and any acquired receivables, provided that loans should not include any lending to a business enterprise, any receivables that arise as a result of the refinancing of restructured credit with changed terms such as maturity or interest rate, loans secured by mortgage as defined under the Korea Housing Finance Corporation Law or receivables that arise under the financing provided to a credit card member.

Limitations on Extension of Credit to the Major Shareholder

The aggregate amount of credit that a CSF Company may extend to major shareholder (as defined under the SCFBA, the "Major Shareholder") or related persons (including, but not limited to affiliates) thereof cannot exceed 100% of the CSF Company's capital. The Major Shareholder includes: (i) the largest shareholder; (ii) a shareholder holding in aggregate 10% or more of the CSF Company's total issued voting shares; and (iii) a shareholder who can exercise de facto control over the major business affairs of the CSF Company through, among others, appointment and dismissal of the officers pursuant to the Enforcement Decree of the SCFBA.

Limitations on Mortgage Lending

Due to a rapid increase in the number of loans secured by homes and other forms of housing, the Financial Services Commission and the Financial Supervisory Service implemented regulations designed to curtail extension of new or refinanced loans secured by housing. For banks and insurance companies, as to loans secured by residential properties as collateral that are located nationwide, the LTV ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) may range from 40% to 70%. For savings banks and CSF Company such as the Company, as to loans secured by residential properties as collateral that are located in such applicable regions, the LTV ratio may range from 50% to 70%. As to loans secured by apartments located in areas of high speculation as designated by the government, all financial institutions including banks, savings banks and CSF Companies, (i) the LTV ratio for loans with a maturity of not more than 10 years should not exceed 40% (in the case of banks and insurance companies) or 50% (in the case of savings banks and CSF Companies); and (ii) the LTV ratio for loans with a maturity of more than 10 years should not exceed (a) 40% (in the case of commercial banks) or 50% (in the case of other finance companies), if the secured value of such apartment is over ₩600 million, and (b) 60%, if the secured value of such apartment is ₩600 million or lower. Similarly, as to loans secured by apartments located in areas of excessive investment as designated by the government, a more lenient standard applies.

As to loans secured by apartments with market value of more than ₩600 million in areas of high speculation as designated by the government or certain metropolitan areas designated as areas of excessive investment by the government, except as permitted under relevant regulations, all financial institutions including banks, savings banks and CSF Companies, the borrower's debt-to-income ratio (calculated as (i) the aggregate annual total payment amount of (a) the principal of and interest on loans secured by such apartment(s) and (b) the interest on other debts of the borrower over (ii) the borrower's annual income) should not exceed 40%. In addition, the supervisory authorities may, from time to time, issue administrative instructions to financial institutions, including CSF Companies such as the Company, to regulate demand for real estate properties which may have the effect of restricting access to borrowers of housing loans.

Credit Relief Support

The Company, together with other Korean consumer finance lenders, is subject to the Korean financial industry's Agreement among Financial Institutions for Assisting the Credit Relief Support Plan (the "Individual Work-out Plan Agreement") to assist qualifying individuals who are in financial difficulty to avoid personal bankruptcy. The Individual Work-out Plan Agreement applies to small business owners and to individuals who have a bad credit history, who owe ₩500 million or less of unsecured debt or ₩1 billion or less of secured debt to financial institutions and (i) whose income exceeds a specified minimum or (ii) who are determined by the Review Committee (as defined below) to be able to repay their debts.

Under the Individual Work-out Plan Agreement, qualifying individuals may apply for protection under the scheme to the Credit Counseling and Relief Service. On receipt of such an application, the Credit Counseling and Relief Service notifies each of the debtor's creditor financial institutions and requests them to certify the amount owed to them and their opinion on the application. From the time that the financial institutions receive such a notice, they are subject to a moratorium on their ability, among other things, to enforce any security that they hold in respect of the relevant debt. Furthermore, from the time of receipt of such notice, the creditor financial institutions must reject any voluntary repayment by the debtor.

The application is then considered by a review committee (the "Review Committee") established under the Individual Work-out Plan Agreement. The Review Committee may recommend a plan (an "Individual Workout Plan") for the rehabilitation of the debtor, including extending the repayment period (i) up to eight years in the case of the debtor's outstanding unsecured debt, (ii) up to twenty years after a three-year grace period in the case of the debtor's outstanding secured debt and (iii) up to the remaining repayment period in the case such period exceeds twenty years. The repayment period may be extended for an additional period of up to two years after the relevant repayment period noted above after taking into consideration various circumstances, adjusting interest rates, establishing an installment plan for a period not exceeding the repayment period and writing-off the principal amount of the outstanding debt (limited to bad debts) up to an amount equal to one half thereof (provided, that during the period between April 22, 2013 and October 31, 2013, up to 30% of the principal amount of unamortized debt which are overdue for a period of six months or more as of the end of February 2013 may also be written off) while the interest on such debts may be written off in whole. The final Individual Work-out Plan of the Review Committee is put to a vote of the relevant debtor and, to be adopted, must be approved by creditor financial institutions representing more than 50% of the debtor's outstanding unsecured debt and 50% of the debtor's outstanding secured debt. If the first Individual Work-out Plan is rejected, the Review Committee may submit a revised Individual Work-out Plan to the creditor financial institutions, which must be approved by the same majorities.

If the Individual Work-out Plan is adopted, the creditor financial institutions are bound by its terms. Any creditor financial institution that violates the Individual Work-out Plan, for example by seeking to enforce its security, could be fined by the Credit Counseling and Relief Service an amount between 5% and 50% of the principal amount outstanding of such creditor financial institution's debt to the relevant borrower.

Information Technology

The Company's information technology ("IT") system is comprised of three main systems: the transaction system, the information system and the channel system. The Company uses these systems for assessment of customer credit, application processing, account management, loan disbursements and payments, customer retention and other related functions. These systems allow customer service representatives to access specific account information when responding to customer inquiries. All customer data and servers are subject to protection from security breaches through extensive security systems and firewall software. The Company maintains its data at a remote backup center in Eui-Wang, as well as at its main computer center in Paju. In addition, the Company has a disaster recovery system that can restore the Company's data within two hours of a failure of the main system The Company established a dual network system in case one network fails. As of December 31, 2015, the Company's IT division consisted of 111 of its own employees and 105 employees from outsourcing companies.

The Company continually upgrades its security systems for handling personal and other sensitive data relating to its customers. Once the ongoing upgrade currently scheduled for target completion by the end of the first half of 2016 is completed, the Company's security systems in marketing and all other areas of the Company's operations will manage customer-related information on a segregated basis from other operating data. Such upgrade is intended to eradicate the risk of leakage of confidential customer information.

Competition

Automotive Financing

The Company believes it is the market leader in the domestic automotive financing sector. However, competition in the automotive financing industry has increased substantially in recent years as existing consumer finance companies, credit card companies and other financial institutions have made significant investments and engaged in aggressive marketing campaigns and promotions.

Principal factors of competition include interest rates and fees, credit limits and other services and benefits, as well as commissions paid to sales agents. The Company's main competitors are Shinhan Card, Samsung Card, Aju Capital, KB Capital and Hana Capital, and more recently, commercial banks, including Shinhan Bank and Woori Bank, which tend to have lower funding costs than the Company does. Many of these entities, in order to capture a larger portion of the automotive financing market, offer aggressive incentive schemes that the Company does not intend to emulate. The Company believes that it has significant competitive advantages over its competitors in the automotive financing sector due to the following reasons:

- under the Settlement Interest Agreements, the Company receives a fixed interest spread over interest on a Korean benchmark Won-denominated financial institution bond with a three-year maturity for installment financings extended to customers of HMC and KMC vehicles;

- the Company is strategically critical to the HMG, which is the largest automobile manufacturer in Korea;

- as a member company of the HMG, the Company benefits from customer referrals and is able to co-operate closely with the HMG in automobile marketing and customer management;

- the integration of the Company's financing services with the HMG's automobile production and marketing plans gives the Company a competitive advantage in providing financing to HMC and KMC dealers and their customers;

- the Company's size allows it to take advantage of economies of scale in both purchasing and servicing receivables and leases;
- the Company's advanced sales support system, which is based upon a scientific approach to customer relationship management, appeals to sales persons; and
- the Company has a close relationship with its used car dealers and a differentiated approach to agency management which have helped the Company maintain over 50% market share in the used car financing market since 2003 despite intensifying competition.

Automotive Leasing

Principal factors of competition in the automotive leasing market include competitive prices and cultivating a good relationship with dealers. The existing major competitors in this market are Shinhan Card, Samsung Card, KB Capital, KDB Capital and Woori Financial based on leased assets as of December 31, 2015. The Company utilizes the customer base and distribution network of its core automotive financing business to secure market share. However, to compete more effectively, the Company continues to focus on marketing and promoting its automotive leasing products, including through launching various brand enhancement initiatives and expanding its sales networks. The Company also targets the corporate business sector with its fleet leasing business.

Personal Loans

In recent years, the personal loan market in Korea has been characterized by aggressive expansion and increased competition. Competitors' efforts to expand market share in this increasingly saturated and competitive market environment has contributed to asset quality problems. As a result, the Company is faced with challenging market conditions as it attempts to secure a customer base with the credit quality and on credit terms necessary to maintain or increase the Company's income and profitability. Principal factors of competition in the personal loan market include interest rates and fees, credit limits and other services and benefits. In the personal loan segment, the Company competes with domestic and foreign commercial banks in Korea as well as consumer finance companies and other financial institutions. Many of these banks are significantly larger than the Company in terms of asset size and customer base and have greater financial resources or more specialized capabilities than the Company.

The Company believes that it has opportunities which it can exploit in the near prime segment of the personal loan market, where the Company believes that competition is less intense compared to the prime segment of the personal loan market because of its relatively small size and potential brand conflicts for some of the major consumer finance providers such as commercial banks. In addition, the Company seeks to leverage off its automotive financing and automotive leasing businesses and relationships with HMC and KMC to cross-sell personal loan products to the existing customer base.

Mortgage Loans

The mortgage loan market in Korea is intensely competitive. Principal factors of competition include interest rates and fees, credit limits and other services and benefits. The main competitors in the Korean mortgage loan market are large commercial banks, which generally can offer more attractive interest rates based on stable and low-cost funding in the form of customer deposits.

Previously, the Company primarily targeted prospective homeowners in areas outside of the Greater Seoul Metropolitan area and/or engaged in small businesses by offering more attractive terms, including higher LTV ratios, than its competitors. However, following recent regulatory changes under which the same maximum LTV ratio of 70% applies to all financial service providers, the Company has increasingly shifted its marketing focus to the wealthier customer segment of prospective homeowners in the Greater Seoul Metropolitan area and/or employed by large corporations. In addition, the Company also seeks to bolster its competitive position in the mortgage loans market by taking customer-oriented marketing initiatives to directly access the customer and enhance speed and convenience in customer service and through pricing differentiation.

Legal and Regulatory Proceedings

The Company is subject to certain claims and is a party to legal and regulatory proceedings incidental to the normal course of its business activities. As of the date of this Offering Circular, the Company is not involved in any material litigation, arbitration or administrative proceedings relating to claims which may have a significant effect on the financial condition or result of operations of the Company. In addition, the Company is not aware of any material litigation, arbitration or administrative proceedings that are pending or threatened.

Property

The Company's registered office and corporate headquarters is located at 3 Uisadang-daero, Yeongdeungpo-gu, 150-706, Seoul, Korea.

As of December 31, 2015, the Company had a nationwide network of 29 automotive financing and automotive leasing branches. The Company also has an early warning center in Seoul and 36 collection centers nationwide. In addition, the Company operated 13 personal loan branches as of such date. The Company owns all of the properties in which it operates.

Employees

The Company had 1,918 regular (or full-time) employees and 1,642 contract and commissioned employees as of December 31, 2015. The Company believes that it has a good relationship with its employees. To the Company's knowledge, none of the Company's employees are members of a labor or industry union. The Company has not experienced any work stoppages of a serious nature.

The Company's employee compensation is based on a combination of an agreed-upon base salary and bonuses. The bonus system is based on individual performance, business unit performance and the Company's overall performance. Like most other non-banking financial institutions in Korea, the Company grants its employees annual increases in base salary and pays periodic bonuses and overtime. In 2015, the Company's salaries comprised 31.4% of the Company's total general and administrative expenses. The Company believes that its compensation package is similar to that offered by its peer financial institutions. The Company provides a wide range of benefits to its employees, including medical insurance, employment insurance, workers' compensation and accident insurance, financial aid for children's tuition, low-interest housing loans and pension plans.

The Company operates a defined benefit retirement pension plan for its employees. Under a retirement pension plan system, contributions are deposited annually into a financial institution and, upon retirement, an employee is granted the option of choosing between receiving a pension or a single sum amount. A defined benefit plan guarantees a certain payout at retirement according to a fixed formula which, in general, depends on the employee's average salary and the number of years' membership in the plan.

As of December 31, 2015, the present value of defined benefit obligations was ₩110.0 billion, and the fair value of plan assets, which were deposited with insurance companies and banks, was ₩85.5 billion. Under Korean law, the Company may not terminate full-time employees except under limited circumstances. In 2015, the Company paid ₩2.46 billion for the training of its employees.

MANAGEMENT

Board of Directors

The Company's board of directors (the "Board") has the ultimate responsibility for the management of its business affairs. The Board oversees the operations of the Company and is headed by Mr. Tae Young Chung, the President and CEO of the Company.

Under the Company's articles of incorporation ("Articles of Incorporation"), the Board must consist of at least three directors but no more than 12 directors, of which the majority must be outside directors. The members of the Board are elected by the shareholders at a general meeting of shareholders. Resolutions of the Board are made with the presence of a majority of the incumbent directors at the meeting and by the affirmative vote of a majority of the directors present, provided that certain matters are subject to special resolution by the affirmative vote of at least nine directors present at the meeting. If fewer than nine directors are present at the meeting, such resolution shall be adopted by the affirmative unanimous vote of the directors present at the meeting.

The Articles of Incorporation also require that the Board must elect, from its members, one representative director to represent the Company by resolution of the Board. Under the Korean Commercial Code and the Articles of Incorporation, the representative director is authorized to represent the Company in activities relating to its business.

The members of the Audit Committee are elected by shareholders at a general meeting of shareholders.

As of the date of this Offering Circular, all the directors of the Company satisfy the eligibility requirements set forth in the SCFBA.

Board Members

As of March 4, 2016, the Board was comprised of the following members.

Name	Title	Age
Tae-Young Chung	Representative Director, Vice Chairman and CEO	56
Yoo-No Hwang	Director, Executive Vice President	58
Jong-Hoon Won	Director	55
Won-Hee Lee	Director	56
Sung-Wook Khang	Lead Outside Director	55
Gergely Zaborszky	Outside Director	40
Soo-Young Kwon	Outside Director	58
Hong-Bum Kim	Outside Director	60
Sang-Min Shin	Outside Director	71
Sung-Bin Chun	Outside Director	63

Tae-Young Chung has been Representative Director since 2003. He was appointed as Head of Planning, Managerial, Treasury and Auto Parts Division of Hyundai Mobis in 2000 and subsequently held senior positions at KMC, HMC and Hyundai Card before holding his current position. Mr. Chung received a B.A. in French Literature from Seoul National University and an M.B.A. from Massachusetts Institute of Technology.

Yoo-No Hwang has served as Director since March 2013. Mr. Hwang worked at HMC and Hyundai Mobis prior to joining the Company. Mr. Hwang received a B.A. in Business Administration from Hongik University.

Jong-Hoon Won has served as Director since December 2013. Mr. Won is currently a Senior Vice President of HMC and a director at Hyundai Card. Mr. Won received a B.A. in Business Administration from Seoul National University and an M.B.A. from Korea Advanced Institute of Science and Technology.

Won-Hee Lee has served as Director since March 2013. Mr. Lee is currently the Head of the Finance Department at HMC and a director at Hyundai Commercial. Mr. Lee received a B.A. in business administration from Sungkyunkwan University and an M.A. in Accounting from South Illinois University.

Sung-Wook Khang has served as Director since December 2013 and Lead Outside Director since October 2015. Mr. Khang is currently the President and Chief Executive Officer at GE Korea Global Growth & Operations. Mr. Khang received a B.A. in Economics from Seoul National University and an M.B.A. from Massachusetts Institute of Technology.

Gergely Zaborszky has served as Outside Director since October 2015. Mr. Zaborszky is currently the Chief Financial Officer at Strategic Ventures and Restructuring Group of GECC. Mr. Zaborszky received an MSc degree in Economics from University of Debrecen.

Soo-Young Kwon has served as Outside Director since October 2015. Mr. Kwon is currently a professor at Korea University. Mr. Kwon received a B.A. in business administration from St. John Fisher College and a Ph.D. in Accounting from Washington University.

Hong-Bum Kim has served as Outside Director since October 2015. Mr. Kim is currently a professor at Gyeongsang National University. Mr. Kim received a B.A. in Economics from Seoul National University and a Ph.D. in Economics from State University of New York.

Sang-Min Shin has served as Outside Director since October 2015. Mr. Shin received a B.A. in business administration from Yonsei University.

Sung-Bin Chun has served as Outside Director since October 2015. Ms. Chun is currently a professor at Sogang University. Ms. Chun received a B.A. in English Language and Literature from Sogang University and a Ph.D. in Accounting from University of California at Berkeley.

As a result of amendments to the Enforcement Decree of the SCFBA in March 30, 2015, the Company was required to adopt certain amendments to its Articles of Incorporation and establish additional committees. Under the Articles of Incorporation, the Board may establish committees and delegate certain of its functions to such committees. Each such committee must have as its members at least two directors of the Board, with the exception of the Audit Committee, which must consist of at least three directors of the Board. The members of the committees shall be appointed by the Board among those who are recommended by the Steering Committee, except for those of the Audit Committee, who are appointed at the shareholders' meeting, and the Steering Committee, who are appointed by the special resolution by the Board. In addition, the Company may establish additional special committees which are responsible for implementing certain policies established by the Board.

Board Committees

Under the Articles of Incorporation, the Board is required to have a Steering Committee, Outside Director Nomination Committee, Compensation Committee, Risk Management Committee, Audit

Committee and Rights Issue Committee. Members of the Board Committees, other than the Audit Committee, are appointed by the Board from time to time. The majority of the members of each of the Outside Director Nomination Committee, Compensation Committee and Risk Management Committee must be Outside Directors.

Steering Committee

The primary function of the Steering Committee is to approve matters regarding the Company's ordinary course of business and certain functions related to financing that are subject to the approval of the Board in order to improve the efficiency and business process of the Company. Examples of the matters delegated to the Steering Committee include:

- amendments to internal regulations, including that of the Company's subsidiaries;
- approval of related party transactions;
- major modifications to the Company's accounting principles;
- establishment, relocation or closure of a branch under the Korean Commercial Code;
- appointment and dismissal of the General Manager ("ji-bae-in") under the Korean Commercial Code;
- approval of MOUs and investments in relation to joint ventures;
- approval of the purchase and sale of non-performing loans;
- approval and execution of non-guaranteed corporate bonds;
- approval and execution of financing through securitization of assets;
- approval and execution of financing through overdrafts;
- approval and execution of general loans, facility loans and credit lines;
- approval and execution of financing through commercial papers;
- approval and execution of contracts regarding financial derivatives associated with financing; and
- other matters specifically delegated by the Board.

The Steering Committee currently consists of two members, Mr. Gergely Zaborszky and Mr. Yoo-No Hwang.

Outside Director Nomination Committee

The responsibility of the Outside Director Nomination Committee is to review and monitor the composition and diversity of the Board and recommend potential candidates for Outside Directors. As of the date of this Offering Circular, the Committee consists of three directors, Mr. Yoo-No Hwang, Mr. Sang-Min Shin and Mr. Gergely Zaborszky.

Compensation Committee

The responsibility of the Compensation Committee is to evaluate the performance and make recommendations on the remuneration packages for the Company's directors, senior management and general staff and evaluate and make recommendations on employee benefit arrangements. As of the date of this Offering Circular, the Committee consists of three directors, Mr. Yoo-No Hwang, Mr. Soo-Young Kwon and Mr. Hong-Bum Kim.

Risk Management Committee

The responsibility of the Risk Management Committee is to define principles of risk management, provide recommendations on risk management involving the Company's operations and monitors and evaluates compliance with the risk management framework to ensure their adequacy and effectiveness. As of the date of this Offering Circular, the Committee consists of three directors, Mr. Yoo-No Hwang, Ms. Sung-Bin Chun and Mr. Gergely Zaborszky.

Audit Committee

The responsibility of the Audit Committee is to review and supervise the Company's financial reporting process and internal control system and nominate and monitor the Company's independent auditors. Two-thirds of the members of the Audit Committee must be outside auditors. As of the date of this Offering Circular, the Committee consists of three Outside Directors, Mr. Soo-Young Kwon, Mr. Hong-Bum Kim and Ms. Sung-Bin Chun.

Rights Issue Committee

The responsibility of the Rights Issue Committee is to manage issuance of redeemable convertible preferred stocks. As of the date of this Offering Circular, the Committee consists of three directors, Mr. Tae-Young Chung, Mr. Yoo-No Hwang and Mr. Gergely Zaborszky.

Special Committees

In addition to the Board Committees, as of the date of this Offering Circular, the Company has a Risk Control Committee, Executive Finance Committee, Asset Liability Committee and Compliance Review Board, as required by the Articles of Incorporation.

Risk Control Committee

The responsibility of the Risk Control Committee is to implement sound management practices and secure stable profits for the Company by systematically managing the various risks that may arise in the operation of the Company. The Risk Control Committee's functions include, among others:

- a review of performance of various product portfolios against targets;
- determination of risk indicator levels and appropriate course of action in respect thereof;
- establishment and amendment of risk management strategies;
- approval of acquisition of financial assets;
- establishment of a review process for the introduction of new products;
- review and approval of a proposed product which involves a change or addition to the underwriting criteria;

- approval of extraordinary credit lines; and

- evaluation of the introduction of new technology systems related to risk management.

The Risk Control Committee currently consists of nine members, Mr. Byung Doo Kim, Mr. Byung Gu Jeon, Mr. Sung Won Jin, Byung Hui Lee, Ms. Su Kyoung Kim, Ms. Hyun Joo Kim, Mr. David Stippich, Mr. Waller Blackwell and Mr. Denis Hall.

Executive Finance Committee

The primary function of the Executive Finance Committee is to monitor and oversee the Company's financial activities, as well as review the asset and liability management system of the Company. Any financial matter which is material to the Company has to be approved by the Executive Finance Committee. Examples of such financial matters include:

- operating expenses (exceeding ₩1 billion) and capital expenditures (specifically contracts which require capital expenditures exceeding ₩3 billion);

- acquisitions and dispositions of certain assets;

- short-term and long-term business plans;

- budget proposals;

- introduction of new product lines;

- pricing changes;

- changes in accounting policies;

- funding plans;

- significant variances from the existing debt issuance structure or interest rate;

- transactions with affiliates; and

- material tax issues.

The Executive Finance Committee currently consists of five members, Mr. Tae-Young Chung, Mr. Yoo-No Hwang, Mr. Byung Gu Jeon, Mr. Jung In Kim and Mr. David Stippich.

Asset Liability Committee

The Asset Liability Committee reports to the Executive Finance Committee**.** The responsibility of the Asset Liability Committee is to define and implement policies for efficient asset and liability management as well as to perform the following functions:

- establish and monitor asset and liability management policies;

- set and manage the counter-party limits;

- create and manage hedging strategies;

- implement risk management strategies; and
- minimize or optimize risks stemming from liquidity, interest rate, foreign exchange and maturity mismatch.

The Asset Liability Committee currently consists of five members, Mr. Jin Sung Lee, Mr. Keun Bae Hong, Ms. So Young Lee, Mr. David Stippich and Ms. Ashley March.

Compliance Review Board

The Compliance Review Board was established to monitor and implement the Company's compliance program in order to ensure full compliance with all applicable laws and regulations. The primary functions of the Compliance Review Board are to:

- monitor compliance issues within the Company;
- determine and track items in respect of the compliance Program; and
- monitor the development of training, audit functions and other internal functions that can promote compliance, prevention and detection of illegalities and actions contrary to the Company's culture and appropriate responses to misfeasance.

The Compliance Review Board currently consists of 13 members, Mr. Tae-Young Chung, Mr. Yoo-No Hwang, Mr. Suk Joon Won, Mr. Byung Hui Lee, Mr. Sung Won Jin, Mr. Sung Moon Kim, Mr. Sang Hyun Woo, Mr. Ryan Zanin, Mr. David Stippich, Mr. Julius Wallwork, Mr. Ian Baker, Mr. Waller Blackwell and Ms. Hyo Bin Kang.

Senior Management

The Company's executive officers are responsible for the day-to-day operations of the Company and undertake all other matters as directed by the Board. The table below sets out certain information with respect to the Company's senior officers as of March 4, 2016.

Name	Title	Area of Duty
Tae-Young Chung	Vice Chairman & CEO	—
Yoo-No Hwang	Executive Vice President	Corporate Services Division
Byung Doo Kim	Executive Vice President	Finance Division
Jung In Kim	Senior Vice President	Strategic Planning Division
Sang Hyun Woo	Senior Vice President	Commercial Finance Representative
Sung Won Jin	Vice President	Operation Division
Mee Young Lee	Vice President	Brand Division
Byung Hui Lee	Vice President	Auto Business Division
Jae Won Lee	Vice President	Strategic Planning Division
Byung Gu Jeon	Vice President	Corporate Services Division (Finance)
Gun Woo Kim	Vice President	Corporate Services Division (IT)
Sang Min Ko	Vice President	Global Business Division
Sung Won Choi	Vice President	Corporate Services Department
Yoon Seok Lee	Vice President	HR Department
Sung Moon Kim	Vice President	Audit Department
Sung Chul Kim	Vice President	Brand Department
Gyo Chang Lee	Vice President	Beijing Hyundai Auto Finance

Many of the executive officers with specific responsibilities have worked in areas closely related to their respective areas of responsibility before they were appointed to the present positions. Accordingly, the Company believes that they collectively have appropriate expertise and experience to carry out their management responsibilities.

The Company from time to time engages in transactions with its affiliates, including HMC and KMC which as of the date of this Offering Circular held 59.7% and 20.1% of the Company's outstanding common shares. The Company's policy on transactions with related parties is to conduct such transactions on terms substantially as favorable to the Company as it can obtain at the time in a comparable arm's length transaction with an independent third party, including with respect to the related party transactions described below.

Relationship with Hyundai Motor Group

The Company was established in December 1993 to serve as, among other things, the automotive financing arm for HMC. In July 2001, the Company commenced the automotive leasing business offering primarily HMC and KMC vehicles. The Company continues to operate as the primary automotive financing arm of HMC and HMC's affiliate, KMC, with the predominant share of the Company's business comprised of the financing and leasing of new vehicles manufactured by HMC and KMC. The Company has close business ties with, and receives financial, managerial and operational support from, HMC and KMC.

HMC is Korea's largest motor vehicle manufacturer, producing cars, trucks, buses and special purpose vehicles for sale in Korea and overseas. Together, HMC and KMC had a combined domestic market share of 78.6% and 78.1% based on units of new vehicles sold (excluding imported units) in 2014 and 2015, respectively. HMG was established as a result of its disaffiliation from the Hyundai Group which was one of the largest business groups in Korea in terms of assets and sales. Member companies of HMG, as of December 31, 2015, consisted of the following:

- 11 listed companies: HMC, KMC, Hyundai Mobis, Hyundai Steel, BNG Steel Co., Ltd., Glovis, HMC Investment & Securities, Hyundai WIA Corp., Hyundai E&C, Hyundai Rotem Company, Innocean Co., Ltd.; and

- 39 unlisted companies: the Company, Hyundai Card Co., Ltd., Hyundai Commercial Co., Ltd., Hyundai Life Insurance Co., LTD., AutoEver Systems, Haevichi Hotels & Resort Co., Ltd., Haevichi Country Club Co., Ltd., KEFICO Co., Dymos Inc., Hyundai Power Tech Co., Ltd., Kia Tigers Co., Ltd., Jeonbuk Hyundai Motors Football Club Co., Ltd., IHL Co., Ltd., MSEAT Co., Ltd., M&Soft Inc., PARTECS Co., Ltd., NGVTek Co., Ltd., Seorim Co. Ltd., Seorim Environment Technologies Co., Ltd., Seoul PMC Co., WIA Magna Powertrain Co., Ltd., Green Air Co., Ltd., Maintrans Co., Ltd., HL Green Power Co., Hyundai Engineering Co., Ltd., Hyundai Architects & Engineers Assoc. Co., Ltd., Hyundai Engineering & Steel Industries Co., Ltd, Busan Finance Center AMC, Songdo Landmark City Llc., Hatayrnc Company Co., Hyundai City Development Co., Ltd., Busan Jungkwan Energy Co., Ltd., Hyundai Energy, Hyundai Farmland & Development Co., Ltd, Hyundai Materials Corp., Hyundai Special Steel Co., Ltd., Hyundai Autron, Hyundai WIA IHI Turbo, and The 2nd Yulchon Industrial Complex Development.

The Company currently does not hold any outstanding shares of HMC or any of HMC's affiliates.

Since its inception, the Company's business has been substantially dependent on the sale of new HMC and KMC vehicles. The following table sets out the domestic market penetration rate, based on automobile sales data available from KAMA (excluding imported units) of HMC and KMC vehicles for the years indicated.

	2013	2014	2015
HMC	46.3%	46.8%	44.9%
KMC	33.1%	31.8%	33.2%
Total	79.4%	78.6%	78.1%

The Company has a contractual arrangement with Glovis (the "Glovis Agreement"), which is also a member company of the HMG. Under the Glovis Agreement, Glovis is obligated to pay pre-determined prices for leased domestic vehicles that are returned to the Company at the end of the lease term. The Glovis Agreement has a one-year term that is automatically renewable unless either party provides written notice of its intent to terminate the contract. The Glovis Agreement was entered into in February 2004 and has since been renewed annually. The Company believes that all arrangements with Glovis are made on an arm's length basis.

Relationship with General Electric Capital Corporation

In October 2004, GECC, through its wholly-owned subsidiary, GECIH, acquired a 38.0% equity interest in the Company. In November 2005, GECC acquired an additional 5.0% of the Company's common shares pursuant to an early exercise of the call option GECC was granted by HMC in conjunction with GECC's initial purchase of the Company's shares. In December 2005, GECC participated in a rights offering as a result of which its equity interest in the Company increased to 43.3%. On January 5, 2016, GECC sold a 23.3% equity interest in the Company to HMC and KMC, following which sale GECC, through its affiliates, held a 20.0% equity interest in the Company.

As of December 31, 2015, the available credit facility amounted to U.S.$600 million, but the Company has not made drawdown to-date. Under the terms of other related agreements, HMC and GE Capital European Funding & Co. are obligated to use their respective best efforts to take all actions in order for the Company to repay the drawn down amount on or prior to the due date as soon as possible. On or after the date falling one (1) year after the date of the first drawdown, GE Capital European Funding & Co. has a right to convert the drawn down amount into shares of the Company through an in-kind contribution and to sell a certain number of shares (corresponding to HMC's shareholding ratio at the time) to HMC at the drawn down amount.

In August 2004, the Company entered into a business transfer agreement with GECK, pursuant to which GECC transferred its consumer finance business in Korea (excluding mortgage loan business) and its used vehicle installment financing businesses of GECK to the Company. In June 2006, the Company purchased GECK's mortgage loan business. Subsequently, in September 2007, the Company acquired non-mortgage assets from GECK in a direct loan purchase and also purchased mortgage-backed assets securitized by mortgage assets of GECK. In October 2011, the Company entered into a definitive agreement under which the Company agreed to acquire 100% of General Electric Capital Asia Investments Inc. ("GECAI")'s equity interest in GECK, which acquisition was completed in July 2012 and was followed by the merger of GECK into the Company in August 2012.

GECC employees have occupied several senior management and working level positions at the Company. In addition, GECC also has a financial interest in the Company.

Shareholders' Agreement

In August 2004, HMC, GECC, GECIH and the Company entered into the Shareholders' Agreement, which has been amended from time to time. The Shareholders' Agreement provides for certain corporate governance arrangements between HMC and GECC as the Company's principal shareholders, including, among other things, pre-emptive rights with respect to future share issuances by the Company, share transfer restrictions, tag-along rights, capital contributions and appointment of representatives to the Board.

The Shareholders' Agreement may be terminated by mutual agreement of HMC and GECC. In addition, under the Shareholders' Agreement, GECC has the right to terminate the Shareholders' Agreement and exercise its put right against HMC and the Company at fair market value as determined by an independent appraiser upon a material breach of such agreement by any HMC entity if such breach is not cured within 30 days after notification thereof to the breaching party. Such termination and exercise of put option may have a material adverse effect on the Company's profitability and financial condition.

Settlement Interest Agreements

The Company entered into a Settlement Interest Agreement with each of HMC and KMC in November 2003, which has been amended from time to time. Under these Settlement Interest Agreements, each of HMC and KMC has agreed to provide a fixed interest spread over interest calculated on the basis of (i) a Korean benchmark Won-denominated financial institution bond rated AA+ and (ii) a benchmark commercial paper with a six-month maturity. The Settlement Interest Agreements have 10-year terms and can be renewed for two-year terms thereafter if HMC and KMC can agree on the terms of such renewal. Net interest margin is calculated as the sum of (x) 40% of the interest on a Korean benchmark Won-denominated financial institution bond rated AA+ and (y) 60% of the interest on a benchmark commercial paper with six-month maturity plus a fixed interest spread of 2.3%, which is calculated on every 15th day of each month and may be amended during the 10-year term by HMC or KMC, as the case may be, with consultation with the Company based upon market conditions or the rates of competitors. If the installment interest paid by a customer to the Company on Installment payment dates is less than the agreed settlement interest under the Settlement Interest Agreement, then the Company receives from HMC or KMC, as the case may be, an amount equal to the difference between the installment interest and the settlement interest. If the Installment interest paid by the customer to the Company on installment payment dates is greater than the agreed settlement interest under the Settlement Interest Agreement, then the Company pays to HMC or KMC, as the case may be, an amount equal to the difference between the installment interest and the settlement interest. As of February 16, 2016, the agreed settlement interest rate was 4.19%.

The Settlement Interest Agreements are currently scheduled to expire in September 2016 subject to an option for continuous renewal for two-year terms thereafter. The Company currently believes that it is highly likely that the Settlement Interest Agreements will continue to be renewed on terms commercially acceptable to the Company on or prior to their expiration in September 2016. However, if any of the Settlement Interest Agreements are not so renewed or were to be terminated, amended to provide for a lower fixed interest spread, or found to be unenforceable or illegal under Korean law, the Company would be exposed to greater interest rate risks and its return on its financing could be substantially reduced which in turn could have a material adverse effect on the Company's business, financial condition and results of operations.

Relationship with Hyundai Card

Hyundai Card is a leading credit card company in Korea and a member company of HMG. Hyundai Card is another joint venture between HMC and GECC in Korea. Hyundai Card maintains close ties with the Company as it shares with the Company an integrated collection department and the employees in various departments, including the finance, corporate planning and strategic planning departments. As brand image and corporate advertising is conducted jointly, the Company is able to cost-effectively convey a unified brand image to its consumers. In January 2006, the Company entered into an agreement with Hyundai Card pursuant to which the Company has agreed to purchase all future delinquent and written-off receivables from Hyundai Card. Under this agreement, the Company purchases 60-day overdue and wholly written off receivables on five fixed dates of each month at the market value of such receivables as determined by an independent accountant. Such agreement has centralized the collection department and streamlined the collection process. Below is the aggregate amount of the future delinquent and written-off receivables from Hyundai Card that the Company purchased under such agreement.

	For the Year Ended December 31,		
	2013	2014	2015
	(Billions of Won)		
The aggregate amount of delinquent and written-off receivables	₩377.7	₩392.7	₩355.3
Purchase amount of the receivables	153.9	157.0	138.7

Relationship with Hyundai Commercial

Hyundai Commercial is a leading machinery installment financing company in Korea. Hyundai Commercial is a member company of HMG and was established in March 2007 to specialize in corporate finance. Hyundai Commercial maintains close ties with the Company through sharing collection, risk management and IT departments, and certain employees in such departments as well as the strategic planning and audit departments.

In April 2008, the Company entered into an agreement with Hyundai Commercial pursuant to which the Company has agreed to purchase all future delinquent and written-off receivables from Hyundai Commercial. Under this arrangement, the Company purchases 60-day overdue and written off receivables on three fixed dates of each month at the market value of such receivables as determined by an independent accountant. Through this agreement, the Company has centralized the collection department and streamlined the collection process. The aggregate value of delinquent and written-off receivables purchased from Hyundai Commercial was ₩49.1 billion and ₩50.9 billion in 2014 and 2015, respectively. The consideration paid by the Company for such receivables was ₩25.4 billion and ₩22.3 billion, respectively.

Relationship with Hyundai Life Insurance

In January 2014, the Company entered into an agreement with Hyundai Life Insurance on terms substantially similar to the ones with Hyundai Card and Hyundai Commercial, pursuant to which the Company is obligated to purchase all future delinquent and written-off receivables from Hyundai Life Insurance. Under this agreement, the Company purchases 60-day overdue and written off receivables on one or two fixed dates of each month at the market value of such receivables as determined by an independent accountant. The aggregate value of delinquent and written-off receivables purchased from Hyundai Life Insurance was ₩5.1 billion and ₩13.4 billion in 2014 and 2015, respectively, of such receivables for which it paid ₩1.4 billion and ₩3.8 billion in 2015, respectively.

Other Related Party Transactions

For a description of other related party transactions, see Note 29 to the financial statements included elsewhere in this Offering Circular.

TAXATION

The following summary contains a description of certain Korean and U.S. federal income tax consequences of the ownership and disposition of Notes, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase or dispose of Notes. This summary is based on the Korean and U.S. federal tax laws in force on the date of this Offering Circular (which are subject to change and which changes may have retroactive effect), and does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the laws of Korea and the federal laws of the United States.

Prospective purchasers of Notes should consult their own tax advisors as to the Korean, U.S. or other tax consequences of the ownership and disposition of Notes, including the effect of any foreign, state or local tax laws.

Korean Taxation

The taxation of non-resident individuals and non-Korean corporations generally depends on whether they have a "Permanent Establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such relevant Korean source income is effectively connected. Non-residents without such a Permanent Establishment in Korea ("Non-Residents") are taxed in the manner described below. Non-residents with such Permanent Establishment are taxed in accordance with different rules.

Income Tax and Corporation Tax on Interest

Interest on the Notes paid to Non-Residents is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "STTCL"), subject to the tax consequences with respect to Index Linked Notes set out in the applicable Pricing Supplement, so far as the Notes are "foreign currency denominated bonds issued outside Korea" under the STTCL. With respect to foreign currency denominated bonds issued on or after January 1, 2012, interest is tax-exempt only if such bonds are issued outside Korea. The term "foreign currency denominated bonds" in this context is in reference to bonds defined under Article 3 of the Foreign Exchange Transaction Act. The foregoing would include straight bonds, convertible bonds, bonds with warrants, floating rate notes and Korean Won-linked foreign currency denominated bonds; provided, however, certain instruments such as notes issuance facilities, commercial paper and banker's acceptances would not be deemed to constitute "foreign currency denominated bonds".

If not exempt under the STTCL, the rate of income tax or corporation tax applicable to interest or any premium on the Notes, for a Non-Resident, is currently 14%. In addition, a tax surcharge, called a local income tax, is imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax is withheld by the payer of the interest. As the duty to withhold the tax is on the payer, Korean law does not automatically entitle the person who has suffered the withholding of Korean tax to recover from the Government any part of the Korean tax withheld, even if he subsequently produces evidence that he was entitled to have his tax withheld at a lower rate or be exempted, although in certain limited circumstances it may be possible to claim withheld tax from the payer.

The tax rates may be reduced by applicable tax treaty, convention or agreement between Korea and the country of the recipient of the interest.

In order to obtain a reduction or exemption of withholding tax under an applicable tax treaty upon any income to which a Korean withholding tax applies, a Non-Resident should submit either an application for exemption or an application for entitlement to reduced tax rate to either the payer or the entity obligated to withhold such tax prior to the date upon which such income is to be paid to the Non-Resident. The foregoing matter is discussed in more detail below.

Index Linked Notes

A detailed description of the tax considerations relevant to Index Linked Notes will be provided in the applicable Pricing Supplement.

Capital Gains Tax

The Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident from the sale of Notes to another non-resident (other than to the other non-resident's Permanent Establishment in Korea). In addition, capital gains earned by a Non-Resident from the transfer outside Korea of the Notes are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance and which is foreign currency denominated.

In the absence of an applicable tax treaty or any other special tax laws reducing or eliminating the capital gains tax, the applicable rate of tax is the lower of 11% (including local income tax) of the gross realization proceeds (the "Gross Realization Proceeds") and (subject to the production of satisfactory evidence of the acquisition cost and the transfer cost of the relevant Notes) 22.0% (including local income tax) of the gain made. The gain is calculated as the Gross Realization Proceeds less the acquisition cost and the transfer cost (including taxes, dues and brokerage commissions paid in direct connection with the acquisition and transfer of the Notes). If such evidence shows that no gain (or a loss) was made on the sale no Korean tax is payable. There is no provision under the relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of securities of Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from the tax under an applicable tax treaty or in the absence of the seller producing satisfactory evidence of his acquisition cost and the transfer cost in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the Gross Realization Proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the relevant Korean tax authority no later than the tenth day of the month following the month in which the sale of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time technically subjects the purchaser or the withholding agent to penalties under Korean tax laws and a Non-Resident who is liable for payment of any Korean tax on gains, either as a seller of Notes or as a purchaser or the withholding agent who is obliged to withhold such tax, is subject to the Korean tax authorities seeking enforcement through attachment of, or other legal proceedings against, payments due to it from its Korean investments and to enforcement against the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

In order to obtain a reduction or exemption of withholding tax under an applicable tax treaty upon any income to which a Korean withholding tax applies, a Non-Resident should submit either an application for exemption or an application for entitlement to reduced tax rate to either the payer or the entity obligated to withhold such tax prior to the date upon which such income is to be paid to the Non-Resident. The foregoing matter is discussed in more detail below.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea and (b) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50% according to the identity of the parties involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under the Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by Non-Resident holders of Notes in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Issuer. A securities transaction tax will not be imposed on the transfer of Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with inter alia Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on interest is reduced, generally to between 10% and 15% (13.2% under the treaty with the United States) (including local income tax), and the tax on capital gains is often eliminated (as it is generally under the treaty with the United States).

Each Non-Resident holder should enquire for himself whether he is entitled to the benefit of a tax treaty with respect to this transaction. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the Issuer a certificate as to his residence. In the absence of sufficient proof, the Issuer must undertake to withhold taxes in accordance with the above discussion.

In order to claim the benefit of a tax rate reduction or tax exemption available under the applicable tax treaties, a Non-Resident holder should submit to the payer of such Korean source income an application (for reduced withholding tax rate, “application for entitlement to reduced tax rate” and in the case of exemption from withholding tax, “application for exemption” under a tax treaty along with a certificate of the non-resident holder’s tax residence issued by a competent authority of the Non-Resident holder’s residence country) as the beneficial owner (“BO Application”). Such application should be submitted to the purchaser or the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is not the beneficial owner of such income) (“OIV”), a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO Application to such OIV, which must submit an OIV report and a schedule of beneficial owners to the purchaser or the withholding agent prior to the payment date of such income. In the case of a tax exemption application, the purchaser or the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income.

The special withholding tax system was effected on July 1, 2006. Under the system, there is a special procedure to apply Korea-Malaysia tax treaty on certain Korean source incomes. Payments made to the residents of Labuan, Malaysia will be subject to the default Korean withholding tax rates (generally, 15.4% for interests and the lower of 11% of the Gross Realization Proceeds or 22% of the gain made for capital gain (including local income tax)) instead of the reduced or exempted rate available under the Korea-Malaysia tax treaty. A Labuan taxpayer, however, will be given an opportunity to receive a refund if it can prove that it was entitled to the benefits of the tax treaty as a beneficial owner of the income and is an actual resident of Labuan in Malaysia. A Labuan taxpayer may also file an application with the National Tax Service (the “NTS”) to confirm that it is entitled to the tax treaty benefits and obtain an advance confirmation from the NTS prior to receiving the Korean source income.

Withholding and Gross-up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, in the event that the Issuer is required by law to make any withholding or deduction for or on account of any Korean taxes, Issuer has agreed, subject to certain customary exceptions, to pay such additional amounts as may be necessary in order that the net amounts received by the Noteholder after such withholding or deduction shall equal the respective amounts received by the Noteholder in the absence of such withholding or deduction.

United States Federal Income Taxation

The following discussion is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof.

The discussion set forth below is applicable to United States Holders (as defined below) (i) who are residents of the United States for purposes of the current income tax treaty between the United States and Korea (the "Treaty"); (ii) whose Notes are not, for purposes of the Treaty, attributable to a permanent establishment in Korea; and (iii) who otherwise qualify for the full benefits of the Treaty.

Except where noted, this summary deals only with holders that hold Notes as capital assets, and does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- one of certain financial institutions;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;
- a person holding the Notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a partnership or other pass-through entity for United States federal income tax purposes;
- a person whose "functional currency" is not the United States dollar; or
- a United States expatriate.

As used herein, a "United States Holder" means a beneficial owner of a Note that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and final, temporary and proposed regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below.

The discussion below assumes that all Notes issued pursuant to this Offering Circular will be classified for United States federal income tax purposes as the Company's indebtedness and you should note that in the event of an alternative characterization, the tax consequences would differ from those discussed below. We will summarize any special United States federal tax considerations relevant to a particular issue of the Notes in the applicable Pricing Supplement.

If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding Notes, you should consult your tax advisors.

This summary does not represent a detailed description of the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare contribution tax on net investment income or the effects of any state, local or non-United States tax laws. If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the ownership of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Payments of Interest

Except as set forth below, interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes.

In addition to interest on the Notes (which includes any Korean tax withheld from the interest payments you receive), you will be required to include in income any additional amounts paid in respect of such Korean tax withheld. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Korean taxes withheld in excess of the rate allowed by the Treaty will not be eligible for credit against your United States federal income tax liability. Interest income (including any additional amounts) on a Note generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered "passive category income". You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Original Issue Discount

If you own Notes issued with original issue discount ("OID"), such as a Zero Coupon Note, you will be subject to special tax accounting rules, as described in greater detail below. In that case, you should be aware that you generally must include OID in gross income in advance of the receipt of cash attributable to that income. However, you generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent those payments do not constitute "qualified stated interest," as defined below. Notice will be given in the applicable Pricing Supplement when the Company determines that a particular Note will be an original issue discount Note.

Additional rules applicable to Notes with OID that are denominated in or determined by reference to a currency other than the U.S. dollar ("foreign currency Notes") are described under "—*Foreign Currency Notes*" below.

A Note with an "issue price" that is less than the stated redemption price at maturity (the sum of all payments to be made on the Note other than "qualified stated interest") generally will be issued with OID if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity (or, in the case of an Installment Note, the weighted average maturity). The "issue price" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold to the public. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the Issuer, and meets all of the following conditions:

- it is payable at least once per year;
- it is payable over the entire term of the Note; and
- it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

The Company will give you notice in the applicable Pricing Supplement when it determines that a particular Note will bear interest that is not qualified stated interest.

If you own a Note issued with de minimis OID, which is discount that is not OID because it is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity (or, in the case of an Installment Note, the weighted average maturity), you generally must include the de minimis OID in income at the time principal payments on the Notes are made in proportion to the amount paid to the stated redemption price at maturity. Any amount of de minimis OID that you have included in income will be treated as capital gain.

Certain of the Notes may contain provisions permitting them to be redeemed prior to their stated maturity date at the Company's option and/or at your option. Original issue discount Notes containing those features may be subject to rules that differ from the general rules discussed herein. If you are considering the purchase of original issue discount Notes with those features, you should carefully examine the applicable Pricing Supplement and should consult your own tax advisors with respect to those features since the tax consequences to you with respect to OID will depend, in part, on the particular terms and features of the Notes.

If you own original issue discount Notes with a maturity upon issuance of more than one year, you generally must include OID in income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in the following paragraphs.

The amount of OID that you must include in income if you are the initial United States Holder of an original issue discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which you held that Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an original issue discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equals to the excess, if any, of:

- the Note's "adjusted issue price" at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over

- the aggregate of all qualified stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, determined without regard to the amortization of any acquisition or bond premium, as described below, and reduced by any payments made on the Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, you will have to include in income increasingly greater amounts of OID in successive accrual periods. The Company is required to provide information returns stating the amount of OID accrued on Notes held of record by persons other than corporations and other exempt holders.

Floating Rate Notes are subject to special OID rules. In the case of an original issue discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if either:

- the interest on a Floating Rate Note is based on more than one interest index; or

- the principal amount of the Note is indexed in any manner.

The discussion above generally does not address notes providing for contingent payments. You should carefully examine the applicable Pricing Supplement regarding the United States federal income tax consequences of the holding and disposition of any Notes providing for contingent payments.

You may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You should consult with your own tax advisors about this election.

Korean withholding taxes may be imposed at times that differ from the times at which you are required to include interest or OID in income for United States federal income tax purposes and this disparity may limit the amount of foreign tax credit available.

Short-Term Notes

In the case of Notes having a term of one year or less, all payments, including all stated interest, will be included in the stated redemption price at maturity and will not be qualified stated interest. As a result, you will generally be taxed on the discount instead of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a short-term Note, unless you elect to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method United States Holders of short-term Notes are not required to include this accrued discount in their income currently unless they elect to do so, but may be required to include stated interest in income as the income is received. United States Holders that report income for United States federal income tax purposes on the accrual method and certain other United States Holders are required to accrue discount on short-term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. If you are not required, and do not elect, to include discount in income currently, any gain you realize on the sale, exchange or retirement of a short-term Note will generally be ordinary income to you to the extent of the discount accrued by you through the date of sale, exchange or retirement. In addition, if you do not elect to currently include accrued discount in income you may be required to defer deductions for a portion of your interest expense with respect to any indebtedness attributable to the short-term Notes.

Market Discount

If you purchase a Note for an amount that is less than its stated redemption price at maturity (or, in the case of an original issue discount Note, its adjusted issue price), the amount of the difference will be treated as "market discount" for United States federal income tax purposes, unless that difference is less than a specified de minimis amount. Under the market discount rules, you will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the market discount that you have not previously included in income and are treated as having accrued on the Note at the time of its payment or disposition.

In addition, you may be required to defer, until the maturity of the Note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the Note. You may elect, on a Note-by-Note basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. You should consult your own tax advisors before making this election.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Note, unless you elect to accrue on a constant interest method. You may elect to include market discount in income currently as it accrues, on either a ratable or constant interest method, in which case the rule described above regarding deferral of interest deductions will not apply.

Acquisition Premium, Amortizable Bond Premium

If you purchase an original issue discount Note for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest, you will be considered to have purchased that Note at an "acquisition premium". Under the acquisition premium rules, the amount of OID that you must include in gross income with respect to the Note for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

If you purchase a Note (including an original issue discount Note) for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest, you will be considered to have purchased the Note at a "premium" and, if it is an original issue discount Note, you will not be required to include any OID in income. You generally may elect to amortize the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under your regular accounting method. Special rules limit the amortization of premium in the case of convertible debt instruments. If you do not elect to amortize bond premium, that premium will decrease the gain or increase the loss you would otherwise recognize on disposition of the Note.

Sale, Exchange, Redemption, Retirement and Other Disposition of Notes

Your tax basis in a Note will, in general, be your cost for that Note, increased by OID, market discount or any discount with respect to a short-term Note that you previously included in income, and reduced by any amortized premium and any cash payments on the Note other than qualified stated interest. Upon the sale, exchange, redemption, retirement or other disposition of a Note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, redemption, retirement or other disposition (less an amount equal to any accrued qualified stated interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the Note. Except as described above with respect to certain short-term Notes or market discount, or with respect to gain or loss attributable to changes in exchange rates as discussed below with respect to foreign currency Notes and with respect to contingent payment debt instruments which this summary generally does not discuss, that gain or loss will be capital gain or loss. Gain or loss realized by you on the sale, exchange, redemption, retirement or other disposition of a Note will generally be treated as United States source gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Foreign Currency Notes

Payments of Interest. If you receive interest payments made in a currency other than the U.S. dollar (a "foreign currency") and you use the cash basis method of accounting, you will be required to include in income the U.S. dollar value of the amount received, determined by translating the foreign currency received at the "spot rate" for such foreign currency on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period,
- the last day of the taxable year if the accrual period straddles your taxable year, or
- the date the interest payment is received if such date is within five days of the end of the accrual period.

In addition, if you use the accrual method of accounting, upon receipt of an interest payment on a Note (including, upon the sale of a Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment.

Original Issue Discount. OID on a Note that is also a foreign currency Note will be determined for any accrual period in the applicable foreign currency and then translated into U.S. dollars, in the same manner as interest income accrued by a holder on the accrual basis, as described above. You will recognize exchange gain or loss when OID is paid (including, upon the sale of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference between the U.S. dollar value of the accrued OID (determined in the same manner as for accrued interest) and the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received). For these purposes, all receipts on a Note will be viewed:

- first, as the receipt of any stated interest payments called for under the terms of the Note,

- second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and

- third, as the receipt of principal.

Market Discount and Bond Premium. The amount of market discount on foreign currency Notes includible in income will generally be determined by translating the market discount determined in the foreign currency into U.S. dollars at the spot rate on the date the foreign currency Note is retired or otherwise disposed of. If you have elected to accrue market discount currently, then the amount which accrues is determined in the foreign currency and then translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period. You will recognize exchange gain or loss with respect to market discount which is accrued currently using the approach applicable to the accrual of interest income as described above.

Bond premium on a foreign currency Note will be computed in the applicable foreign currency. If you have elected to amortize the premium, the amortizable bond premium will reduce interest income in the applicable foreign currency. At the time bond premium is amortized, exchange gain or loss, which is generally ordinary gain or loss, will be realized based on the difference between spot rates at such time and the time of acquisition of the foreign currency Note.

If you elect not to amortize bond premium, you must translate the bond premium computed in the foreign currency into U.S. dollars at the spot rate on the maturity date and such bond premium will constitute a capital loss which may be offset or eliminated by exchange gain.

Sale, Exchange, Redemption, Retirement and Other Disposition of Foreign Currency Notes. Upon the sale, exchange, redemption, retirement or other disposition of a foreign currency Note, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, redemption, retirement or other disposition (less an amount equal to any accrued qualified stated interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the foreign currency Note. Your initial tax basis in a foreign currency Note generally will be your U.S. dollar cost. If you purchased a foreign currency Note with foreign currency, your cost generally will be the U.S. dollar value of the foreign currency amount paid for such foreign currency Note determined at the time of such purchase. If your foreign currency Note is sold, exchanged, redeemed, retired, or otherwise disposed of for an amount denominated in foreign currency, then your amount realized generally will be based on the spot rate of the foreign currency on the date of sale, exchange, redemption, retirement, or other disposition. If you are a cash method taxpayer and the foreign currency Notes are traded on an established securities market, foreign currency paid or received is translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of foreign currency Notes traded on an established securities market, provided that the election is applied consistently.

Subject to the foreign currency rules discussed below and market discount rules discussed above, and except as discussed above with respect to certain short-term Notes, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, redemption, retirement or other disposition, the foreign currency Note has been held for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, redemption, retirement, or other disposition of a foreign currency Note would generally be treated as United States source gain or loss.

A portion of your gain or loss with respect to the principal amount of a foreign currency Note may be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be United States source gain or loss. For these purposes, the principal amount of the foreign currency Note is your purchase price for the foreign currency Note calculated in the foreign currency on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date of the sale, exchange, redemption, retirement or other disposition of the foreign currency Note and (ii) the U.S. dollar value of the principal amount determined on the date you purchased the foreign currency Note (or, in each case, on the settlement date of such disposition or purchase, if the foreign currency Note is traded on an established securities market and you are a cash basis or electing accrual basis taxpayer, as described above). The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the foreign currency Note.

Exchange Gain or Loss with Respect to Foreign Currency. Your tax basis in the foreign currency received as interest on a foreign currency Note or on the sale, exchange, redemption, retirement or other disposition of a foreign currency Note will be the U.S. dollar value thereof at the spot rate in effect on the date the foreign currency is received. Any gain or loss recognized by you on a sale, exchange or other disposition of the foreign currency will be ordinary income or loss and generally will be United States source gain or loss.

Dual Currency Notes. If so specified in an applicable Pricing Supplement relating to a foreign currency Note, the Company may have the option to make all payments of principal and interest scheduled after the exercise of such option in a currency other than the specified currency. Applicable United States Treasury regulations generally (i) apply the principles contained in the regulations governing contingent debt instruments to Dual Currency Notes in the "predominant currency" of the Dual Currency Notes and (ii) apply the rules discussed above with respect to foreign currency Notes with OID for the translation of interest and principal into U.S. dollars. If you are considering the purchase of Dual Currency Notes, you should carefully examine the applicable Pricing Supplement and should consult your own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

Reportable Transactions. Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the Internal Revenue Service ("IRS"), including, in certain circumstances, a sale, exchange, redemption, retirement or other disposition of a foreign currency Note or foreign currency received in respect of a foreign currency Note to the extent that such sale, exchange, redemption, retirement or other disposition results in a tax loss in excess of a threshold amount. If you are considering the purchase of a foreign currency Note, you should consult with your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Index Linked Notes

The tax treatment of a United States Holder of Index Linked Notes will depend on factors including the specific index or indices used to determine indexed payments on the Note and the amount and timing of any contingent payments of principal and interest. Persons considering the purchase of Index Linked Notes should carefully examine the applicable Pricing Supplement and should consult their own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such Notes.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments of principal, interest (including OID) and premium paid on Notes and to the proceeds of sale of a Note paid to you (unless you establish that you are an exempt recipient). A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or a certification of exempt status, or if you fail to report in full dividend and interest income on any security you own.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS.

Prospective purchasers of Notes should consult their own tax advisors as to any additional U.S. reporting requirements that may apply as a consequence of the purchase, ownership or disposition of Notes.

Additional Withholding Requirements

In March 2010, the Hiring Incentives to Restore Employment Act enacted certain provisions of the Code commonly referred to as FATCA. Under the FATCA rules, a “foreign financial institution” (as specifically defined under FATCA) that enters into an agreement with the U.S. Treasury Department may be required to withhold 30% from certain “foreign passthru payments” made to holders that fail to comply with certain certification and/or information reporting requirements. The United States has entered into a Model 1 intergovernmental agreement regarding the implementation of FATCA with Korea. The term “foreign passthru payment” has not yet been defined by the IRS but is intended to capture payments that are non-U.S. source but are attributable to a U.S.-source payment. Treasury regulations provide that obligations issued before the date which is six months after the publication of final regulations defining the term foreign passthru payment would be grandfathered and therefore not subject to the FATCA rules for foreign passthru payment withholding. In addition, Treasury regulations provide that a foreign financial institution would not be required to withhold on foreign passthru payments until the later of January 1, 2017, or the date of publication of final regulations defining the term foreign passthru payment. Prospective investors should consult their tax advisors regarding the application of the FATCA rules to an investment in the Notes.

Proposed Financial Transactions Tax (“FTT”)

On February 14, 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The Commission’s Proposal has a broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by January 1, 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arranger, any Dealer nor any party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("DTC Notes") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("Owners") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a program agreement dated November 1, 2007, as supplemented and amended from time to time (the "Program Agreement"), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase or procure purchasers for Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Program Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Program and the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may to the extent permitted by applicable laws and regulations engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilization activities are subject to certain prescribed time limits in certain jurisdictions.

The Dealers and certain affiliates of the Dealers may have performed banking and advisory services (which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities) for the Issuer from time to time for which they have received customary fees and expenses. The Dealers and certain of their affiliates may, from time to time, engage in transactions with and perform services for the Issuer in the ordinary course of their business. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution. The Dealers and/or their affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes, and/or other securities of the Issuer or its respective subsidiaries or associates at the same time as the offer and sale of the Notes, or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealer or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor, that, prior to its purchase of the Notes has delivered to the Registrar an IAI Investment Letter in the form as set forth below or (c) it is the beneficial owner of such Notes and (a) it is outside the United States and is not a U.S. person and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

(ii) that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note, is a person located outside the United States and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A)

REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTE, OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH NOTE SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(vii) that the Notes offered in reliance on Rule 144A will be represented by the Restricted Note. Before any interest in the Restricted Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws;

(viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a)(i) outside the United

States in compliance with Rule 903 or Rule 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. state securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS A PART.";

(ix) that the Notes offered in reliance on Regulation S will be represented by the Unrestricted Note. Prior to the expiration of the distribution compliance period, before any interest in the Restricted Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and

(x) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see "*Form of the Notes*".

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of this Offering Circular and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$100,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except (i) to QIBs in reliance on Rule 144A, (ii) to Institutional Accredited Investors, that, prior to their purchase of the Notes have furnished an IAI Investment Letter and (iii) in accordance with Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("Regulation S Notes") each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that, except as permitted by the Program Agreement, it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified to the Principal Paying Agent by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period (other than resales pursuant to another exemption from the registration requirements of the Securities Act) a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer and sale is made otherwise than in accordance with Rule 144A or another exemption from the requirements of the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency).

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

To the extent the Dealers intend to make any offers or sales of the Notes in the United States, or to nationals or residents of the United States, they will do so only through one or more registered broker-dealers in compliance with applicable securities laws and regulations, as well as with applicable laws of the various states.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Act") and, accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) ("SFO") other than (i) to "professional investors" as defined in the SFO and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Korea

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea (the "FSCMA"). Accordingly, each Dealer severally but not jointly has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to or for the account or benefit of any Korean resident (as such term is defined in the Foreign Exchange Transaction Law of Korea and its Enforcement Decree) except as otherwise permitted under applicable Korean laws and regulations. Furthermore, a holder of the Notes will be prohibited from offering, delivering or selling any Notes, directly or indirectly, in Korea or to any Korean resident for a period of one year from the date of issuance of the Notes except (i) in the case where the Notes are issued as bonds other than equity-linked bonds, such as convertible bonds, bonds with warrants and exchangeable bonds, and where the other relevant requirements are further satisfied, the Notes may be offered, sold or delivered to or for the account or benefit of a Korean resident which falls within certain categories of qualified institutional investors as specified in the FSCMA, its Enforcement Decree and the Regulation on Securities Issuance and Disclosure, or (ii) as otherwise permitted under applicable Korean laws and regulations. Each Dealer severally but not jointly undertakes, and each further Dealer appointed under the Program will be required to undertake, to use commercially reasonable best measures as a Dealer in the ordinary course of its business so that any securities dealer to which it sells the Notes confirms that it is purchasing such Notes as principal and agrees with such Dealer that it will comply with the restrictions described above.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been or will be taken in any jurisdiction by the Issuer or the Dealers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Authorization

The establishment of the Program has been duly authorized by a resolution of the Board of Directors of the Issuer dated October 31, 2007. Each issue of Notes under the Program will be authorized by the Board of Directors of the Issuer at the time of issue or at a meeting held annually to approve the issue of Notes to be issued in the following fiscal year.

Listing of Notes on the SGX-ST

Approval in-principle has been received from the SGX-ST for the listing and quotation of Notes that may be issued under the Program and which are agreed, at or prior to the time of issue thereof, to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in another currency).

Documents Available

From the date hereof and so long as Notes are capable of being issued under the Program, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

(i) the Articles of Incorporation (together with English translations) of the Issuer;

(ii) the auditors' report and the audited financial statements of the Issuer in respect of the financial years ended December 31, 2013, 2014 and 2015;

(iii) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer;

(iv) the Program Agreement, the Agency Agreement and any supplements and amendments thereto, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(v) a copy of this Offering Circular;

(vi) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (except that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes in bearer form have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC.

The CUSIP and/or CINS numbers (if any) for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

Independent Auditors

The consolidated financial statements of the Company as of and for the year ended December 31, 2013, 2014 and 2015 and included elsewhere in this Offering Circular have been audited by KPMG Samjong Accounting Corp ("KPMG"), independent auditors, as stated in their report appearing herein. KPMG's audit report for the years ended December 31, 2013, 2014 and 2015 contains other matters paragraphs that state that the consolidated financial statements as of and for the year ended December 31, 2013 were audited in accordance with the previous generally accepted auditing standards in the Republic of Korea.

INDEX TO FINANCIAL STATEMENTS

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Independent Auditors' Report

The Board of Directors and Shareholders
Hyundai Capital Services, Inc.:

We have audited the accompanying consolidated financial statements of Hyundai Capital Services, Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2015, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2015 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirement and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusion

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at December 31, 2015, 2014 and 2013 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other matters

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.

Seoul, Republic of Korea
February 25, 2016

This report is effective as of February 25, 2016, 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 the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2015, 2014 and 2013

(In millions of Korean won)

	Notes		December 31, 2015	December 31, 2014	December 31, 2013
Assets					
Cash and due from other financial institutions					
Cash and cash equivalents	*27*	₩	862,864	608,207	1,502,600
Due from banks			2,496	36,133	15
Short-term financial investments	*4,6*		758,705	950,396	—
			1,624,065	1,594,736	1,502,615
Securities	*5,6*				
Available-for-sale securities			77,550	63,446	52,783
Investments in associates			243,449	209,118	157,313
			320,999	272,564	210,096
Loans receivable	*6,7,8,30*				
Loans receivable			8,816,056	9,903,532	11,457,560
Allowance for loan losses			(323,946)	(319,323)	(333,359)
			8,492,110	9,584,209	11,124,201
Installment financial assets	*7,8,30*				
Automobile installment financing receivables			8,930,463	6,548,952	4,832,950
Allowance for loan losses - automobile			(73,140)	(53,121)	(42,694)
Durable goods installment financing receivables			614	1,164	—
Allowance for loan losses - durable goods			(82)	(78)	—
Mortgage installment financing receivables			3,237	5,945	9,884
Allowance for loan losses - mortgage			(86)	(68)	(286)
			8,861,006	6,502,794	4,799,854
Lease receivables	*7,8,10,30*				
Finance lease receivables			2,675,631	2,736,708	3,038,798
Allowance for loan losses - finance lease			(46,445)	(52,494)	(49,612)
Cancelled lease receivables			23,156	16,755	11,329
Allowance for loan losses - cancelled lease			(21,689)	(15,761)	(10,556)
			2,630,653	2,685,208	2,989,959
Leased assets	*11*				
Operating lease assets			2,058,300	1,727,082	1,622,565
Accumulated depreciation			(594,607)	(540,364)	(555,872)
Accumulated impairment losses			(433)	(598)	—
Cancelled lease assets			7,645	7,435	5,259
Accumulated impairment losses			(4,150)	(3,801)	(2,226)
			1,466,755	1,189,754	1,069,726
Property and equipment, net	*12*		253,213	248,322	233,018
Assets held for sale	*14*		—	—	22,347
Other assets					
Non-trade receivables			128,292	121,223	119,207
Allowance for doubtful accounts	*8*		(7,822)	(6,438)	(5,457)
Accrued revenues			100,952	111,004	118,737
Allowance for doubtful accounts	*8*		(11,164)	(13,660)	(15,220)
Advance payments			125,694	104,219	57,153
Prepaid expenses			61,241	45,157	47,774
Intangible assets	*13*		60,255	57,262	62,747
Derivative assets	*18,31*		179,154	20,321	23,946
Leasehold deposits			22,180	22,033	28,343
			658,782	461,121	437,230
Total assets		₩	24,307,583	22,538,708	22,389,046

See accompanying notes to the consolidated financial statements

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position (Continued)

As of December 31, 2015, 2014 and 2013

(In millions of Korean won)

	Notes		December 31, 2015	December 31, 2014	December 31, 2013
Liabilities					
Borrowed funds	*15*				
Borrowings		₩	1,763,872	1,562,261	1,811,443
Bonds issued			17,637,558	15,899,469	15,426,879
			19,401,430	17,461,730	17,238,322
Other liabilities					
Non-trade payables			325,070	276,706	307,752
Accrued expenses			175,132	177,592	161,447
Unearned revenue			39,394	38,751	41,857
Withholdings			60,240	36,465	37,486
Derivative liabilities	*18,31*		140,234	383,107	512,745
Current tax liabilities			43,380	51,487	58,528
Employee benefit liabilities	*16*		30,797	25,006	12,884
Deposits received			546,574	609,078	706,224
Deferred income tax liabilities	*24*		43,353	33,722	57,022
Provisions	*17*		7,053	7,448	1,826
Other			40	50	70
			1,411,267	1,639,412	1,897,841
Total liabilities			20,812,697	19,101,142	19,136,163
Equity					
Equity attributable to the owners of the Company					
Issued capital	*19*		496,537	496,537	496,537
Capital surplus			407,539	407,539	407,539
Accumulated other comprehensive loss	*26*		(45,267)	(64,595)	(11,573)
Retained earnings	*19*		2,629,079	2,598,085	2,360,380
			3,487,888	3,437,566	3,252,883
Non-controlling interests			6,998	—	—
Total equity			3,494,886	3,437,566	3,252,883
Total liabilities and equity		₩	24,307,583	22,538,708	22,389,046

See accompanying notes to the consolidated financial statements

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015, 2014 and 2013

(In millions of Korean won)

	Notes		2015	2014	2013
Operating revenue					
Interest income	*20*	₩	25,602	40,568	32,141
Gain on valuation and sale of securities			1,717	1,839	2,424
Income on loans	*20,21*		1,080,836	1,274,125	1,492,401
Income on installment financial assets	*20,21*		437,695	362,507	255,712
Income on leases	*20,21*		865,050	864,037	902,681
Gain on sale of loans			43,734	56,403	63,767
Gain on foreign currency transactions			57,494	116,086	268,992
Dividend income			4,937	5,565	4,671
Other operating income	*22*		422,073	290,674	193,643
Total operating revenue			2,939,138	3,011,804	3,216,432
Operating expenses					
Interest expense	*20*		649,061	752,631	800,590
Lease expense	*21*		516,134	500,463	505,901
Provision for loan losses	*8*		307,229	418,327	453,061
Loss on foreign currency transactions			279,963	150,292	31,421
General and administrative expenses	*23*		744,403	702,252	671,701
Other operating expenses	*22*		103,259	165,968	324,651
Total operating expenses			2,600,049	2,689,933	2,787,325
Operating income			339,089	321,871	429,107
Non-operating income					
Share in net income of associates under the equity method	*5*		30,860	17,246	7,035
Gain on sale of property and equipment			1,181	163	85,620
Gain on sale of assets held for sale	*14*		—	17,153	—
Reversal of impairment loss on intangible assets			—	119	—
Other			5,158	6,361	8,985
Total non-operating income			37,199	41,042	101,640
Non-operating expenses					
Share in net loss of associates under the equity method	*5*		—	216	—
Impairment loss on investments in associates	*5*		—	27,689	—
Loss on sale of property and equipment			538	436	3,048
Loss on sale of assets held for sale	*14*		—	244	—
Impairment loss on intangible assets	*13*		2,238	1,504	561
Donation			972	1,317	1,733
Other			702	523	1,153
Total non-operating expenses			4,450	31,929	6,495
Profit before income taxes			371,838	330,984	524,252
Income tax expense	*24*		95,124	93,279	132,825
Profit for the year		₩	276,714	237,705	391,427

See accompanying notes to the consolidated financial statements

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Continued)

For the years ended December 31, 2015, 2014 and 2013

(In millions of Korean won)

	Notes		2015	2014	2013
Other comprehensive income (loss), net of income taxes	*22*				
Items that will never be reclassified to profit or loss:					
Remeasurements of defined benefit plans		₩	(7,694)	(11,995)	(498)
Items that are or may be reclassified subsequently to profit or loss:					
Net change in unrealized gains and losses on available-for-sale securities			9,259	3,549	2,241
Share in other comprehensive income (loss) of associates under the equity method			3,173	594	925
Net change in effective portion of cash flow hedges			15,453	(42,930)	(348)
Net change in foreign currency translation adjustments			(733)	(2,240)	(461)
Total other comprehensive income (loss), net of income taxes			19,458	(53,022)	1,859
Total comprehensive income for the year		₩	296,172	184,683	393,286
Profit attributtable to:					
Owners of the Company			280,950	237,705	391,427
Non-controlling interests			(4,236)	—	—
			276,714	237,705	391,427
Total comprehensive income attributtable to:					
Owners of the Company			300,278	184,683	393,286
Non-controlling interests			(4,106)	—	—
			296,172	184,683	393,286
Earnings per share					
Basic and diluted earnings per share (in won)	*25*	₩	2,786	2,394	3,942

See accompanying notes to the consolidated financial statements

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(In millions of Korean won)

		Equity attributable to owners of the Company							
			Capital surplus						
		Issued Capital	Additional paid-in capital	Other capital surplus	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
Balances as of January 1, 2013	₩	496,537	369,339	38,200	(13,432)	2,148,998	3,039,642	—	3,039,642
Total comprehensive income									
Profit for the year		—	—	—	—	391,427	391,427	—	391,427
Other comprehensive income (loss):									
Net change in unrealized gains and losses on available-for-sale securities		—	—	—	2,241	—	2,241	—	2,241
Share in other comprehensive income of associates under the equity method		—	—	—	925	—	925	—	925
Net change in effective portion of cash flow hedges		—	—	—	(348)	—	(348)	—	(348)
Net change in foreign currency translation adjustments		—	—	—	(461)	—	(461)	—	(461)
Remeasurements of defined benefit plans		—	—	—	(498)	—	(498)	—	(498)
Total comprehensive income		—	—	—	1,859	391,427	393,286	—	393,286
Transaction with owners of the Company									
Interim dividends		—	—	—	—	(180,045)	(180,045)	—	(180,045)
Balances as of December 31, 2013	₩	496,537	369,339	38,200	(11,573)	2,360,380	3,252,883	—	3,252,883
Balances as of January 1, 2014	₩	496,537	369,339	38,200	(11,573)	2,360,380	3,252,883	—	3,252,883
Total comprehensive income									
Profit for the year		—	—	—	—	237,705	237,705	—	237,705
Other comprehensive income (loss):									
Net change in unrealized gains and losses on available-for-sale securities		—	—	—	3,549	—	3,549	—	3,549
Share in other comprehensive income of associates under the equity method		—	—	—	594	—	594	—	594
Net change in effective portion of cash flow hedges		—	—	—	(42,930)	—	(42,930)	—	(42,930)
Net change in foreign currency translation adjustments		—	—	—	(2,240)	—	(2,240)	—	(2,240)
Remeasurements of defined benefit plans		—	—	—	(11,995)	—	(11,995)	—	(11,995)
Total comprehensive income		—	—	—	(53,022)	237,705	184,683	—	184,683
Balances as of December 31, 2014	₩	496,537	369,339	38,200	(64,595)	2,598,085	3,437,566	—	3,437,566

See accompanying notes to the consolidated financial statements

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (Continued)

For the year ended December 31, 2015

(In millions of Korean won)

	Equity attributable to owners of the Company							
		Capital surplus						
	Issued Capital	Additional paid-in capital	Other capital surplus	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
Balances as of January 1, 2015	₩ 496,537	369,339	38,200	(64,595)	2,598,085	3,437,566	—	3,437,566
Total comprehensive income								
Profit for the year	—	—	—	—	280,950	280,950	(4,236)	276,714
Other comprehensive income (loss):								
Net change in unrealized gains and losses on available-for-sale securities	—	—	—	9,259	—	9,259	—	9,259
Share in other comprehensive income of associates under the equity method	—	—	—	3,173	—	3,173	—	3,173
Net change in effective portion of cash flow hedges	—	—	—	15,453	—	15,453	—	15,453
Net change in foreign currency translation adjustments	—	—	—	(863)	—	(863)	130	(733)
Remeasurements of defined benefit plans	—	—	—	(7,694)	—	(7,694)	—	(7,694)
Total comprehensive income	—	—	—	19,328	280,950	300,278	(4,106)	296,172
Transaction with owners of the Company								
Interim dividends	—	—	—	—	(249,956)	(249,956)	—	(249,956)
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	—	11,104	11,104
Total transaction with owners of the Company	—	—	—	—	(249,956)	(249,956)	11,104	(238,852)
Balances as of December 31, 2013	₩ 496,537	369,339	38,200	(45,267)	2,629,079	3,487,888	6,998	3,494,886

See accompanying notes to the consolidated financial statements

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2015, 2014 and 2013

(In millions of Korean won)

	Notes		2015	2014	2013
Cash flows from operating activities					
Cash generated from operations	*27*	₩	(521,628)	(223,083)	710,506
Interest received			27,355	39,235	28,603
Interest paid			(626,694)	(691,605)	(739,301)
Dividends received			4,938	5,565	4,671
Income taxes paid			(95,599)	(106,890)	(145,186)
Net cash used in operating activities			(1,211,628)	(976,778)	(140,707)
Cash flows from investing activities					
Dividends received from associates			714	829	2,130
Acquisition of investments in associates			—	(87,076)	(52,786)
Acquisition of property and equipment			(29,588)	(40,078)	(56,514)
Proceeds from sale of property and equipment			1,319	356	178,817
Proceeds from sale of assets held for sale			—	63,309	—
Acquisition of intangible assets			(1,370)	(10,266)	(6,652)
Proceeds from sale of intangible assets			37	—	—
Increase in leasehold deposits			(1,996)	(1,900)	(13,490)
Decrease in leasehold deposits			3,299	9,956	17,620
Net cash provided by (used in) investing activities			(27,585)	(64,870)	69,125
Cash flows from financing activities					
Proceeds from borrowings			1,543,122	2,120,000	2,678,500
Repayments of borrowings			(1,341,949)	(2,372,000)	(3,080,000)
Proceeds from issue of bonds			6,057,669	3,966,492	4,781,487
Repayments of bonds			(4,526,120)	(3,567,194)	(3,927,909)
Dividends paid			(249,956)	—	(180,037)
Increase in non-controlling interests			11,104	—	—
Net cash provided by (used in) financing activities			1,493,870	147,298	272,041
Effect of exchange rate fluctuations on cash and cash equivalents held			—	(43)	(20)
Net increase (decrease) in cash and cash equivalents			254,657	(894,393)	200,439
Cash and cash equivalents at beginning of the year	*27*		608,207	1,502,600	1,302,161
Cash and cash equivalents at end of the year	*27*	₩	862,864	608,207	1,502,600

See accompanying notes to the consolidated financial statements

1. Reporting Entity

Hyundai Capital Services, Inc. (the Company) was established on December 22, 1993, to engage in installment financing, facilities leasing and new technology financing. The Company changed its trade name from Hyundai Auto Finance Co., Ltd. to Hyundai Financial Services Co. on April 21, 1995, and changed its trade name once again to Hyundai Capital Services, Inc. on December 30, 1998. In accordance with the Monopoly Regulation and Fair Trade Act, the Company is incorporated into Hyundai Motor Company Group. As of December 31, 2015, the Company's operations are headquartered at 3 Uisadang-daero, Yeongdeungpo-gu, Seoul, Korea. Its major shareholders are Hyundai Motor Company and IGE USA Investments with 56.47% and 43.30% ownership, respectively.

The consolidated financial statements include the accounts of the Company and its subsidiaries, including Autopia 44th Asset Securitization Specialty Company (ABS SPC) with trust for the securitization, and other subsidiaries as summarized below (collectively, the Group). Investments in Beijing Hyundai Auto Finance Co., Ltd. and four other associates are accounted for under the equity method.

IGE USA Investments entered into an agreement with Kia Motors Corporation and Hyundai Motor Company to sell its share of 20.10% and 3.20% ownership interests, respectively, on December 22, 2015, which was completed on January 5, 2016.

(1) The Group's subsidiaries

Subsidiaries as of December 31, 2015, 2014 and 2013 are as follows. Asset securitization vehicles are special purpose vehicles which are sponsored by the Group under its securitization program. The Group is exposed to variability of returns of the vehicles through its holding of debt securities in the vehicles and by issuing financial guarantees to the vehicles; and the Group manages key decisions that significantly affect these vehicles' returns. As a result, the Group has concluded that it controls these vehicles even though its ownership interests over these securitization vehicles do not exceed 50%.

Location	Ownership (%)	December 31, 2015	December 31, 2014	December 31, 2013
Asset securitization vehicles:				
Korea	0.9	Autopia 44th, 45th, 46th, and 47th ABS SPCs (*1)	Autopia 43rd, 44th, 45th, 46th, and 47th ABS SPCs (*1) HB Third ABS SPC	Autopia 36th, 42nd, 43rd, 44th, 45th, 46th, and 47th ABS SPCs (*1) HB Third ABS SPC
	0.5	Autopia 49th, 50th, 51st, 52nd, 54th, 56th, 57th, 58th, and 59th ABS SPCs (*1)	Autopia 49th, 50th, 51st, 52nd, 54th, and 55th ABS SPCs (*1)	Autopia 49th ABS SPC (*1)
	0.31	HB Fourth ABS SPC	HB Fourth ABS SPC	HB Fourth ABS SPC
Limited liability companies				
Germany	100	Hyundai Capital Europe GmbH (*2)	Hyundai Capital Europe GmbH (*2)	Hyundai Capital Europe GmbH (*2)
	80	Hyundai Capital Services Deutschland GmbH		
India	100	Hyundai Capital India Private Ltd.	Hyundai Capital India Private Ltd.	Hyundai Capital India Private Ltd.
Brazil	100	Hyundai Capital Brasil LTDA	Hyundai Capital Brasil LTDA	Hyundai Capital Brasil LTDA
Trusts				
Korea	100	Specified money trust (20 trusts)	Specified money trust (29 trusts)	

(*1) Including trusts for asset securitization

(*2) Hyundai Capital Europe GmbH holds 100% ownership interests of Hyundai Capital Services Limited Liability Company located at Russia.

(Continued)

(2) Changes in subsidiaries

Subsidiaries that are included in and excluded from the Group's consolidated financial statements, except for changes in the number of specified money trust accounts in which the Group invests, during the year ended December 31, 2015 are as follows:

(a) Subsidiaries newly included in the consolidated financial statements during the year

- Autopia 56th, 57th, 58th and 59th ABS SPCs (including trusts for asset securitization): structured entities newly established for the Autopia asset securitization program
- Hyundai Capital Services Deutschland GmbH: a subsidiary newly established in Germany on August 4, 2015; owned by the Group and KMC with 80% and 20% ownership, respectively

(b) Subsidiaries excluded from the consolidated financial statements during the year

- Autopia 43rd ABS SPC (including trust for asset securitization) and HB Third SPC SPC: structured entities dissolved

(3) Key financial information of subsidiaries

Key financial information of subsidiaries as of and for the year ended December 31, 2015 is summarized as follows:

(in millions of Korean won)

		Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year	Total compre-hensive income (loss)
Hyundai Capital Europe GmbH	₩	28,753	25,420	3,333	13,938	10,587	11,625
Hyundai Capital India Private Ltd.		852	165	687	1,327	78	88
Hyundai Capital Brasil LTDA		3,642	97	3,545	5,073	1,706	641
Hyundai Capital Services Deutschland GmbH		59,254	24,263	34,991	1,602	(21,180)	(20,659)
Autopia ABS SPCs		3,197,622	3,198,781	(1,159)	109,507	(2,156)	(164)
Autopia ABS trusts		5,544,922	5,223,787	321,135	457,834	129,787	129,787
HB ABS SPCs		613	3	610	1,733	162	162
Specified money trusts		600,517	—	600,517	917	917	917

(4) Nature of risks related to consolidated structured entities

As of December 31, 2015, the Company provides guarantees to the counterparties of currency swaps at Autopia 45th, 46th, 49th, 52nd, 57th and 59th ABS SPCs, structured entities that the Group consolidates, in relation to asset backed securitized notes issued. These guarantees would require the Company to reimburse the swap counterparties for losses that they incur if these structured entities do not perform in accordance with the contractual terms of the swaps.

(Continued)

2. Basis of Preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRS), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- Derivative financial instruments measured at fair value
- Financial instruments at fair value through profit or loss measured at fair value
- Available-for-sale financial instruments measured at fair value
- Liabilities for defined benefit plans that are recognized at net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

These consolidated financial statements are presented in Korean won (₩), which is the Company's functional currency and the currency of the primary economic environment in which the Group operates.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 1. (1) – Consolidation of structured entities
- Note 2. (5) – Measurement of fair value
- Note 3. (5) – Impairment of financial assets
- Note 3. (15) – Employee benefits

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 8 – Allowance for loan losses
- Note 16 – Employment benefit liabilities
- Note 17 – Provisions
- Note 28 – Commitments and contingencies

(Continued)

(5) Measurement of fair value

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 32.

(6) Approval of financial statements

The Group's consolidated financial statements were approved by the board of directors on February 25, 2016 and will be submitted for approval at the annual meeting of shareholders on March 23, 2016.

(Continued)

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below.

(1) Changes in accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2014. The Group has applied the following amendments to standards and interpretation, with a date of initial application of January 1, 2015.

Amendments to K-IFRS No. 1019, *Employee Benefits*, entitled *Defined Benefits Plans: Employee Contributions*

The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. When contributions are eligible for the practical expedient, a company is permitted, but not required, to recognize them as a reduction of the service cost in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted. The adoption of the amendments had no significant impact on the Group's consolidated financial statements.

(2) Basis of consolidation

(a) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

If a subsidiary of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are fully eliminated. Where necessary, adjustments are made to bring the accounting policies of subsidiaries in line with those of the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it recognizes the fair value of any investment retained and any surplus or deficit in profit or loss.

(Continued)

(b) Business combination

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date in fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed and the amount of any non-controlling interest in the acquiree. Costs related to acquisition are recognized as expenses when occurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets.

The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment. If the cost of acquisition is less than the fair value of the Group’s share of the net assets acquired, the difference is recognized directly in the consolidated statement of comprehensive income.

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Investments in associates

Associates are all entities over which the Group has significant influence but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. When the investors’ share on the fair value of the associates’ identifiable assets and liabilities exceeds acquisition cost of the associates’ interest, the excess portion is recognized as the current profit for the year of acquisition.

Under the equity method, on initial recognition the investment in an associate is recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associate after the date of acquisition. The Group's share of the associate's profit or loss is recognized in the Group's profit or loss. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Such changes include those arising from the revaluation of available-for-sale financial assets and from foreign exchange translation differences. The Group's share of those changes is recognized in the Group's other comprehensive income. When the Group’s share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further loss, unless it has incurred obligations or made payments on behalf of the associates. The carrying amount of equity method investments and the long term interest which partially consists of investors’ net investment are included in interest in the associate.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associate. Accounting policies of associates are to be adjusted where necessary to ensure consistency with the policies adopted by the Group.

(Continued)

(3) Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or in a qualifying cash flow hedge, which are recognized in other comprehensive income. When profit or loss incurred from non-monetary items is recognized in other comprehensive income, the effect from changes in exchange rates are also recognized in other comprehensive income, and if the effects from translation of the non-monetary items are recognized in the profit or loss, the effects from changes in exchange rates are recognized in the profits or loss accordingly.

(b) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing price of foreign currencies on the reporting date.

(4) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(5) Financial assets

(a) Classification

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Meanwhile, the Group has no financial asset at fair value through profit or loss other than financial assets held for trading.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held to maturity investments or loans and receivables.

(b) Recognition and measurement

Standardized transactions of financial assets are recognized on the transaction date. Upon initial recognition, financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance. Financial assets at fair value through profit or loss are measured at fair value upon initial recognition and changes therein are recognized in profit or loss. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, loans and receivables are measured at their amortized cost using the effective interest rate method.

Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Fair value changes of available-for-sale financial assets are recorded in other comprehensive income in equity. When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

(c) De-recognition of financial assets

The Group de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a consolidated asset or liability.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(Continued)

(d) Impairment of financial assets

Financial assets measured at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. Impairment losses are incurred only if there is objective evidence of impairment and that loss event has an impact on the estimated future cash flows of the financial asset. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in profit or loss.

Available-for-sale financial assets

The Group assesses at each reporting date whether there is objective evidence that an investment is impaired. If any such evidence exists, the amount recorded for impairment is the cumulative loss measured as the difference between the acquisition cost (or amortized cost for debt instrument) and current fair value, less any impairment loss on that investment previously recognized in profit or loss. When there is a significant or prolonged decline in the fair value of an investment in an equity instrument below its original cost, there is objective evidence that available-for-sale equity investments are impaired. The Group considers a decline in the fair value of more than 30% against the original cost for marketable and non-marketable equity securities, respectively, as "significant decline". When market price declines for a period of six consecutive months, it is considered to be a "prolonged decline". Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not to be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed.

Loss events of financial assets

Objective evidences that a financial asset is impaired includes the following loss events:

- Significant financial difficulty of the issuer or obligor
- A breach of contract, such as a default or delinquency in interest or principal payments
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group

(6) Deferral of loan origination fees and loan origination costs

Loans are reported at the principal amount outstanding, net of deferred loan fees and costs and unamortized premium or discount and direct write-downs. Loan origination fees, which include processing fees in relation to the loan origination process and upfront interests, if any, are deferred, and amortized over the expected life of the loan based on the effective interest rate method. Loan origination costs, which relate to activities performed by the lender such as soliciting potential borrowers, are deferred and amortized over the life of the loan based on the effective interest rate method when the future economic benefit in connection with the cost incurred can be identified on a per loan basis.

(Continued)

(7) Allowance for loan losses

(a) Calculation of allowance for loan losses

Loan losses are charged, and recoveries are credited, to the allowance for loan losses account. Adjustments to the allowance for loan losses account are recorded to the provision for loan losses. Charge offs to the allowance for loan losses are made when specific assets are considered uncollectible.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a debtor's financial situation and the net realizable value of any underlying collateral.

A collective component of the total allowance is established for:

- Groups of homogeneous loans that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as expected loss methodology. The expected loss methodology uses statistical analysis of historical data including probability of default (PD), loss-given default (LGD) based on the past losses, and loss emergence period (LEP) to estimate the amount of losses, and management's decision about the current economy and credit circumstances. The material factors used in the statistical model for the collective assessment are evaluated by comparing with actual data regularly. Management applies judgment to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date.

(b) Write-off policy

The Group writes off the doubtful receivables when the assets are deemed unrecoverable. This decision considers the information about significant changes of financial position such that a borrower or an obligor is in default, or the amount recoverable from security is not enough. In general, the decision for write-offs for standardized homogenous consumer loans with relatively smaller balances is made based on the delinquent status of the loan.

(8) Leases

(a) Classification

The Group classifies leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

The lease arrangement classified as a financial lease is where: the lease transfers ownership of the asset to the lessee by the end of the lease term, the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the lease term is for the major part of the economic life of the asset even if the title is not transferred, at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, or the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Minimum lease payments include that part of the residual value that is guaranteed by the lessee, by a party related to the lessee or by a third party unrelated to the Group that is financially capable of discharging the obligations under the guarantee.

(Continued)

(b) Finance leases

Where the Group has substantially all the risks and rewards of ownership, leases of property, plant and equipment are classified as finance lease. An amount equal to the net investment in the lease is presented as a receivable. Expenses that are incurred with regard to the lease contract made but not executed at the date of the consolidated statement of financial position are accounted for as prepaid leased assets and are reclassified as finance lease receivables at the inception of the lease. Lease receivables include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. Each lease payment is allocated between principal and finance income. Financial income on an uncollected part of net investment shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

If a lease agreement is cancelled in the middle of its lease term, the Group reclassifies the amount of financial lease receivables into cancelled leased receivables, while the amount of financial lease receivables not yet due is reclassified as cancelled leased assets for returned off-lease vehicles. The Group's policy is to promptly sell returned off-lease vehicles for cancelled finance leases as soon as practical.

(c) Operating leases

The property on operating leases is stated at acquisition cost, net of accumulated depreciation. Expenditures that are incurred for the lease contract made but not executed at the date of the consolidated statement of financial position are accounted for as prepaid leased assets and are reclassified as operating leased assets at the inception of the lease term. Rentals from operating lease other than any guaranteed residual value are reported as revenues on a straight-line basis over the lease term. Initial direct costs incurred during the period of preparing the lease contract are recognized as operating leased assets and are amortized over the lease term in proportion to the recognition of income on leased assets. Operating leased assets are depreciated over the period of the lease using the straight-line method down to their expected residual value at the end of the lease term.

The Group's policy is to promptly sell returned off-lease vehicles for cancelled operating leases as soon as practical.

(9) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation method and estimated useful lives used by the Group are as follows:

Type	Depreciation method	Useful life
Buildings	Straight-line	40 years
Structures	Straight-line	40 years
Fixtures and furniture	Straight-line	3-4 years
Vehicles	Straight-line	4 years
Other tangible assets	Straight-line	5 years

Work of art classified under other tangible assets is not depreciated due to their indefinite useful life in nature.

(Continued)

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within non-operating income (expenses) in the consolidated statements of comprehensive income.

(10) Intangible assets

Intangible assets are initially recognized at cost, which includes acquisition cost and directly related costs required to prepare the asset for its intended use. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred.

Intangible assets are stated at cost net of accumulated amortization and impairment. Amortization is calculated based on the following amortization method and estimated useful lives:

Type	Amortization method	Useful life
Development costs	Straight-line	5 years
Rights of trademark	Straight-line	5 years
Other intangible assets	Straight-line	5 years

Memberships classified under other intangible assets are not amortized due to their indefinite useful life in nature. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Non-current assets (or disposal groups) held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale. The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Immediately before the classification of the asset (or disposal group) as held for sale, the carrying amount of the asset (or components of a disposal group) is remeasured in accordance with applicable K-IFRS. Thereafter, generally the assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss.

If the non-current asset is classified as asset held for sale or part of a disposable group, the asset is no longer depreciated.

(12) Impairment of non-financial assets

Goodwill or assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The Group reviews possible reversal of the impairment at each reporting date.

(Continued)

(13) Financial liability

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified as financial liabilities at fair value through profit or loss when incurred principally for the purpose of repurchasing it in the near term. Derivatives or embedded derivatives are also categorized as this category unless they are designated as hedging instruments in hedging relationships.

(b) Financial liabilities carried at amortized cost

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, as financial liabilities carried at amortized cost and presents them as 'trade payables', 'borrowings', and 'other financial liabilities' in the consolidated statement of financial position. When a transfer of a financial asset does not qualify for derecognition, the transferred asset is continuously recognized as an asset and the consideration received is recognized as a financial liability secured by the assets transferred.

(c) De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

(14) Employee benefits

(a) Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(b) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that the employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(Continued)

(c) Retirement benefits

The Group operates various retirement benefits plans, including both defined benefit and defined contribution pension plans.

Defined contribution plan

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. If the plan allows for early retirement, payments are recognized as employee benefits. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Defined benefit plan

A defined benefit plan defines the amount of pension benefit that an employee will receive on retirement and is usually dependent on one or more factors such as years of service and compensation. The liability recognized in the consolidated statement of financial position in respect to the defined benefit pension plans is the present value of the defined benefit obligation at the date of the consolidated statement of financial position less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity similar to the terms of the related pension liability.

Net interest on the net defined benefit liability (asset) arising from adjustments and changes in actuarial assumptions and actual results are recognized as other comprehensive income in the current year.

(d) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(15) Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations (e.g. loan commitments, guarantees or similar contracts), the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized if the other recognition criteria are met.

Provisions are the best estimate of the expenditure required to settle the present obligation that consider the risks and uncertainties inevitably surrounding many events and circumstances as of the reporting date. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(Continued)

For a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events, or a present obligation that arises from past events but is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the consolidated financial statements.

(16) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(a) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, and currency swaps contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(Continued)

(b) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(c) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(17) Current and deferred income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is recognized on temporary differences arising on investments in subsidiaries, associates and joint ventures except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

(Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(18) Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares in the consolidated statements of comprehensive income. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

(19) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

According to K-IFRS 1108, *Operating Segments*, the Group's segments are organized into the Capital segment for its financial services business in Korea and the foreign subsidiaries segment. Operating revenue, operating expenses and total assets of foreign subsidiaries are immaterial as they are less than 1% compared with the corresponding amounts in the consolidated financial statements. All income (interest income and commission income) from the Capital segment is generated from domestic operation for the years ended December 31, 2015, 2014 and 2013.

(20) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

(21) Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit loss. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Once an impairment loss has been recognized on a loan, although the accrual of interest in accordance with the contractual terms of the instrument is discontinued, interest income is recognized on the rate of interest that was used to discount future cash flow for the purpose of measuring impairment loss.

(Continued)

(22) Fees and commission income

Fees and commission income and expense are classified as follows according to related regulations:

- Fees and commission income charged in exchange for services to be performed during a certain period of time are recognized as the related services are performed.
- Fees and commission from significant transactions are recognized when transactions are completed.
- Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

(23) Dividend income

Dividend income is recognized when the Group's right to receive the payment is established.

(24) Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or loss from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

The non–controlling interest refers to equity in a subsidiary not attributable, directly or indirectly, to a parent. The non-controlling interest consists of the minority interest net income calculated under K-IFRS No. 1103, *Business Combinations*, at the date of the initial combination, and minority interest of changes in equity after the business combination.

(25) New accounting standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015, and earlier adoption is permitted; however the Group has not early adopted the following new or amended standards in prepared these consolidated financial statements.

K-IFRS No. 1109, Financial Instruments

K-IFRS 1109, published in December 2015, replaces the existing guidance in K-IFRS No. 1039, *Financial Instruments: Recognition and Measurement*. K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS No. 1039.

K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of K-IFRS 1109.

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K-IFRS No. 1115, Revenue from Contracts with Customers

K-IFRS 1115, published in January 2016, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS No. 1018, *Revenue*, K-IFRS No. 1011, *Construction Contracts* and K-IFRS No. 2113, *Customer Loyalty Programmes*.

K-IFRS 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of K-IFRS 1115.

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4. Short-term Financial Investments

Short-term financial investments as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Debt securities	₩	658,701	899,880	—
Beneficiary certificates		100,004	50,516	—
	₩	758,705	950,396	—

For liquidity management, the Group holds short-term investments in excess of immediate funding needs. These excess funds are invested in short-term, highly liquid and investment grade money market instruments, which provide liquidity for the Group's short-term funding needs and flexibility in the use of other funding sources.

(1) Debt securities

Details of debt securities in short-term financial investments as of December 31, 2015 and 2014 are as follows:

(in millions of Korean won)	December 31, 2015				
	Details	Interest rate (%)		Acquisition cost	Carrying amount
Commercial paper and repurchase agreements	Kyobo Securities Co., Ltd. and 110 others	1.49 ~ 1.90	₩	657,811	658,701

(in millions of Korean won)	December 31, 2014				
	Details	Interest rate (%)		Acquisition cost	Carrying amount
Commercial paper and repurchase agreements	Korea Development Bank and 170 others	2.40 ~ 2.65	₩	899,543	899,880

(2) Beneficiary certificates

Details of beneficiary certificates in short-term financial investments as of December 31, 2015 and 2014 are as follows:

(in millions of Korean won)	December 31, 2015			
	Details		Acquisition cost	Carrying amount
Money market funds	Hana UBS Class One MMF K-5	₩	100,000	100,004

(in millions of Korean won)	December 31, 2014			
	Details		Acquisition cost	Carrying amount
Money market trusts	Shinhan Bank	₩	10,000	10,500
Money market funds	Hana UBS Class One MMF K-5		40,000	40,016
		₩	50,000	50,516

(Continued)

5. Securities

Securities as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Available-for-sale securities				
Equity securities				
Marketable equity securities	₩	24,694	13,958	9,981
Unlisted equity securities		11,656	10,537	10,844
		36,350	24,495	20,825
Debt securities				
Government and public bonds		2,296	1,807	1,735
Corporate bonds		31,397	31,209	30,223
		33,693	33,016	31,958
Beneficiary certificates		7,507	5,935	—
		77,550	63,446	52,783
Investments in associates		243,449	209,118	157,313
	₩	320,999	272,564	210,096

(Continued)

5.1. Available-for-sale Securities

Available-for-sale securities as of December 31, 2015, 2014 and 2013 are as follows:

(1) Equity securities

(in millions of Korean won)

	Number of shares	Ownership (%)		Acquisition cost	Carrying amount December 31, 2015	December 31, 2014	December 31, 2013
Marketable equity securities							
NICE Information Service Co., Ltd.	1,365,930	2.25	₩	3,312	14,001	6,461	4,180
NICE Holdings Co., Ltd.	491,620	1.30		3,491	10,693	7,497	5,801
Unlisted equity securities							
Hyundai Finance Corporation (*1)	1,700,000	9.29		9,888	11,487	10,365	10,666
Korean Egloan, Inc.	4,000	3.12		100	100	100	100
Golfclub Lich AG	14	0.59		60	69	72	78
			₩	16,851	36,350	24,495	20,825

(*1) As of December 31, 2015, the fair value of Hyundai Finance Corporation (HFC) is estimated at the average of appraisal value quoted from two independent valuation service providers, using the valuation technique based on the net asset value approach (NAV model), and the market approach. Under the net asset value approach, a technique generally considered to be under cost approach, the fair value of unlisted equity securities is measured based on the investee's assets and liabilities. Under the market approach, comparable entity valuation multiples (one-year average price-to-book ratio) derived from quoted prices in exchange markets is used in applying valuation technique. The Group has reviewed the underlying assumptions and concurs with the methodology employed. However, in November 2015, HFC changed its principal business from consumer retail financing to venture capital, which made it inappropriate to apply the income approach based on projections considering actual operating results from past periods.

(2) Debt securities

(in millions of Korean won)

	Issuer	Interest rate (%)		Acquisition cost	Carrying amount December 31, 2015	December 31, 2014	December 31, 2013
Government and public bonds	Seoul Metropolitan Rapid Transit Corp. and other Korean municipal bonds	1.50	₩	1,786	2,296	1,807	1,735
Corporate bonds	Autopia 53rd ABS SPC	3.59, 4.42		30,000	31,397	31,209	30,223
			₩	31,786	33,693	33,016	31,958

The fair value of Seoul Metropolitan Rapid Transit Corp. and other Korean municipal bonds is quoted from broker and dealer companies. The fair value of Autopia 53rd ABS SPC is quoted from an independent valuation service provider, using the valuation technique based on the income approach (DCF model).

(3) Beneficiary certificates

(in millions of Korean won)

		Acquisition cost	Carrying amount December 31, 2015	December 31, 2014	December 31, 2013
Hyundai Ship Special Asset Investment Trust III	₩	5,341	5,493	5,935	—
Hi Ocean PCTC PF Special Asset Ship 1		1,000	1,012	—	—
Hi Ocean PCTC PF Special Asset Ship 2		1,000	1,002	—	—
		7,341	7,507	5,935	—

The fair value of the beneficiary certificate is quoted from an independent valuation service provider, using the valuation technique based on the net asset value approach (NAV model).

(Continued)

5.2. Investments in Associates

(1) Details of investments in associates

Details of investments in associates as of December 31, 2015, 2014 and 2013 are as follows:

	December 31, 2015			
	Ownership (%)	Principal place of business	Date of financial statements	Industry
Hi Network, Inc. (*1)(*2)	19.99	Korea	11/30/2015	Insurance brokerage
Korea Credit Bureau (*1)	7.00	Korea	12/31/2015	Credit information service
Hyundai Capital Germany GmbH	30.01	Germany	12/31/2015	Automobile finance brokerage
Hyundai Capital UK Ltd.	29.99	U.K.	12/31/2015	Automobile finance
Beijing Hyundai Auto Finance Co., Ltd.	46.00	China	12/31/2015	Automobile finance

(*1) While the Group holds less than 20% of the voting rights, it has the ability to exercise significant influence through representation on the board of directors or equivalent governing body of the investee. Therefore, investments in these entities are accounted for using the equity method.

(*2) Due to the unavailability of the financial statements as of December 31, 2015, the equity method was applied using the investee's financial statements as of November 30, 2015. There were no significant transactions between November 30 and December 31, 2015.

	December 31, 2014			
	Ownership (%)	Principal place of business	Date of financial statements	Industry
Hi Network, Inc. (*1)(*2)	19.99	Korea	11/30/2014	Insurance brokerage
Korea Credit Bureau (*1)	7.00	Korea	12/31/2014	Credit information service
Hyundai Capital Germany GmbH	30.01	Germany	12/31/2014	Automobile finance brokerage
Hyundai Capital UK Ltd.	29.99	U.K.	12/31/2014	Automobile finance
Beijing Hyundai Auto Finance Co., Ltd.	46.00	China	12/31/2014	Automobile finance

(*1) While the Group holds less than 20% of the voting rights, it has the ability to exercise significant influence through representation on the board of directors or equivalent governing body of the investee. Therefore, investments in these entities are accounted for using the equity method.

(*2) Due to the unavailability of the financial statements as of December 31, 2014, the equity method was applied using the investee's financial statements as of November 30, 2014. There were no significant transactions between November 30 and December 31, 2014.

	December 31, 2013			
	Ownership (%)	Principal place of business	Date of financial statements	Industry
HK Savings Bank (*1)	19.99	Korea	12/31/2013	Savings Bank
Hi Network, Inc. (*1)(*2)	19.99	Korea	11/30/2013	Insurance brokerage
Korea Credit Bureau (*1)	7.00	Korea	12/31/2013	Credit information service
Hyundai Capital Germany GmbH	30.01	Germany	12/31/2013	Automobile finance brokerage
Hyundai Capital UK Ltd.	29.99	U.K.	12/31/2013	Automobile finance
Beijing Hyundai Auto Finance Co., Ltd.	46.00	China	12/31/2013	Automobile finance

(Continued)

(*1) While the Group holds less than 20% of the voting rights, it has the ability to exercise significant influence through representation on the board of directors or equivalent governing body of the investee. Therefore, investments in these entities are accounted for using the equity method.

(*2) Due to the unavailability of the financial statements as of December 31, 2013, the equity method was applied using the investee's financial statements as of November 30, 2013. There were no significant transactions between November 30 and December 31, 2013.

(Continued)

(2) Summary of financial information of investees

Summary of financial information of investees as of December 31, 2015, 2014 and 2013, for assets and liabilities, for the years ended December 31, 2015, 2014 and 2013, for revenue and income, and the reconciliation of investee's net assets to the carrying amount of the investments in the Group's financial statements are as follows:

(in millions of Korean won)		December 31, 2015						
		Total assets	Total liabilities	Issued capital	Total equity	The Group's share in net assets	Goodwill	Carrying amount
Hi Network, Inc.	₩	6,640	2,628	333	4,012	803	—	803
Korea Credit Bureau		63,960	13,076	10,000	50,884	3,562	1,037	4,599
Hyundai Capital Germany GmbH		6,919	1,419	3,547	5,500	1,650	—	1,650
Hyundai Capital UK Ltd.		2,418,817	2,269,597	96,055	149,220	44,751	—	44,751
Beijing Hyundai Auto Finance Co., Ltd.		3,807,059	3,390,437	354,325	416,622	191,646	—	191,646

(in millions of Korean won)		2015						
		Operating revenue	Interest income	Interest expense	Net income	Other compre-hensive income	Total compre-hensive income	Dividends
Hi Network, Inc.	₩	14,861	50	—	1,699	—	1,699	—
Korea Credit Bureau		53,184	467	—	2,005	1,098	3,103	—
Hyundai Capital Germany GmbH		5,699	70	—	2,881	62	2,943	2,381
Hyundai Capital UK Ltd.		118,230	117,676	25,576	31,825	1,831	33,656	—
Beijing Hyundai Auto Finance Co., Ltd.		349,902	338,182	128,549	43,448	7,846	51,294	—

(in millions of Korean won)		December 31, 2014						
		Total assets	Total liabilities	Issued capital	Total equity	The Group's share in net assets	Goodwill	Carrying amount
Hi Network, Inc.	₩	5,306	2,613	333	2,693	539	—	539
Korea Credit Bureau		54,717	7,806	10,000	46,911	3,284	1,037	4,321
Hyundai Capital Germany GmbH		7,033	1,871	3,547	5,162	1,550	—	1,550
Hyundai Capital UK Ltd.		1,879,927	1,764,363	96,055	115,564	34,657	—	34,657
Beijing Hyundai Auto Finance Co., Ltd.		2,313,511	1,948,183	354,325	365,328	168,051	—	168,051

(in millions of Korean won)		2014						
		Operating revenue	Interest income	Interest expense	Net income	Other compre-hensive income (loss)	Total compre-hensive income	Dividends
Hi Network, Inc.	₩	13,996	63	—	664	—	664	—
Korea Credit Bureau		46,111	767	—	114	—	114	—
Hyundai Capital Germany GmbH		5,432	71	—	2,605	(340)	2,265	829
Hyundai Capital UK Ltd.		97,480	90,430	17,431	24,526	(1,722)	22,804	—
Beijing Hyundai Auto Finance Co., Ltd.		181,759	177,125	84,810	17,818	1,939	19,757	—

(Continued)

(in millions of Korean won)		December 31, 2013						
		Total assets	Total liabilities	Issued capital	Total equity	The Group's share in net assets	Goodwill	Carrying amount
HK Savings Bank	₩	2,494,096	2,299,652	124,761	194,444	38,889	12,248	51,137
Hi Network, Inc.		5,480	3,361	333	2,119	424	—	424
Korea Credit Bureau		63,043	16,542	10,000	46,501	3,255	1,037	4,292
Hyundai Capital Germany GmbH		6,889	1,042	3,547	5,847	1,755	—	1,755
Hyundai Capital UK Ltd.		1,210,970	1,135,383	78,882	75,587	22,668	—	22,668
Beijing Hyundai Auto Finance Co., Ltd.		873,419	705,947	176,225	167,472	77,037	—	77,037

(in millions of Korean won)		2013						
		Operating revenue	Interest income	Interest expense	Net income	Other compre-hensive loss	Total compre-hensive income	Dividends
HK Savings Bank	₩	418,507	385,854	88,815	8,209	(199)	8,010	1,597
Hi Network, Inc.		16,923	49	—	618	—	618	533
Korea Credit Bureau		51,571	886	—	4,909	—	4,909	—
Hyundai Capital Germany GmbH		3,697	51	—	1,623	—	1,623	—
Hyundai Capital UK Ltd.		55,202	48,813	8,205	11,100	—	11,100	—
Beijing Hyundai Auto Finance Co., Ltd.		45,199	44,386	18,745	236	—	236	—

(3) Roll-forward of investments in associates

The following tables present a roll-forward of the carrying amounts of investments in associates for the years ended December 31, 2015, 2014 and 2013:

(in millions of Korean won)		2015							
		Beginning balance	Addition	Share in net income	Share in other compre-hensive income (loss)	Loss on impair-ment	Reclassifi-cation to assets held for sale	Dividends	Ending balance
Hi Network, Inc.	₩	539	—	264	—	—	—	—	803
Korea Credit Bureau		4,321	—	201	77	—	—	—	4,599
Hyundai Capital Germany GmbH		1,550	—	864	(50)	—	—	(714)	1,650
Hyundai Capital UK Ltd.		34,657	—	9,545	549	—	—	—	44,751
Beijing Hyundai Auto Finance Co., Ltd.		168,051	—	19,986	3,609	—	—	—	191,646
	₩	209,118	—	30,860	4,185	—	—	(714)	243,449

(in millions of Korean won)		2014							
		Beginning balance	Addition	Share in net income	Share in other compre-hensive income (loss)	Loss on impair-ment	Reclassifi-cation to assets held for sale	Dividends	Ending balance
HK Savings Bank (*1)	₩	51,137	—	554	(2)	(27,689)	(24,000)	—	—
Hi Network, Inc.		424	—	115	—	—	—	—	539
Korea Credit Bureau		4,292	—	29	—	—	—	—	4,321
Hyundai Capital Germany GmbH		1,755	—	782	(158)	—	—	(829)	1,550
Hyundai Capital UK Ltd.		22,668	5,150	7,355	(516)	—	—	—	34,657
Beijing Hyundai Auto Finance Co., Ltd.		77,037	81,926	8,196	892	—	—	—	168,051
	₩	157,313	87,076	17,031	216	(27,689)	(24,000)	(829)	209,118

(Continued)

(*1) At December 31, 2013, the carrying amount of the Group's investments in HK Savings Bank was ₩51,137 million including goodwill of ₩12,248 million. In March, 2014, the Group recognized impairment loss of ₩27,689 million on this investment which made a new cost basis of ₩24,000 million equaling to net recoverable amount based on the impairment analysis. In May, 2014, the board of directors approved the plan to sell all of the Group's interest in HK Savings Bank, and the investment was sold in October, 2014.

(in millions of Korean won)		2013							
		Beginning balance	Addition	Share in net income	Share in other compre-hensive income (loss)	Loss on impair-ment	Reclassifi-cation to assets held for sale	Dividends	Ending balance
HK Savings Bank	₩	51,170	—	1,596	(32)	—	—	(1,597)	51,137
Hi Network, Inc.		861	—	96	—	—	—	(533)	424
Korea Credit Bureau		3,985	—	307	—	—	—	—	4,292
Hyundai Capital Germany GmbH		1,183	—	537	35	—	—	—	1,755
Hyundai Capital UK Ltd.		6,197	12,807	3,329	335	—	—	—	22,668
Beijing Hyundai Auto Finance Co., Ltd.		35,400	39,979	1,170	488	—	—	—	77,037
	₩	98,796	52,786	7,035	826	—	—	(2,130)	157,313

(4) Goodwill related to associates

Goodwill that forms part of the carrying amount of investments in associates as of December 31, 2015, 2014 and 2013 is as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
HK Savings Bank	₩	—	—	12,248
Korea Credit Bureau		1,037	1,037	1,037
	₩	1,037	1,037	13,285

(Continued)

6. Unconsolidated structured entities

(1) Type of interests in unconsolidated structured entities

The nature, purpose and principal activities of structured entities that the Group does not consolidate but in which it holds an interest and how the structured entities are financed are summarized as follows:

Asset securitization vehicles

Securitization vehicles are established to buy assets from originators and issue asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles by purchasing (or providing commitment to purchase) the asset-backed securities issued and/or providing other forms of credit enhancement.

The Group does not consolidate a securitization vehicle if (i) the Group is unable to make or approve decisions as to the modification of the terms and conditions of the securities issued by such vehicle or disposal of such vehicles' assets, (ii) (even if the Group is so able) if the Group does not have the exclusive or primary power to do so, or (iii) if the Group does not have exposure, or right, to a significant amount of variable returns from such entity due to the purchase (or commitment to purchase) of asset-backed securities so issued or subordinated obligations or by providing other forms of credit support.

Project financing

Structured entities for project financing are established to raise funds and invest in a specific project such as commercial or residential real estate constructions, M&A (Mergers and Acquisitions), BTL (Build-Transfer-Lease), and etc. The Group is involved in the structured entities by originating loans, investing in equity, or providing credit enhancement.

Investment fund

Investment fund is a type of financial instrument where investment funds raise funds from the general public to invest in a group of assets such as stocks or bonds and distribute their income and capital gains to their investors. The Group is involved in investment fund by investing in various investment funds.

(2) Size of unconsolidated structured entities

Total assets of unconsolidated structured entities that the Group sponsors as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015				December 31, 2014				December 31 2013
		Asset securiti-zation vehicles	Project financing	Investment fund	Total	Asset securiti-zation vehicles	Project financing	Investment fund	Total	Asset securiti-zation vehicles
Total assets	₩	325,752	2,800,091	2,848,954	5,974,797	678,120	1,709,203	3,796,484	6,183,807	396,503

(Continued)

(3) Income from unconsolidated structured entities

Income from unconsolidated structured entities for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015				2014				2013
		Asset securiti-zation vehicles	Project financing	Investment fund	Total	Asset securiti-zation vehicles	Project financing	Investment fund	Total	Asset securiti-zation vehicles
Operating revenue										
Interest income	₩	1,202	—	677	1,879	1,197	—	192	1,389	138
Income on loans		441	8,604	—	9,045	282	2,180	—	2,462	—
Dividend income		—	—	423	423	—	—	128	128	—
Other operating income		—	—	4	4	—	—	516	516	—
	₩	1,643	8,604	1,104	11,351	1,479	2,180	836	4,495	138

(4) Risks related to unconsolidated structured entities

The carrying amounts of interests held by the Group in unconsolidated structured entities and the exposure to loss as of December 31, 2015, 2014, and 2013 are as follows:

(in millions of Korean won)		December 31, 2015				December 31, 2014				December 31 2013
		Asset securiti-zation vehicles	Project financing	Investment fund	Total	Asset securiti-zation vehicles	Project financing	Investment fund	Total	Asset securiti-zation vehicles
Assets										
Short-term finan-cial investments	₩	—	—	100,004	100,004	—	—	50,516	50,516	—
Available-for-sale securities		31,397	—	7,507	38,904	31,209	—	5,935	37,144	30,223
Loans receivable		23,483	225,897	—	249,380	4,167	115,600	—	119,767	—
		54,880	225,897	107,511	388,288	35,376	115,600	56,451	207,427	30,223
Lending and other commitments										
Unused commitments		5,017	110,603	—	115,620	833	83,900	—	84,733	—
Maximum exposure to loss	₩	59,897	336,500	107,511	503,908	36,209	199,500	56,451	292,160	30,223

The maximum exposure to loss is the sum of the carrying amount of the assets held and the amounts of lending and other commitments provided.

(Continued)

7. Financial Receivables

Financial receivables as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015				
		Unpaid outstanding principal balance	Deferred loan costs, net of fees (Initial direct fees, net of costs on finance leases)	Present value discounts	Allowance for loan losses	Carrying amount
Loans receivable						
Loans	₩	8,767,452	50,380	(1,776)	(323,946)	8,492,110
Installment financial assets						
Automobile		8,874,379	56,084	—	(73,140)	8,857,323
Durable goods		614	—	—	(82)	532
Mortgage		3,234	3	—	(86)	3,151
		8,878,227	56,087	—	(73,308)	8,861,006
Lease receivables						
Finance lease receivables		2,675,964	(333)	—	(46,445)	2,629,186
Cancelled lease receivables		23,156	—	—	(21,689)	1,467
		2,699,120	(333)	—	(68,134)	2,630,653
	₩	20,344,799	106,134	(1,776)	(465,388)	19,983,769

(in millions of Korean won)		December 31, 2014				
		Unpaid outstanding principal balance	Deferred loan costs, net of fees (Initial direct fees, net of costs on finance leases)	Present value discounts	Allowance for loan losses	Carrying amount
Loans receivable						
Loans	₩	9,869,534	35,340	(1,342)	(319,323)	9,584,209
Installment financial assets						
Automobile		6,503,014	45,938	—	(53,121)	6,495,831
Durable goods		1,164	—	—	(78)	1,086
Mortgage		5,938	7	—	(68)	5,877
		6,510,116	45,945	—	(53,267)	6,502,794
Lease receivables						
Finance lease receivables		2,737,140	(432)	—	(52,494)	2,684,214
Cancelled lease receivables		16,755	—	—	(15,761)	994
		2,753,895	(432)	—	(68,255)	2,685,208
	₩	19,133,545	80,853	(1,342)	(440,845)	18,772,211

(Continued)

(in millions of Korean won)		**December 31, 2013**				
		Unpaid outstanding principal balance	**Deferred loan costs, net of fees (Initial direct fees, net of costs on finance leases)**	**Present value discounts**	**Allowance for loan losses**	**Carrying amount**
Loans receivable						
Loans	₩	11,462,116	(3,242)	(1,314)	(333,359)	11,124,201
Installment financial assets						
Automobile		4,804,618	28,332	—	(42,694)	4,790,256
Mortgage		9,868	16	—	(286)	9,598
		4,814,486	28,348	—	(42,980)	4,799,854
Lease receivables						
Finance lease receivables		3,039,544	(746)	—	(49,612)	2,989,186
Cancelled lease receivables		11,329	—	—	(10,556)	773
		3,050,873	(746)	—	(60,168)	2,989,959
	₩	19,327,475	24,360	(1,314)	(436,507)	18,914,014

(Continued)

8. Allowances for Loan Losses

The following tables present a roll-forward of in allowance for loan losses including allowance for doubtful accounts for other assets for the years ended December 31, 2015, 2014 and 2013:

(in millions of Korean won)		2015				
		Loans receivable	Installment financial assets	Lease receivables	Other assets	Total
Beginning balance	₩	319,323	53,267	68,255	20,098	460,943
Charge-offs		(362,355)	(47,098)	(895)	(5,003)	(415,351)
Recoveries		113,947	15,497	43	13,172	142,659
Unwinding of discounts		(6,070)	(322)	(228)	—	(6,620)
Provision for (release of) allowance		263,057	51,964	1,489	(9,281)	307,229
Others		(3,956)	—	(530)	—	(4,486)
Ending balance	₩	323,946	73,308	68,134	18,986	484,374

(in millions of Korean won)		2014				
		Loans receivable	Installment financial assets	Lease receivables	Other assets	Total
Beginning balance	₩	333,359	42,980	60,168	20,677	457,184
Charge-offs		(477,378)	(52,062)	(578)	(6,733)	(536,751)
Recoveries		106,238	12,975	313	11,725	131,251
Unwinding of discounts		(8,062)	(342)	(297)	—	(8,701)
Provision for (release of) allowance		365,498	49,725	8,675	(5,571)	418,327
Others		(332)	(9)	(26)	—	(367)
Ending balance	₩	319,323	53,267	68,255	20,098	460,943

(in millions of Korean won)		2013				
		Loans receivable	Installment financial assets	Lease receivables	Other assets	Total
Beginning balance	₩	312,829	33,484	38,881	18,740	403,934
Charge-offs		(454,179)	(39,877)	(169)	(7,566)	(501,791)
Recoveries		91,666	11,264	122	10,231	113,283
Unwinding of discounts		(8,047)	(414)	(289)	—	(8,750)
Provision for (release of) allowance		392,774	38,586	22,425	(724)	453,061
Others		(1,684)	(63)	(802)	(4)	(2,553)
Ending balance	₩	333,359	42,980	60,168	20,677	457,184

(Continued)

9. Deferred Loan Origination Fees and Costs

Details of changes in deferred loan origination fees and costs for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015			2014			2013		
		Gross amounts of Deferred loan origination			Gross amounts of Deferred loan origination			Gross amounts of Deferred loan origination		
		Costs	Fees	Net	Costs	Fees	Net	Costs	Fees	Net
Beginning balance	₩	128,837	47,984	80,853	160,376	136,016	24,360	168,274	327,762	(159,488)
Deferral of loan origination costs and fees		147,136	10,087	137,049	146,271	14,080	132,191	211,736	58,186	153,550
Amortization of loan origination costs and fees		(150,287)	(38,519)	(111,768)	(177,810)	(102,112)	(75,698)	(219,634)	(249,932)	30,298
Ending balance	₩	125,686	19,552	106,134	128,837	47,984	80,853	160,376	136,016	24,360

Amortization of loan origination costs and fees are adjusted to interest income on financial receivables as yield adjustments.

10. Finance Lease Receivables

(1) Minimum lease payments

Details of total lease investments and present value of minimum lease payments as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015		December 31, 2014		December 31, 2013	
		Gross investment in the lease	Present value of minimum lease payments	Gross investment in the lease	Present value of minimum lease payments	Gross investment in the lease	Present value of minimum lease payments
Less than one year	₩	1,262,913	1,109,757	1,287,098	1,119,437	1,453,668	1,258,049
One to five years		1,681,560	1,561,968	1,747,596	1,613,490	1,944,394	1,776,794
Over five years		409	407	228	227	172	171
	₩	2,944,882	2,672,132	3,034,922	2,733,154	3,398,234	3,035,014

(2) Unearned interest income

Details of unearned interest income as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Gross investment in the lease	₩	2,944,882	3,034,922	3,398,234
Net lease investments:				
Present value of minimum lease payments		2,672,132	2,733,154	3,035,014
Present value of unguaranteed residual value		3,499	3,554	3,784
		2,675,631	2,736,708	3,038,798
Unearned interest income	₩	269,251	298,214	359,436

(Continued)

11. Leased Assets

(1) Carrying amount

All operating leased assets consist of vehicles and the details as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Operating leased assets	₩	2,058,300	(594,607)	(433)	1,463,260
Cancelled leased assets		7,645	—	(4,150)	3,495
	₩	2,065,945	(594,607)	(4,583)	1,466,755

(in millions of Korean won)		December 31, 2014			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Operating leased assets	₩	1,727,082	(540,364)	(598)	1,186,120
Cancelled leased assets		7,435	—	(3,801)	3,634
	₩	1,734,517	(540,364)	(4,399)	1,189,754

(in millions of Korean won)		December 31, 2013			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Operating leased assets	₩	1,622,565	(555,872)	—	1,066,693
Cancelled leased assets		5,259	—	(2,226)	3,033
	₩	1,627,824	(555,872)	(2,226)	1,069,726

(2) Minimum lease payments

Future minimum lease payments under operating lease as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Less than one year	₩	390,600	352,788	335,903
One to five years		525,666	436,947	373,781
Over five years		2	—	1
	₩	916,268	789,735	709,685

(Continued)

12. Property and Equipment

(1) Carrying amount

Property and equipment as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			December 31, 2014			December 31, 2013		
		Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩	97,883	—	97,883	97,883	—	97,883	95,218	—	95,218
Buildings		102,282	(10,659)	91,623	95,759	(8,170)	87,589	95,039	(5,772)	89,267
Vehicles		7,385	(2,998)	4,387	7,433	(2,371)	5,062	3,994	(1,840)	2,154
Fixture and				—						
furniture		157,197	(111,327)	45,870	150,792	(108,254)	42,538	133,809	(91,741)	42,068
Others		2,155	—	2,155	2,101	—	2,101	2,005	—	2,005
Construction				—						
in progress		11,295	—	11,295	13,149	—	13,149	2,306	—	2,306
	₩	378,197	(124,984)	253,213	367,117	(118,795)	248,322	332,371	(99,353)	233,018

(2) Roll-forward schedule

The following tables present a roll-forward of the carrying amounts of property and equipment for the years ended December 31, 2015, 2014 and 2013:

(in millions of Korean won)		2015						
		Beginning balance	Addition	Transfer	Disposal	Depreciation	Translation differences	Ending balance
Land	₩	97,883	—	—	—	—	—	97,883
Buildings		87,589	380	6,143	—	(2,489)	—	91,623
Vehicles		5,062	612	—	(139)	(1,120)	(28)	4,387
Fixture and furniture		42,538	20,512	2,704	(496)	(19,380)	(8)	45,870
Others		2,101	107	—	(40)	—	(13)	2,155
Construction in progress		13,149	15,981	(17,778)	—	—	(57)	11,295
	₩	248,322	37,592	(8,931)	(675)	(22,989)	(106)	253,213

(in millions of Korean won)		2014						
		Beginning balance	Addition	Transfer	Disposal	Depreciation	Translation differences	Ending balance
Land	₩	95,218	11	2,654	—	—	—	97,883
Buildings		89,267	588	132	—	(2,398)	—	87,589
Vehicles		2,154	4,079	—	(178)	(984)	(9)	5,062
Fixture and furniture		42,068	18,890	6,658	(440)	(24,589)	(49)	42,538
Others		2,005	106	—	(10)	—	—	2,101
Construction in progress		2,306	20,155	(9,253)	—	—	(59)	13,149
	₩	233,018	43,829	191	(628)	(27,971)	(117)	248,322

(Continued)

(in millions of Korean won)		2013						
		Beginning balance	Addition	Transfer	Disposal	Depreciation	Translation differences	Ending balance
Land	₩	143,730	2,730	(11,226)	(40,016)	—	—	95,218
Buildings		119,846	29,401	(2,212)	(55,335)	(2,433)	—	89,267
Vehicles		2,478	697	—	(138)	(885)	2	2,154
Fixture and furniture		45,055	4,118	14,134	(756)	(20,483)	—	42,068
Others		2,032	—	—	(27)	—	—	2,005
Construction in progress		10,337	15,012	(23,043)	—	—	—	2,306
	₩	323,478	51,958	(22,347)	(96,272)	(23,801)	2	233,018

13. Intangible Assets

(1) Carrying amount

Intangible assets as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			December 31, 2014			December 31, 2013		
		Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Goodwill	₩	—	—	—	—	—	—	1,429	—	1,429
Development costs		103,373	(82,348)	21,025	96,460	(71,564)	24,896	89,644	(60,627)	29,017
Trademark		69	(69)	—	69	(69)	—	69	(67)	2
Memberships		27,354	—	27,354	29,545	—	29,545	29,638	—	29,638
Other intangible assets		36,770	(24,894)	11,876	25,287	(22,466)	2,821	23,305	(20,644)	2,661
	₩	167,566	(107,311)	60,255	151,361	(94,099)	57,262	144,085	(81,338)	62,747

(2) Roll-forward schedule

The following tables present a roll-forward of the carrying amounts of intangible assets for the years ended December 31, 2015, 2014 and 2013:

(in millions of Korean won)		2015							
		Beginning balance	Addtion	Transfer	Disposal	Amortization	Impairment	Translation differences	Ending balance
Development costs	₩	24,896	7,296	—	(37)	(11,130)	—	—	21,025
Memberships (*1)		29,545	56	—	—	—	(2,238)	(9)	27,354
Other intangible assets		2,821	2,605	8,931	—	(2,481)	—	—	11,876
	₩	57,262	9,957	8,931	(37)	(13,611)	(2,238)	(9)	60,255

(*1) The Group tested memberships with indefinite useful lives for impairment as of December 31, 2015 and recognized impairment loss for memberships of a golf club and a resort facility. In measuring recoverable amounts of the assets, the Group applied expected refundable amount of ₩853 million for the golf club membership and estimated fair value less cost to sell quoted from an average of recent transaction prices of ₩15 million for the resort facility membership. The fair value measurement of memberships recognized impairment losses is classified to Level 2.

(Continued)

(in millions of Korean won)		2014							
		Beginning balance	Addition	Transfer	Disposal	Amortization	Reversal of impairment (Impairment)	Translation differences	Ending balance
Goodwill (*1)	₩	1,429	—	—	—	—	(1,429)	—	—
Development costs		29,017	6,817	—	—	(10,938)	—	—	24,896
Trademark		2	—	—	—	(2)	—	—	—
Memberships		29,638	55	(191)	—	—	43	—	29,545
Other intangible assets		2,661	1,983	—	—	(1,822)	—	(1)	2,821
	₩	62,747	8,855	(191)	—	(12,762)	(1,386)	(1)	57,262

(*1) The Group obtained control of GE Capital Korea Co., Ltd. (GECK) by acquiring 100% of its shares in July 2012 and then merged with GECK in August 2012. As a result of the business combination, the Group recognized goodwill in the amount of ₩1,429 million, measured as the excess of the consideration transferred over amounts of the identifiable assets acquired and the liabilities assumed. The Group tested goodwill for impairment as of December 31, 2014 and recognized impairment loss equal to the carrying amount of goodwill as the recoverable amount of the CGU was determined to be less than its carrying amount.

(in millions of Korean won)		2013							
		Beginning balance	Addition	Transfer	Disposal	Amortization	Impairment	Translation differences	Ending balance
Goodwill	₩	1,429	—	—	—	—	—	—	1,429
Development costs		28,198	10,745	—	—	(9,926)	—	—	29,017
Trademark		16	—	—	—	(14)	—	—	2
Memberships		30,007	192	—	—	—	(561)	—	29,638
Other intangible assets		4,513	—	—	—	(1,852)	—	—	2,661
	₩	64,163	10,937	—	—	(11,792)	(561)	—	62,747

(Continued)

14. Assets Held for Sale

Details of assets held for sale as of December 31, 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Land	₩	—	—	13,676
Buildings		—	—	8,671
	₩	—	—	22,347

The Group entered into a real estate sales agreement in December, 2013 and reclassified the carrying amounts of the related land and buildings to assets held for sale. These properties were sold in September, 2014 and gain on sale of assets held for sale in the amount of ₩17,153 million was recognized.

As explained in Note 5, in May, 2014, the board of directors approved the plan to sell all of the Group's interest in HK Savings Bank. Accordingly, the Group reclassified the investment to assets held for sale. The investment was sold in October, 2014 and loss on sale of assets held for sale in the amount of ₩244 million was recognized.

(Continued)

15. Borrowed Funds

(1) Borrowings

Borrowings as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)	Lender	Annual interest rate (%)	Maturity		Carrying amount December 31, 2015	December 31, 2014	December 31, 2013
Short-term borrowings:							
Commercial paper	Shinhan Bank and 6 others	1.64 ~ 2.08	January 5, 2016 through June 13, 2016	₩	530,000	180,000	220,000
General loans	Kookmin Bank and 5 others	2.43 ~ 2.79	February 24, 2016 through December 16, 2016		860,000	840,000	540,000
					1,390,000	1,020,000	760,000
Current portion of long-term borrowings:							
Commercial paper					—	—	100,000
General loans	Shinhan Bank and 3 others	2.60 ~ 4.03	January 4, 2016 through September 28, 2016		229,872	264,000	400,000
Borrowings in foreign currency					—	54,903	52,583
					229,872	318,903	552,583
Long-term borrowings:							
General loans	Shinhan Bank and 3 others	2.28 ~ 2.74	January 26, 2017 through November 5, 2018		144,000	223,358	498,860
				₩	1,763,872	1,562,261	1,811,443

(2) Bonds issued

Bonds issued as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)	Annual interest rate (%)	Maturity		Carrying amount December 31, 2015	December 31, 2014	December 31, 2013
Short-term notes:						
Asset-backed short-term bonds	1.80 ~ 2.03	January 11, 2016 through December 8, 2016	₩	230,000	20,000	—
Less: discount on bonds				(239)	(2)	—
				229,761	19,998	—
Current portion of long-term bonds:						
Bonds	2.08 ~ 5.39	January 11, 2016 through December 23, 2016		3,987,105	4,231,328	3,554,082
Less: discount on bonds				(3,900)	(4,615)	(1,189)
				3,983,205	4,226,713	3,552,893
Long-term bonds:						
Bonds	0.00 ~ 6.53	October 6, 2017 through April 21, 2023		13,446,494	11,675,441	11,912,543
Less: discount on bonds				(21,902)	(22,683)	(38,557)
				13,424,592	11,652,758	11,873,986
			₩	17,637,558	15,899,469	15,426,879

(Continued)

16. Employee benefit liabilities

(1) Defined contribution plans

The Group recognized ₩155 million, ₩73 million and ₩218 million in the statement of comprehensive income for retirement benefits based on the defined contribution plan for the years ended December 31, 2015, 2014 and 2013, respectively.

(2) Defined benefit plans

(a) Characteristics of the defined benefit plan

The Group operates a defined benefit plan. Under the plan, eligible employees are paid severance benefits based on average salaries of three months prior to the termination and service periods. The plan assets are mainly comprised of interest rate guaranteed type instruments, and therefore, are exposed to the risk of declining interest rates.

(b) Defined benefit liability

The amounts of net defined benefit liability recognized in the statements of financial position as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Present value of defined benefit obligations	₩	110,044	91,189	69,772
Fair value of plan assets (*1)		(85,493)	(71,770)	(56,888)
Defined benefit liabilites, net	₩	24,551	19,419	12,884

(*1) Including contribution to the National Pension Fund of ₩38 million as of December 31, 2015 and ₩43 million as of December 31, 2014 and 2013, respectively.

(c) Roll-forward of present value of defined benefit obligations

The following tables present a roll-forward of the present value of defined benefit obligations for the years ended December 31, 2015, 2014 and 2013:

(in millions of Korean won)		2015	2014	2013
Beginning balance	₩	91,189	69,772	63,847
Current service costs		17,070	12,939	12,644
Interest cost		2,444	2,413	2,100
Actuarial losses (gains):				
Experience adjustments		6,980	1,422	2,640
Changes in economic assumptions		2,833	8,140	(2,322)
Changes in demographic assumptions		200	5,853	293
		10,013	15,415	611
Transfer of severance benefits from (to) related parties, net		896	(683)	(1,227)
Benefits paid		(11,568)	(8,667)	(8,203)
Ending balance	₩	110,044	91,189	69,772

(Continued)

(d) Roll-forward of fair value of plan assets

The following tables present a roll-forward of the fair value of plan assets for the years ended December 31, 2015, 2014 and 2013:

(in millions of Korean won)		**2015**	**2014**	**2013**
Beginning balance	₩	71,770	56,888	50,859
Contributions		18,700	18,410	14,230
Expected return on plan assets		1,802	1,875	1,612
Actuarial losses - Changes in economic assumptions		(137)	(410)	(46)
Transfer of severance benefits from (to) related parties, net		262	(31)	(1,487)
Benefits paid		(6,904)	(4,962)	(8,280)
Ending balance	₩	85,493	71,770	56,888

(e) Amounts recognized in the comprehensive income statements

Details of severance benefits recognized as profit and loss for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**2015**	**2014**	**2013**
Current service costs	₩	17,070	12,939	12,644
Interest cost		2,444	2,413	2,100
Expected return on plan assets		(1,802)	(1,875)	(1,612)
	₩	17,712	13,477	13,132

(f) Details of plan assets

Details of plan assets as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**December 31, 2015**		**December 31, 2014**		**December 31, 2013**	
		Amount	**Ratio (%)**	**Amount**	**Ratio (%)**	**Amount**	**Ratio (%)**
Cash and cash equivalents	₩	701	0.82	120	0.17	22,228	39.07
Deposits		10,205	11.94	11,853	16.51	15,286	26.87
Interest-bearing financial assets with fixed rates for one year		74,587	87.24	59,797	83.32	19,374	34.06
	₩	85,493	100.00	71,770	100.00	56,888	100.00

(g) Actuarial assumptions

The following are the principal actuarial assumptions used to measure defined benefit liabilities:

	December 31, 2015	**December 31, 2014**	**December 31, 2013**
Discount rate	2.46%	2.73%	3.77%
Future salary growth	4.17%	6.26%	5.58%

Assumptions regarding future mortality are based on published statistics and mortality tables by the Korean Insurance Development Institute.

(Continued)

(h) Sensitivity analysis

Sensitivity analysis of the present value of defined benefit obligations as of December 31, 2014 is as follows:

(in millions of Korean won)		**Effect on present value of defined benefit obligations**			
		December 31, 2015		**December 31, 2014**	
		Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (1%P movement)	₩	(10,360)	12,104	(8,667)	10,221
Future salary growth (1%P movement)		11,984	(10,457)	10,143	(8,765)

(i) Duration and expected contributions

The expected weighted-average duration of the defined benefit obligations as of December 31, 2015 is 7.23 years (2014: 6.70 years, 2013: 6.24 years). The Group expects to pay approximately ₩22,000 million in contributions to its defined benefit plans in 2016. Due to uncertainty, expected contributions may differ from actual results.

(j) Maturity profiles of defined benefit obligations

Maturity profiles of defined benefit obligation as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**December 31, 2015**	**December 31, 2014**	**December 31, 2013**
Less than one year	₩	6,276	—	—
One to two years		7,516	2,635	1,937
Two to five years		15,704	1,820	1,797
Five to ten years		26,472	29,433	66,031
Ten years and more		54,076	57,301	7
	₩	110,044	91,189	69,772

(3) Other long-term employee benefit plans

(a) Other long-term employee benefit liability

The Group grants long service payments to employees and directors with certain periods of services. The Group recognized current service cost of ₩1,057 million in the statement of comprehensive income and paid ₩398 million for the year ended December 31, 2015. The Group recognizes other long-term employee benefit liability of ₩6,246 million and ₩5,587 million as of December 31, 2015 and 2014, respectively.

(b) Actuarial assumptions

The following are the principal actuarial assumptions required to measure other long-term employee benefit liabilities:

	December 31, 2015	**December 31, 2014**
Discount rate	2.52%	3.02%
Future salary growth	4.17%	6.26%

Assumptions regarding future mortality are based on published statistics and mortality tables by the Korean Insurance Development Institute.

(Continued)

17. Provisions

Provisions include the allowance for unused loan commitments, residual value guarantees and asset retirement obligations and others. A similar approach to the allowance for loan losses is used for calculating a reserve for the estimated credit losses related to unused loan commitments.

The following tables present a roll-forward of the provisions for the years ended December 31, 2015, 2014 and 2013:

(in millions of Korean won)		2015				
		Unused loan commit-ments (*1)	Residual value guaran-tees (*2)	Asset retirement obliga-tions (*3)	Other	Total
Beginning balance	₩	1,431	809	5,208	—	7,448
Provision for (release of) allowance		(56)	458	(1,959)	258	(1,299)
Provisions made for AROs and capitalized to related assets (*3)		—	—	860	—	860
Unwinding of interests		—	—	44	—	44
Ending balance	₩	1,375	1,267	4,153	258	7,053

(in millions of Korean won)		2014				2013
		Unused loan commit-ments (*1)	Residual value guaran-tees (*2)	Asset retirement obliga-tions (*3)	Total	Unused loan commit-ments (*1)
Beginning balance	₩	1,826	—	—	1,826	2,017
Provision for (release of) allowance		(395)	809	—	414	(191)
Provisions made for AROs and capitalized to related assets (*3)		—	—	4,814	4,814	—
Unwinding of interests		—	—	394	394	—
Ending balance	₩	1,431	809	5,208	7,448	1,826

(*1) The Group facilitates credits with limits, under which the Group provides commitments to extend credits. Provision is made for estimated losses arising from unused loan commitments.

(*2) The Group facilitates certain installment financial receivable products which the Group guarantees residual value of used automobiles for consumers. Provision is made for estimated incurred losses arising from these residual value guarantees.

(*3) The Group recognizes provisions for asset retirement obligations (AROs) which represent the estimated costs to restore the existing leased properties which are discounted to the present value using the appropriate discount rate at the end of the reporting period. Disbursements of such costs are expected to occur at the end of the lease contract. Such costs are reasonably estimated using the average lease term and the average restoration expenses. The average lease term is calculated based on the past three-year historical data of the expired leases. The average restoration expense is calculated based on the actual costs incurred for the past three years using the five-year average inflation rate. The present value of AROs is capitalized to the acquisition cost of leasehold improvements in fixture and furniture and are depreciated over the useful life of the assets.

(Continued)

18. Derivative Financial Instruments and Hedge Accounting

(1) Trading derivatives

The Group had no balance of trading derivatives as of December 31, 2015 and trading derivatives as of December 31, 2014 and 2013 are as follows:

(in thousands of Korean won)		December 31, 2014			December 31, 2013		
		Notional principal amount	Assets	Liabilities	Notional principal amount	Assets	Liabilities
Foreign currency forwards	₩	15,114	—	194	57,162	—	2,370

During the years ended December 31, 2015, 2014 and 2013, the Group recognized gain (loss) on trading derivatives of ₩194 thousand, ₩2,176 thousand and (₩11,268) thousand, respectively.

(2) Derivatives designated and qualifying as hedging instruments

In the normal course of business, the Group enters into derivative contracts to manage its exposures to changes in future cash flows arising from volatilities in interest rate and foreign currency exchange rates with its borrowings and bonds issued. The Group primarily uses interest rate swaps and currency swaps to manage exposures to fluctuations in future cash flows due to interest rate risk and foreign exchange risk. The Group also utilizes currency forward contracts to manage exposures to fluctuation in future cash flows related to its lease contracts denominated in foreign currencies. There was no change in overall strategy of the Group for cash flow hedges.

Derivatives that are designated and qualifying as hedging instruments for cash flow hedges as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			
		Notional principal amount (*1)	Assets	Liabilities	Accumulated other comprehensive income (loss)
Interest rate swaps	₩	950,000	109	12,492	(9,386)
Currency swaps		6,189,397	179,045	127,729	(16,316)
Foreign currency forwards		715	—	13	2
	₩	7,140,112	179,154	140,234	(25,700)

(in millions of Korean won)		December 31, 2014			
		Notional principal amount (*1)	Assets	Liabilities	Accumulated other comprehensive income (loss)
Interest rate swaps	₩	1,330,000	—	16,571	(12,561)
Currency swaps		6,066,047	20,083	366,536	(28,613)
Foreign currency forwards		5,716	238	—	21
	₩	7,401,763	20,321	383,107	(41,153)

(Continued)

(in millions of Korean won)		December 31, 2013			
		Notional principal amount (*1)	Assets	Liabilities	Accumulated other comprehensive income (loss)
Interest rate swaps	₩	1,670,000	2,103	4,045	(1,472)
Currency swaps		6,206,134	21,185	508,698	3,263
Foreign currency forwards		11,092	658	—	(14)
	₩	7,887,226	23,946	512,743	1,777

(*1) Notional principal amount represents Korean won equivalent amounts of foreign currencies for won-to-foreign currency transactions and receiving foreign currencies for foreign currency-to-foreign currency transactions that are translated with the benchmark foreign currency exchange rate disclosed by the Bank of Korea as of the reporting date.

Changes in effective portion of cash flow hedges for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015			
		Beginning balance	Changes in fair value recognized in other comprehensive income	Reclassified to profit or loss	Ending balance
Effective portion of cash flow hedges	₩	(54,292)	245,819	(225,432)	(33,905)
Income tax effects		13,139			8,205
Effective portion of cash flow hedges, net of income taxes	₩	(41,153)			(25,700)

(in millions of Korean won)		2014			
		Beginning balance	Changes in fair value recognized in other comprehensive income	Reclassified to profit or loss	Ending balance
Effective portion of cash flow hedges	₩	2,344	(22,616)	(34,020)	(54,292)
Income tax effects		(567)			13,139
Effective portion of cash flow hedges, net of income taxes	₩	1,777			(41,153)

(Continued)

(in millions of Korean won)		**2013**			
		Beginning balance	**Changes in fair value recognized in other comprehensive income**	**Reclassified to profit or loss**	**Ending balance**
Effective portion of cash flow hedges	₩	2,803	(237,215)	236,756	2,344
Income tax effects		(678)			(567)
Effective portion of cash flow hedges, net of income taxes	₩	2,125			1,777

The Group is expected to be exposed to the variability in future cash flows arising from hedged items designated as cash flow hedges, until September 29, 2020. There was no cash flow hedges discontinued during the years ended December 31, 2015, 2014 and 2013.

There was no ineffective portion recognized in profit or loss related to cash flow hedge for the years ended December 31, 2015, 2014 and 2013.

(Continued)

19. Equity

(1) Issued capital

Details of issued capital as of December 31, 2015, 2014 and 2013 are as follows:

	December 31, 2015, 2014 and 2013
Type	Common stock
Number of authorized shares to issue	500,000,000
Par value of share (in won)	5,000
Number of issued shares	99,307,435
Issued capital (in won)	496,537,175,000

(2) Legal reserve

Korean Commercial Act requires the Group to appropriate, as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of its issued capital. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(3) Discretionary reserve

The Group appropriates a reserve in accordance with Electronic Financial Transactions Act and a reserve for business rationalization in accordance with Restriction of Special Taxation Act.

In accordance with the Article 11 of Regulation on Supervision of Specialized Credit Finance Business mandated by the Financial Services Commission, the Group appropriates regulatory reserves for loan losses which equal to the difference between allowance for loan losses estimated under K-IFRS and allowance estimated based on regulatory risk grades of loans and receivables and minimum required reserve ratio to each grade.

Details of regulatory reserve for loan losses as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Appropriated regulatory reserve for loan losses	₩	335,372	328,317	273,906
Expected provision for (release of) regulatory reserve for loan losses		(79,931)	7,055	54,411
Regulatory reserve for loan losses (*1)	₩	255,441	335,372	328,317

(*1) Regulatory reserve for loan losses as of December 31, 2015, 2014 and 2013 represents the amount which reflects the expected provision for (release of) regulatory reserve for loan losses to appropriated regulatory reserve for loan losses at the beginning of the year.

(Continued)

Provision for (release of) regulatory reserve for loan losses and profit for the period and earnings per share adjusted with provision for (release of) regulatory reserve for loan losses for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015	2014	2014
Profit for the year	₩	276,714	237,705	391,427
Less (add): provision for (release of) regulatory reserve for loan losses (*1)		(79,931)	7,055	54,411
Profit for the period adjusted with provision for (release of) regulatory reserve for loan losses (*2)	₩	356,645	230,650	337,016
Basic and diluted earnings per share adjusted with provision for (release of) regulatory reserve for loan losses (in won)	₩	3,591	2,323	3,393

(*1) Provision for (release of) regulatory reserve for loan losses represents additional (excess) reserves expected to be made (released) for the years ended December 31, 2015, 2014 and 2013.

(*2) Profit for the year adjusted with provision for (release of) regulatory reserve for losses is not prepared in accordance with K-IFRS, but the amount reflects the expected provision for (release of) regulatory reserve for loan losses on a pre-tax basis on profit for the year.

(4) Retained earnings

Details of retained earnings as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Legal reserves:				
Earned surplus reserve	₩	107,634	107,634	89,630
Discretionary reserves:				
Regulatory reserve for loan losses		335,372	328,317	273,906
Reserve for electronic financial transactions		100	100	100
Reserve for business rationalization		74	74	74
		335,546	328,491	274,080
Retained earnings before appropriation		2,185,899	2,161,960	1,996,670
	₩	2,629,079	2,598,085	2,360,380

(5) Dividends

The Company does not plan to declare the year-end dividends for the fiscal year 2015. Interim dividends declared and paid by the Company for the year ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)	2015	2014	2013
Interim dividends			
Number of shares eligible for dividends	99,307,435 shares	—	99,307,435 shares
Par value of share (in won)	5,000	5,000	5,000
Dividends rate	50.34%	0.00%	36.26%
Dividends	249,956	—	180,045
Profit for the year	276,714	237,705	391,427
Dividends payout ratio (Dividends/ Profit for the year)	90.33%	0.00%	46.00%

(Continued)

20. Net Interest Income

Net interest income for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**2015**	**2014**	**2013**
Interest income:				
Cash and due from other financial institutions	₩	22,931	37,560	30,638
Available-for-sale securities		1,201	1,197	138
Loans receivable		1,038,565	1,226,993	1,443,900
Installment financial assets		424,471	353,172	251,251
Lease receivables (*1)		182,050	206,092	218,137
Other (*2)		1,470	1,811	1,365
		1,670,688	1,826,825	1,945,429
Interest expense:				
Borrowings		44,030	61,964	82,915
Bonds issued		584,731	663,810	680,361
Other (*2)		20,300	26,857	37,314
		649,061	752,631	800,590
Net interest income	₩	1,021,627	1,074,194	1,144,839

(*1) Including amortization of unearned revenue for security deposits received for leases under the effective interest method.

(*2) Including amortization of present value discounts under the effective interest method for the security deposits paid for leased offices, amortization of present value discounts for customer deposits received for leases and unwinding of provisions.

21. Net Fee Income

Net fee income for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**2015**	**2014**	**2013**
Fee income:				
Loans receivable	₩	42,271	47,132	48,501
Installment financial assets		13,224	9,335	4,461
Lease receivables		155,200	168,876	186,383
		210,695	225,343	239,345
Fee expenses:				
Lease expenses		114,271	140,699	131,456
Net fee income	₩	96,424	84,644	107,889

(Continued)

22. Other Operating Income and Expenses

Other operating income and expenses for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**2015**	**2014**	**2013**
Other operating income:				
Gain on valuation of derivatives	₩	225,373	144,827	12,125
Gain on derivatives transactions		54,527	4,990	20,208
Gain on short-term financial investments		894	853	—
Gain on purchased loan		52,799	60,887	54,607
Shared services income		25,212	21,136	35,141
Other fee and commission		54,692	49,217	46,792
Other		8,576	8,764	24,770
	₩	422,073	290,674	193,643
Other operating expenses:				
Loss on valuation of derivatives	₩	28,647	88,851	252,532
Loss on derivatives transactions		25,821	26,944	16,569
Shared services expense		23,575	23,383	27,611
Other		25,216	26,790	27,939
	₩	103,259	165,968	324,651

23. General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**2015**	**2014**	**2013**
Salaries	₩	233,415	187,964	171,903
Severance benefits		29,610	13,550	13,350
Employee benefits		35,225	36,853	37,873
Advertising		63,959	65,395	57,104
Sales promotion		77,907	72,778	72,775
Rents		47,384	42,506	42,623
Utilities		10,451	11,729	11,578
Communication		15,444	15,922	15,515
Travel and transportation		5,777	5,113	5,816
Professional and other service fees		72,328	72,549	68,152
Outsourcing service charges		36,234	64,087	68,235
Commissions and charges		28,301	22,527	21,036
Depreciation		22,989	27,971	23,801
Amortization		13,611	12,762	11,792
Other		51,768	50,546	50,148
	₩	744,403	702,252	671,701

(Continued)

24. Income Taxes

(1) Income tax expense

Income tax expense for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015	2014	2013
Current income tax expense	₩	91,939	99,849	136,149
Change in deferred income tax due to temporary differences		9,631	(23,300)	(2,878)
Deferred income taxes recognized directly to equity		(6,446)	16,730	(446)
Income tax expense	₩	95,124	93,279	132,825

(2) Deferred income taxes recognized directly to equity

Deferred income taxes recognized directly to equity for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015			2014			2013		
		Beginning balance	Ending balance	Changes	Beginning balance	Ending balance	Changes	Beginning balance	Ending balance	Changes
Unrealized gains and losses on available-for-sale securities	₩	(2,168)	(5,123)	(2,955)	(1,036)	(2,168)	(1,132)	(320)	(1,036)	(716)
Share in other comprehensive income of associates under the equity method		326	(687)	(1,013)	—	326	326	—	—	—
Effective portion of cash flow hedges		13,139	8,205	(4,934)	(567)	13,139	13,706	(678)	(567)	111
Remeasurements of defined benefit plans		8,186	10,642	2,456	4,356	8,186	3,830	4,197	4,356	159
	₩	19,483	13,037	(6,446)	2,753	19,483	16,730	3,199	2,753	(446)

(3) Effective tax rate reconciliation

Income tax expense attributable to net income was ₩95,124 million, ₩93,279 million and ₩132,825 million for the years ended December 31, 2015, 2014 and 2013, respectively, and differed from the amounts computed by applying the statutory tax rate to profit before income taxes as a result of the following:

(in millions of Korean won)		2015	2014	2013
Profit before income taxes (A)	₩	371,838	330,984	524,252
Income taxes at statutory tax rates		89,523	79,636	126,869
Adjustments:				
Non-taxable income		(4)	(1)	(39)
Non-deductible expense		978	340	338
Changes in estimates for tax provisions of the prior year		(139)	(3,319)	8,185
Tax audit settlements		—	13,283	—
Others including tax credits and foreign subsidiaries		4,766	3,340	(2,528)
Income tax expense (B)	₩	95,124	93,279	132,825
Effective tax rate (B/A)		25.58%	28.18%	25.34%

(Continued)

(4) Temporary differences and deferred tax balances

Changes in temporary differences and deferred tax balances for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015				
		Temporary difference			Deferred tax assets (liabilities)	
		Beginning balance	Increase (Decrease)	Ending balance	Beginning balance	Ending balance
Derivative financial instruments	₩	63,340	(29,435)	33,905	15,328	8,205
Deferred fees		(129,894)	2,961	(126,933)	(31,434)	(30,718)
Initial direct costs for lease assets		(102,124)	5,337	(96,787)	(24,714)	(23,422)
Gain and loss on foreign exchange translation		(9,049)	9,049	—	(2,190)	—
Accounts payables		41,985	(3,317)	38,668	10,160	9,358
Depreciation		5,025	(307)	4,718	1,216	1,142
Present value discounts		(30,314)	8,789	(21,525)	(7,336)	(5,209)
Others		21,683	(32,876)	(11,193)	5,248	(2,709)
	₩	(139,348)	(39,799)	(179,147)	(33,722)	(43,353)

(in millions of Korean won)		2014				
		Temporary difference			Deferred tax assets (liabilities)	
		Beginning balance	Increase (Decrease)	Ending balance	Beginning balance	Ending balance
Derivative financial instruments	₩	(5,952)	69,292	63,340	(1,427)	15,328
Deferred fees		(161,381)	31,487	(129,894)	(39,054)	(31,434)
Initial direct costs for lease assets		(101,722)	(402)	(102,124)	(24,617)	(24,714)
Gain and loss on foreign exchange translation		3,554	(12,603)	(9,049)	860	(2,190)
Accounts payables		26,181	15,804	41,985	6,529	10,160
Depreciation		547	4,478	5,025	132	1,216
Present value discounts		(1,322)	(28,992)	(30,314)	(320)	(7,336)
Others		12,809	8,874	21,683	876	5,248
	₩	(227,286)	87,938	(139,348)	(57,021)	(33,722)

(in millions of Korean won)		2013				
		Temporary difference			Deferred tax assets (liabilities)	
		Beginning balance	Increase (Decrease)	Ending balance	Beginning balance	Ending balance
Derivative financial instruments	₩	(8,712)	2,760	(5,952)	(1,538)	(1,427)
Deferred fees		(166,600)	5,219	(161,381)	(40,317)	(39,054)
Initial direct costs for lease assets		(111,881)	10,159	(101,722)	(27,075)	(24,617)
Gain and loss on foreign exchange translation		3,554	—	3,554	860	860
Accounts payables		20,591	5,590	26,181	4,983	6,529
Depreciation		(2,965)	3,512	547	(718)	132
Present value discounts		(30)	(1,292)	(1,322)	(7)	(320)
Others		26,689	(13,880)	12,809	3,913	875
	₩	(239,354)	12,068	(227,286)	(59,899)	(57,022)

(5) Unrecognized deferred tax liabilities

The Group did not recognize deferred tax liabilities of ₩2,340 million, ₩2,896 million and ₩4,296 million, as of December 31, 2015, 2014 and 2013, respectively, associated with temporary differences resulting from investments in subsidiaries as the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(Continued)

(6) Recognized and unrecognized deferred tax assets

Recognition of deferred tax assets is based on various factors such as the Group's performance, management's profit forecasts (which are based on the available evidence, including historical levels of profitability), overall economic environment, outlook of the industry and others, which indicates that it is probable that the Group's entities will have future taxable profits against which these assets can be used.

Deferred tax assets of ₩3,280 million and ₩2,340 million as of December 31, 2015 and 2013, respectively, have not been recognized, because it is not probable that the temporary differences would reverse in the foreseeable future.

25. Earnings Per Share

(1) Basic earnings per share

Basic earnings per share attributable to common stock of equity holders for the years ended December 31, 2015, 2014 and 2013 are as follows:

		2015	2014	2014
Profit for the year attributable to common stock (in won) (A)	₩	276,713,944,605	237,705,282,374	391,426,965,285
Weighted average of number of outstanding common stocks (B)		99,307,435	99,307,435	99,307,435
Basic earnings per share (in won) (A/B)	₩	2,786	2,394	3,942

(2) Diluted earnings per share

There are no potential common stocks as of December 31, 2015, 2014 and 2013. Therefore, the diluted earnings per share is equal to basic earnings per share for the years ended December 31, 2015, 2014 and 2013.

(Continued)

26. Other Comprehensive Income

Other comprehensive income for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015				
			Changes			
		Beginning balance	Reclassification to profit or loss	Other changes	Income tax effects	Ending balance
Net change in unrealized gains and losses on available-for-sale securities	₩	6,792	(87)	12,301	(2,955)	16,051
Share in other comprehensive income (loss) of associates under the equity method		(1,021)	—	4,186	(1,013)	2,152
Net change in effective portion of cash flow hedges		(41,153)	(225,432)	245,819	(4,934)	(25,700)
Net change in foreign currency translation adjustments		(3,573)	—	(863)	—	(4,436)
Remeasurements of defined benefit plans		(25,640)	—	(10,150)	2,456	(33,334)
	₩	(64,595)	(225,519)	251,293	(6,446)	(45,267)

(in millions of Korean won)		2014				
			Changes			
		Beginning balance	Reclassification to profit or loss	Other changes	Income tax effects	Ending balance
Net change in unrealized gains and losses on available-for-sale securities	₩	3,243	(100)	4,781	(1,132)	6,792
Share in other comprehensive income (loss) of associates under the equity method (*1)		(1,615)	—	268	326	(1,021)
Net change in effective portion of cash flow hedges		1,777	(34,020)	(22,616)	13,706	(41,153)
Net change in foreign currency translation adjustments		(1,333)	—	(2,240)	—	(3,573)
Remeasurements of defined benefit plans		(13,645)	—	(15,825)	3,830	(25,640)
	₩	(11,573)	(34,120)	(35,632)	16,730	(64,595)

(Continued)

(in millions of Korean won)		2013				
			Changes			
		Beginning balance	Reclassification to profit or loss	Other changes	Income tax effects	Ending balance
Net change in unrealized gains and losses on available-for-sale securities	₩	1,002	(92)	3,049	(716)	3,243
Share in other comprehensive income (loss) of associates under the equity method		(2,540)	—	925	—	(1,615)
Net change in effective portion of cash flow hedges		2,125	236,756	(237,215)	111	1,777
Net change in foreign currency translation adjustments		(872)	—	(461)	—	(1,333)
Remeasurements of defined benefit plans		(13,147)	—	(657)	159	(13,645)
	₩	(13,432)	236,664	(234,359)	(446)	(11,573)

27. Supplemental Cash Flow Information

(1) Cash and cash equivalents

Details of cash and cash equivalents as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Cash on hold	₩	1	1	3
Ordinary deposits		267,735	197,732	200,356
Checking deposits		9,683	5,621	4,941
Other cash equivalents (*1)(*2)		585,445	404,853	1,297,300
	₩	862,864	608,207	1,502,600

(*1) Other cash equivalents include demand deposits, certificate of deposits, time deposits, commercial paper, repurchase agreements and other debt instruments with maturities of three months or less from the acquisition date that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(*2) Other cash equivalents include restricted cash at reserve accounts of Autopia ABS trusts due from other banks in the amount of ₩13,400 million as of December 31, 2015 and 2014 and ₩18,300 million as of December 31, 2013, respectively, for the Autopia asset securitization program.

(Continued)

(2) Cash generated from operations

Cash generated from operations for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015	2014	2013
Profit for the year	₩	276,714	237,705	391,427
Adjustments:				
Gain on sale of available-for-sale securities		(1,717)	(1,838)	(2,424)
Income on loans		56,917	120,635	(19,870)
Income on installment financial assets		47,972	34,075	(18,491)
Income on leases		44,291	54,557	58,558
Gain on foreign currency translation		(30,317)	(89,250)	(252,709)
Dividend income		(4,937)	(5,565)	(4,671)
Gain on valuation of derivatives		(225,373)	(144,827)	(12,125)
Gain on valuation of short-term financial investments		(894)	(853)	—
Net interest expenses		623,459	712,063	768,448
Lease expenses		320,321	301,457	313,435
Provision for loan losses		307,229	418,327	453,061
Loss on foreign currency translation		225,474	144,987	12,207
Severance benefits		17,867	13,550	13,350
Long-term employee benefits		1,057	5,587	—
Depreciation		22,989	27,971	23,801
Amortization		13,611	12,762	11,792
Loss on valuation of derivatives		28,647	88,851	252,532
Provisions (release of provisions)		(1,299)	414	(189)
Loss on redemption of bonds issued		—	—	187
Share in net income of associates under the equity method		(30,860)	(17,246)	(7,035)
Gain on sale of property and equipment		(1,181)	(163)	(85,620)
Gain on sale of assets held for sale		—	(17,153)	—
Reversal of impairment loss on intangible assets		—	(119)	—
Share in net loss of associates under the equity method		—	216	—
Impairment loss on investments in associates		—	27,689	—
Loss on sale of property and equipment		538	436	3,048
Impairment loss on intangible assets		2,238	1,505	561
Loss on sale of assets held for sale		—	244	—
Income tax expense		95,124	93,279	132,825
		1,511,156	1,781,591	1,640,671

(Continued)

(in millions of Korean won)		**2015**	**2014**	**2013**
Changes in operating assets and liabilities:				
Decrease (increase) in due from banks	₩	33,637	(36,118)	(3)
Decrease (increase) in short-term financial investments		192,585	(949,543)	—
Increase in available-for-sale securities		(175)	(4,149)	(27,119)
Decrease in loans receivable		772,125	1,053,858	571,291
Increase in installment financial assets		(2,458,149)	(1,786,741)	(1,081,420)
Increase in finance lease receivables		(429,472)	(276,755)	(693,372)
Decrease in cancelled lease receivables		14,844	17,649	14,238
Increase in operating lease assets		(597,113)	(419,308)	(257,080)
Decrease in cancelled lease assets		423,450	498,814	414,632
Decrease in non-trade receivables		2,525	3,099	8,092
Decrease (increase) in accrued revenues		6,848	7,319	(224)
Increase in advance payments		(39,222)	(47,066)	(40,197)
Decrease (increase) in prepaid expenses		(20,531)	2,616	9,664
Increase in derivatives, net		(184,593)	(126,675)	(19,901)
Increase (decrease) in non-trade payables		50,437	(28,570)	(36,175)
Increase (decrease) in accrued expenses		4,850	435	(15,029)
Increase (decrease) in unearned revenue		643	(3,106)	(9,975)
Increase (decrease) in withholdings		23,775	(1,020)	(857)
Decrease in current tax liabilities		—	—	(3,323)
Decrease in deposits received		(82,824)	(124,331)	(140,685)
Severance payments		(4,664)	(3,705)	(8,421)
Contributions to plan assets		(18,700)	(18,410)	(5,948)
Transfer of severance benefits from (to) related parties, net		634	(652)	259
Decrease in long-term employee benefits		(398)	—	—
Increase (decrease) in other liabilities		(10)	(20)	(39)
		(2,309,498)	(2,242,379)	(1,321,592)
	₩	(521,628)	(223,083)	710,506

(3) Interest received

Cash flows from interest received on loans receivables, installment financial assets and lease receivables are ₩1,810,293 million, ₩1,933,609 million and ₩1,978,405 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(4) Non-cash transactions

Significant transactions not involving cash flows for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**2015**	**2014**	**2013**
Charge-offs of financial receivables and other assets	₩	415,351	536,751	501,791
Reclassification from property and equipment to assets held for sale		—	—	22,347

(Continued)

28. Commitments and Contingencies

(1) Line of credit commitments

As of December 31, 2015, the Group has line-of-credit commitments from Shinhan Bank and two other financial institutions with aggregated limits in the amount of ₩54,500 million.

(2) Credit Facility Agreement

(a) Credit Facility Agreement with GE Capital

The Group entered into a credit facility agreement with GE Capital European Funding & Co. (GE Capital) on February 15, 2013 and the limit of this credit facility was euro equivalent amounts to USD 600 million. The agreement was renewed on January 9, 2015 with the same limit above and renewable in every one year until January 5, 2018. The agreement expired on January 8, 2016 without renewal.

In relation to the credit facility agreement above, Hyundai Motor Company guarantees GE Capital for any amounts not paid by the Group, for amount up to its ownership interests of 56% in the Group. The guarantee also expired with the credit facility agreement on January 8, 2016.

(b) Revolving Credit Facility

As of December 31, 2015, the Group has revolving credit facility agreements amounted to USD 200 million, EUR 10 million and ₩1,775,000 million with Kookmin Bank and 21 other financial institutions for credit lines.

(3) Guarantees

Details of guarantees provided to the Group as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won) Guarantor	Details		December 31, 2015	December 31, 2014	December 31, 2013
Hyundai Motor Company	Joint liabilities on finance lease receivables (*1)	₩	1,568	1,568	1,568
Seoul Guarantee Insurance Co., Ltd.	Guarantee for debt collection deposit and others		80,202	102,696	132,589

(*1) The amounts represent the guaranteed unpaid principals as of December 31, 2015, 2014 and 2013 as defined under the joint liability agreement.

The Group has residual value guarantee insurance policies with KB Insurance Co., Ltd. and two other insurance carriers which cover losses resulting from defaults in mortgage loans where unpaid amounts exceed the recoverable amounts from the collateral of the loans and cover losses resulting from sales of off-lease vehicles returned where the expected residual values exceed the recoverable amounts at the end of the lease terms. Loans and leases insured by the policies and residual value guaranteed by the insurance policies as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Loans and leases insured	₩	967,695	799,687	792,244
Residual value guaranteed by the insurance policies		225,313	271,032	284,746

(Continued)

(4) Pending litigations

Pending litigations include 14 cases with aggregated amount of ₩758 million where the Group is the defendant, 2 cases with aggregated amount of ₩2,824 million where the Group is the plaintiff, and litigations against a number of debtors to collect receivables as of December 31, 2015. The Group recognized provisions of ₩258 million related to one legal suit (Note 17).

Management has reviewed legal claims against the Group with outside legal counsels and has taken into consideration the views of such counsel as to the outcome of the claims. In management's opinion, the final disposition of all such claims will not have a material adverse effect on the Group's financial position or results of its operations.

(5) Receivables transfer agreement

The Group entered into an agreement with Hyundai Card Co., Ltd., Hyundai Commercial Co., Ltd., and Hyundai Life Insurance Co., Ltd., to purchase certain delinquent receivables on a regular basis at amount agreed with the transferors.

(6) Operating leases

In 2013, the Group entered into non-cancellable operating leases with Hyundai Life Insurance Co., Ltd. for three office buildings with initial lease terms of five years.

Future minimum lease payments under non-cancellable operating leases above as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Less than one year	₩	8,574	7,914	8,480
One to five years		8,033	17,807	27,559
	₩	16,607	25,721	36,039

Rental expenses recognized with the office leases above for the years ended December 31, 2015, 2014 and 2013 are ₩8,574 million, ₩8,008 million and ₩6,831 million, respectively.

(Continued)

29. Related Party Transactions

(1) Relationships between parents and subsidiaries

The parent company is Hyundai Motor Company. Related parties include associates, joint ventures, post-employment benefit plans, members of key management personnel and entities which the Group controls directly or indirectly, has joint control or significant influence over them.

(2) Related parties

See Note 28, regarding the credit facility agreement with GE Capital, which has significant influence on the Group. The other related parties that have transactions, and receivables and payables with the Group as of December 31, 2015 is as follows:

Type	Company
The Parent	Hyundai Motor Company
Associates	Hi Network, Inc., Korea Credit Bureau, Hyundai Capital Germany GmbH, Hyundai Capital UK Ltd. and Beijing Hyundai Auto Finance Co., Ltd.
Others	Hyundai Life Insurance Co., Ltd., Hyundai Card Co., Ltd., Hyundai Autoever Corp., Hyundai Glovis Co., Ltd., Kia Motors Corp., Hyundai Capital America, and 62 others

(3) Transactions with related parties

Significant transactions, which occurred in the normal course of business with related companies for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**2015**				
		Operating revenue	**Operating expenses**	**Non-operating income**	**Other**	
					Sales	**Purchases**
The Parent						
Hyundai Motor Company	₩	40,820	2,235	—	—	860,169
Associates						
Hi Network, Inc.		136	1,450	—	—	—
Korea Credit Bureau		1	1,338	—	—	—
Hyundai Capital Germany GmbH		917	—	—	—	—
Beijing Hyundai Auto Finance Co., Ltd.		464	—	—	—	—
		1,518	2,788	—	—	—
Other related parties						
Hyundai Life Insurance Co., Ltd.		374	12,003	—	—	3,771
Hyundai Card Co., Ltd.		45,189	20,665	312	—	138,657
Hyundai Commercial Inc.		2,541	4,303	—	—	55,930
Hyundai Autoever Corp.		161	43,153	—	—	33,108
Hyundai Glovis Co., Ltd.		306	3,232	—	37,543	—
Kia Motors Corp.		34,808	365	—	—	325,133
Hyundai Capital America		27,557	—	—	—	—
Others		34,422	15,011	—	—	7,662
		145,358	98,732	312	37,543	564,261
	₩	187,696	103,755	312	37,543	1,424,430

(Continued)

(in millions of Korean won)		2014				
		Operating revenue	Operating expenses	Non-operating income	Other: Sales	Other: Purchases
The Parent						
Hyundai Motor Company	₩	18,118	1,650	—	—	822,859
Associates						
Hi Network, Inc.		—	784	—	—	—
Korea Credit Bureau		6	1,248	1	—	—
Hyundai Capital Germany GmbH		229	—	—	—	—
Beijing Hyundai Auto Finance Co., Ltd.		24	—	—	—	—
HK Savings Bank		35	—	—	24	—
		294	2,032	1	24	—
Other related parties						
Hyundai Life Insurance Co., Ltd.		358	9,698	48	—	989
Hyundai Card Co., Ltd.		42,754	26,224	447	—	157,036
Hyundai Autoever Corp.		93	34,467	—	—	37,119
Hyundai Glovis Co., Ltd.		185	3,480	—	44,259	—
Kia Motors Corp.		18,051	816	—	—	209,342
Hyundai Capital America		19,212	—	—	—	—
Others		25,113	18,523	393	—	41,114
		105,766	93,208	888	44,259	445,600
	₩	124,178	96,890	889	44,283	1,268,459

(in millions of Korean won)		2013			
		Revenue	Expenses	Other: Sales	Other: Purchases
The Parent					
Hyundai Motor Company	₩	7,600	2,626	—	807,721
Associates					
Hi Network, Inc.		402	1,876	—	—
Korea Credit Bureau		1	972	—	—
Hyundai Capital Germany GmbH		388	—	—	—
Beijing Hyundai Auto Finance Co., Ltd.		581	—	—	—
HK Savings Bank		36	—	—	—
		1,408	2,848	—	—
Other related parties					
Hyundai Life Insurance Co., Ltd.		394	7,305	177,900	—
Hyundai Card Co., Ltd.		71,359	26,607	—	153,875
Hyundai Autoever Corp.		55	31,088	—	35,633
Kia Motors Corp.		136	4,034	—	277,170
Hyundai Capital America		22,312	—	—	—
Others		19,787	16,792	56,820	75,620
		114,043	85,826	234,720	542,298
	₩	123,051	91,300	234,720	1,350,019

(Continued)

Receivables and payables with related parties as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015		
		Lease receivables	Other assets	Other liabilities
The Parent				
Hyundai Motor Company	₩	360	4,767	27,845
Associates				
Hi Network, Inc.		—	—	1,477
Hyundai Capital Germany GmbH		—	75	—
Beijing Hyundai Auto Finance Co., Ltd.			133	
		—	208	1,477
Other related parties				
Hyundai Life Insurance Co., Ltd. (*1)		348	81,086	361
Hyundai Card Co., Ltd.		866	1,286	111,830
Hyundai Autoever Corp.		—	—	1,827
Hyundai Glovis Co., Ltd.		514	2,199	—
Kia Motors Corp.		—	3,840	38,439
Hyundai Capital America		—	28,515	—
Hyundai Steel Company		5,703	166	—
Others		6,031	743	488
		13,462	117,835	152,945
	₩	13,822	122,810	182,267

(in millions of Korean won)		December 31, 2014		
		Lease receivables	Other assets	Other liabilities
The Parent				
Hyundai Motor Company	₩	1,477	2,924	12,471
Other related partiies				
Hyundai Life Insurance Co., Ltd. (*1)		400	66,829	50
Hyundai Card Co., Ltd.		2,004	865	126,606
Hyundai Autoever Corp.		—	—	98
Hyundai Glovis Co., Ltd.		436	1,744	—
Kia Motors Corp.		—	410	7,642
Hyundai Capital America		—	22,800	—
Others		11,321	804	925
		14,161	93,452	135,321
	₩	15,638	96,376	147,792

(*1) Other assets include plan assets of ₩73,086 million and ₩59,307 million as of December 31, 2015 and 2014, respectively, related to the Group's defined benefit plan.

(Continued)

(in millions of Korean won)		December 31, 2013	
		Receivables	Payables
The Parent			
Hyundai Motor Company	₩	1,823	24,768
Other related partiies			
Hyundai Life Insurance Co., Ltd.		21,257	—
Hyundai Card Co., Ltd.		3,147	83,353
Hyundai Autoever Corp.		—	87
Kia Motors Corp.		1,278	40,666
Hyundai Capital America		20,866	—
Others		4,137	614
		50,685	124,720
	₩	52,508	149,488

(4) Key management compensation

Compensation to key management for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		2015	2014	2013
Short-term employee benefits	₩	10,058	8,588	9,611
Severance benefits		1,980	1,986	2,676
Other long-term employee benefits		184	—	—

The key management above consists of directors (including non-permanent directors), who have significant authority and responsibilities for planning, operating and controlling the Group.

(Continued)

30. Transfer of Financial Assets

The Group issued senior and subordinated asset-backed securities collateralized by loans receivable, installment financial assets, and lease receivables; and the investors in the securitized notes have recourse only to the cash flows from the transferred financial assets.

Details of financial assets transferred that are not derecognized as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		**December 31, 2015**	**December 31, 2014**	**December 31, 2013**
Carrying amount of assets:				
Loans receivable	₩	926,330	1,135,248	2,030,886
Installment financial assets		3,368,520	1,801,193	1,010,051
Lease receivables		230,229	320,341	292,453
		4,525,079	3,256,782	3,333,390
Carrying amount of associated liabilities (*1):		(3,180,053)	(2,301,178)	(2,361,821)
For those liabilities that have recourse only to the transferred financial assets:				
Fair value of assets		4,544,789	3,273,905	3,441,725
Fair value of associated liabilities (*1)		(3,196,858)	(2,318,511)	(2,427,098)
Net position	₩	1,347,931	955,394	1,014,627

(*1) Excluding derivatives for hedges. The Group enters into currency swaps contracts principally to manage exposures to fluctuations in future cash flows due to interest rate risk and foreign exchange risk of foreign currency denominated asset-backed securities issued.

(Continued)

31. Offsetting of Financial Assets and Liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements as of December 31, 2015, 2014 and 2013:

(in millions of Korean won)		December 31, 2015					
		Gross amounts of recognized financial assets /liabilities	Gross amounts of recognized financial assets /liabilities offset in the statement of financial position	Net amounts of financial assets /liabilities in the statement of financial position	Related amounts not offset in the statement of financial position		Net amounts
					Financial instruments	Cash collateral received	
Financial assets:							
Derivative assets	₩	179,154	—	179,154	93,361	—	85,793
Financial liabilities:							
Derivative liabilities		140,234	—	140,234	93,361	—	46,873

(in millions of Korean won)		December 31, 2014					
		Gross amounts of recognized financial assets /liabilities	Gross amounts of recognized financial assets /liabilities offset in the statement of financial position	Net amounts of financial assets /liabilities in the statement of financial position	Related amounts not offset in the statement of financial position		Net amounts
					Financial instruments	Cash collateral received	
Financial assets:							
Derivative assets	₩	20,321	—	20,321	20,321	—	—
Financial liabilities:							
Derivative liabilities		383,107	—	383,107	20,321	—	362,786

(Continued)

(in millions of Korean won)		December 31, 2013					
					Related amounts not offset in the statement of financial position		
		Gross amounts of recognized financial assets /liabilities	Gross amounts of recognized financial assets /liabilities offset in the statement of financial position	Net amounts of financial assets /liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net amounts
Financial assets:							
Derivative assets	₩	23,946	—	23,946	23,557	—	389
Financial liabilities:							
Derivative liabilities		512,745	—	512,745	23,557	—	489,188

(Continued)

32. Fair Value Measurements of Financial Instruments

(1) Fair value of financial instruments

The fair values of financial instruments, together with carrying amounts shown in the statements of financial position, as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015		December 31, 2014		December 31, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:							
Cash and due from other financial institutions	₩	1,624,065	1,624,065	1,594,736	1,594,736	1,502,615	1,502,615
Available-for-sale securities		77,550	77,550	63,446	63,446	52,783	52,783
Loans receivable		8,492,110	8,410,462	9,584,209	9,439,544	11,124,201	11,318,040
Installment financial assets		8,861,006	8,869,681	6,502,794	6,528,367	4,799,854	4,801,546
Lease receivables		2,630,653	2,625,396	2,685,208	2,676,961	2,989,959	2,943,184
Derivative assets		179,154	179,154	20,321	20,321	23,946	23,946
Non-trade receivables		120,470	120,470	114,785	114,785	113,750	113,750
Accrued revenues		89,788	89,788	97,344	97,344	103,517	103,517
Leasehold deposits		22,180	21,326	22,033	20,896	28,343	28,117
	₩	22,096,976	22,017,892	20,684,876	20,556,400	20,738,968	20,887,498
Financial liabilities:							
Borrowings	₩	1,763,872	1,768,844	1,562,261	1,571,584	1,811,443	1,822,182
Bonds issued		17,637,558	17,952,586	15,899,469	16,346,713	15,426,879	15,780,619
Derivative liabilities		140,234	140,234	383,107	383,107	512,745	512,745
Non-trade payables (*1)		309,825	309,825	255,369	255,369	290,405	290,405
Accrued expenses		175,132	175,132	177,592	177,592	161,447	161,447
Withholdings (*1)		34,403	34,403	19,314	19,314	13,673	13,673
Deposits received		546,574	526,969	609,078	584,187	706,224	708,597
Other liabilities		40	40	50	50	70	70
	₩	20,607,638	20,908,033	18,906,240	19,337,916	18,922,886	19,289,738

(*1) Excluding liabilities for taxes and dues

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, and Due from banks

The carrying amount and the fair value of cash are identical. As cash, deposits, and other cash equivalent instruments can be easily converted into cash, the carrying amount, at face value or cost plus accrued interest, approximates the fair value due to short maturity of these instruments.

Short-term financial investments

In case that the market of a financial instrument is active, fair value is established at the close quoted price as of the last day for the reporting period. The fair value of investments in money market funds is determined by the sum of acquisition cost and accrued interest.

(Continued)

Available-for-sale securities

When available, the Group measures the fair value of a security using quoted prices in an active market. If a market for a security is not active, the Group establishes fair value by using a highly accredited independent valuation agency. The independent valuation agency utilizes various valuation technique, which include the discounted cash flow model, the imputed market value model, the free cash flow to equity (FCFE) model, the dividend discount model, the risk adjusted discount rate method, and the net asset valuation approach. Depending on the characteristic and nature of the instrument, the fair value is measured by using at least one valuation technique.

Loans receivable, installment financial assets, and lease receivables

The fair value is determined by using the discounted cash flow model that incorporate parameter inputs for expected maturity rate/prepayment rate, as appropriate. As the discount rate used for determining the fair value incorporates the time value of money and credit risk, the Group's discount rate system is formed to consider the market risk and the credit risk.

Derivative financial instruments

The fair value of interest rate swaps and currency swaps are determined by using the discounted cash flow model based on a current interest rate yield curve appropriate for market interest rate as of the reporting date. The fair value of each derivative instrument measured by discounting and offsetting the probable future cash flows of swap, which are estimated based on the forward rate and the closing foreign exchange price. The fair value of each derivative is measured by offsetting and discounting the expected cash flows of the swap at appropriate discount rate which is based on forward interest rate and exchange rate that is generated by using above method. The fair value of currency forward is measured principally with the forward exchange rate which is quoted in the market at the end of reporting period considering the maturity of the currency forward. The discount rate used in measuring the fair value of currency forward is derived from CRS rate which is determined by using the spot exchange rate and the forward exchange rate based on the interest rate parity theory.

Borrowings

The fair value of borrowings is determined by using the discounted cash flow method; the fair value of a financial instrument is determined by discounting the expected future cash flows at an appropriate discount rate.

Bonds issued

The fair value of bonds is determined by using the discounted cash flow method. The fair value of bonds denominated in won and bonds denominated in foreign currencies are quoted from a reliable independent valuation service provider.

Other financial assets and liabilities

The fair value of other financial assets and other financial liabilities is determined by using the discounted cash flow method. For certain other financial assets and liabilities, carrying amount approximates fair value due to their short term nature and generally negligible credit risk. These instruments include nontrade receivables, accrued interest receivable, nontrade payables, and others.

(Continued)

(2) Fair value hierarchy

(a) Financial assets and liabilities measured at fair value

The fair value hierarchy of financial assets and liabilities measured at fair value in the statement of financial position as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015				
		Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3 (*1)
Financial assets measured at fair value:						
Short-term financial investments	₩	758,705	758,705	—	758,705	—
Available-for-sale securities		77,550	77,550	24,694	33,693	19,163
Derivative assets						
Designated as hedging instruments for cash flow hedges		179,154	179,154	—	179,154	—
	₩	1,015,409	1,015,409	24,694	971,552	19,163
Financial liabilities measured at fair value:						
Derivative liabilities						
Designated as hedging instruments for cash flow hedges	₩	140,234	140,234	—	140,234	—

(in millions of Korean won)		December 31, 2014				
		Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3 (*1)
Financial assets measured at fair value:						
Short-term financial investments	₩	950,396	950,396	—	950,396	—
Available-for-sale securities		63,446	63,446	13,958	33,016	16,472
Derivative assets						
Designated as hedging instruments for cash flow hedges		20,321	20,321	—	20,321	—
	₩	1,034,163	1,034,163	13,958	1,003,733	16,472
Financial liabilities measured at fair value:						
Derivative liabilities						
Trading	₩	—	—	—	—	—
Designated as hedging instruments for cash flow hedges		383,107	383,107	—	383,107	—
	₩	383,107	383,107	—	383,107	—

(Continued)

(in millions of Korean won)		December 31, 2013				
		Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3 (*1)
Financial assets measured at fair value:						
Available-for-sale securities	₩	52,783	52,783	9,981	31,958	10,844
Derivative assets						
Designated as hedging instruments for cash flow hedges		23,946	23,946	—	23,946	—
	₩	76,729	76,729	9,981	55,904	10,844
Financial liabilities measured at fair value:						
Derivative liabilities						
Trading	₩	2	2	—	2	—
Designated as hedging instruments for cash flow hedges		512,743	512,743	—	512,743	—
	₩	512,745	512,745	—	512,745	—

(*1) Equity securities for which quoted prices in active markets are not available and fair value of those instruments cannot be estimated reliably are measured at cost and classified as Level 3 instruments. These instruments are amounted to ₩169 million, ₩172 million and ₩178 million as of December 31, 2015, 2014 and 2013, respectively.

The valuation techniques and inputs for measuring the fair value of financial assets and liabilities classified as Level 2 as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		Fair value December 31, 2015	December 31, 2014	December 31, 2013	Valuation technique	Inputs
Financial assets measured at fair value:						
Short-term financial investments	₩	758,705	950,396	—	DCF Model	Discount rate, short-term interest rate, volatility and others
Available-for-sale securities		33,693	33,016	31,958	DCF Model	Discount rate
Derivative assets						
Designated as hedging instruments for cash flow hedges		179,154	20,321	23,946	DCF Model	Discount rate, short-term interest rate, volatility, foreign exchange rate and others
	₩	971,552	1,003,733	55,904		
Financial liabilities measured at fair value:						
Derivative liabilities						
Trading	₩	—	—	2	DCF Model	Discount rate, short-term interest rate, volatility, foreign exchange rate and others
Designated as hedging instruments for cash flow hedges		140,234	383,107	512,743	DCF Model	Discount rate, short-term interest rate, volatility, foreign exchange rate and others
	₩	140,234	383,107	512,745		

The following tables present a roll-forward of the fair value of Level 3 instruments for the years ended December 31, 2015, 2014 and 2013:

(in millions of Korean won)		Available-for-sale securities 2015	2014	2013
Beginning balance	₩	16,472	10,844	11,165
Purchase		2,000	6,000	78
Gains (losses) recognized as other comprehensive income (loss)		1,251	(275)	(399)
Redemption of principal		(560)	(97)	—
Ending balance	₩	19,163	16,472	10,844

(Continued)

The valuation techniques and quantitative information of significant unobserved inputs for financial instruments classified as Level 3 as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)	December 31, 2015						
		Fair value	Valuation technique	Inputs	Unobservable inputs	Estimated range of unobservable inputs	Impacts on fair value
Financial assets measured at fair value:							
Available-for-sale securities							
Equity securities	₩	11,487	NAV model	Book value of net assets	Book value of net assets		
			Market approach	BPS, PBR	BPS, PBR		
Beneficiary certificates		7,507	Net asset model	Credit rating and discount rate	Credit rating Discount rate	BBB 7.40%	Fair value is likely to increase as the discount rate declines while credit rating of loan receivables rises.
	₩	18,994					

(in millions of Korean won)	December 31, 2014						
		Fair value	Valuation technique	Inputs	Unobservable inputs	Estimated range of unobservable inputs	Impacts on fair value
Financial assets measured at fair value:							
Available-for-sale securities							
Equity securities	₩	10,365	FCFE model	Growth rate and discount rate	Sales growth rate Pre-tax operating income ratio Cost of capital on equity	0.54% ~ 1.77% 19.60% ~ 21.82% 7.88%	Fair value is likely to increase as the sales growth rate and pre-tax operating income ratio rise, while cost of equity capital declines.
Beneficiary certificates		5,935	Net asset model	Credit rating and discount rate	Credit rating Discount rate	BBB 7.18%	Fair value is likely to increase as the discount rate declines while credit rating of loan receivables rises.
	₩	16,300					

(in millions of Korean won)	December 31, 2013						
		Fair value	Valuation technique	Inputs	Unobservable inputs	Estimated range of unobservable inputs	Impacts on fair value
Financial assets measured at fair value:							
Available-for-sale securities							
Equity securities	₩	10,666	FCFE model	Growth rate and discount rate	Sales growth rate Pre-tax operating income ratio Cost of capital on equity	(-)0.22% ~ 0.72% 19.70% ~ 24.81% 6.09%	Fair value is likely to increase as the sales growth rate and pre-tax operating income ratio rise, while cost of equity capital declines.

(Continued)

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable inputs, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable. For fair value measurements classified as Level 3, the sensitivity analysis on change of unobservable inputs as of December 31, 2015 and 2014 is as follows:

(in millions of Korean won)		Other comprehensive income (loss)			
		December 31, 2015		December 31, 2014	
		Favorable change (*1)	Unfavorable change (*1)	Favorable change (*2)	Unfavorable change (*2)
Available-for-sale securities	₩	138	(162)	9,246	(3,558)

(*1) For equity securities, the fair value is estimated at the average of appraisal value using the valuation technique based on the net asset value approach (NAV model) and the market approach; sensitivity analysis is not available for the equity securities and excluded from the disclosure above. For beneficiary certificates, the changes in fair value are calculated by increasing and decreasing discount rate (-1%~1%).

(*2) For equity securities that changes in fair value are calculated by increasing and decreasing growth rate (0.5%~1.5%) and discount rate (-1~1%). For beneficiary certificates, the changes in fair value are calculated by increasing and decreasing discount rate (-1%~1%).

(b) Financial assets and liabilities measured at amortized cost

The fair value hierarchy of financial assets and liabilities measured at amortized cost as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015				
		Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3
Financial assets measured at amortized cost:						
Cash and cash equivalents	₩	862,864	862,864	1	862,863	—
Due from banks		2,496	2,496	—	2,496	—
Loan receivables		8,492,110	8,410,462	—	—	8,410,462
Installment financial assets		8,861,006	8,869,681	—	—	8,869,681
Lease receivables		2,630,653	2,625,396	—	—	2,625,396
Non-trade receivables		120,470	120,470	—	—	120,470
Accrued revenues		89,788	89,788	—	—	89,788
Leasehold deposits		22,180	21,326	—	21,326	—
	₩	21,081,567	21,002,483	1	886,685	20,115,797
Financial liabilities measured at amortized cost:						
Borrowings	₩	1,763,872	1,768,844	—	1,768,844	—
Bonds issued		17,637,558	17,952,586	—	17,952,586	—
Non-trade payables (*1)		309,825	309,825	—	—	309,825
Accrued expenses		175,132	175,132	—	—	175,132
Withholdings (*1)		34,403	34,403	—	—	34,403
Deposits received		546,574	526,969	—	526,969	—
Other		40	40	—	—	40
	₩	20,467,404	20,767,799	—	20,248,399	519,400

(Continued)

(in millions of Korean won)		December 31, 2014				
		Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3
Financial assets measured at amortized cost:						
Cash and cash equivalents	₩	608,207	608,207	1	608,206	—
Due from banks		36,133	36,133	—	36,133	—
Loan receivables		9,584,209	9,439,544	—	—	9,439,544
Installment financial assets		6,502,794	6,528,367	—	—	6,528,367
Lease receivables		2,685,208	2,676,961	—	—	2,676,961
Non-trade receivables		114,785	114,785	—	—	114,785
Accrued revenues		97,344	97,344	—	—	97,344
Leasehold deposits		22,033	20,896	—	20,896	—
	₩	19,650,713	19,522,237	1	665,235	18,857,001
Financial liabilities measured at amortized cost:						
Borrowings	₩	1,562,261	1,571,584	—	1,571,584	—
Bonds issued		15,899,469	16,346,713	—	16,346,713	—
Non-trade payables (*1)		255,369	255,369	—	—	255,369
Accrued expenses		177,592	177,592	—	—	177,592
Withholdings (*1)		19,314	19,314	—	—	19,314
Deposits received		609,078	584,187	—	584,187	—
Other		50	50	—	—	50
	₩	18,523,133	18,954,809	—	18,502,484	452,325

(in millions of Korean won)		December 31, 2013				
		Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3
Financial assets measured at amortized cost:						
Cash and cash equivalents	₩	1,502,600	1,502,600	3	1,502,597	—
Due from banks		15	15	—	15	—
Loan receivables		11,124,201	11,318,040	—	—	11,318,040
Installment financial assets		4,799,854	4,801,546	—	—	4,801,546
Lease receivables		2,989,959	2,943,184	—	—	2,943,184
Non-trade receivables		113,750	113,750	—	—	113,750
Accrued revenues		103,517	103,517	—	—	103,517
Leasehold deposits		28,343	28,117	—	28,117	—
	₩	20,662,239	20,810,769	3	1,530,729	19,280,037
Financial liabilities measured at amortized cost:						
Borrowings	₩	1,811,443	1,822,182	—	1,822,182	—
Bonds issued		15,426,879	15,780,619	—	15,780,619	—
Non-trade payables (*1)		290,405	290,405	—	—	290,405
Accrued expenses		161,447	161,447	—	—	161,447
Withholdings (*1)		13,673	13,673	—	—	13,673
Deposits received		706,224	708,597	—	708,597	—
Other		70	70	—	—	70
	₩	18,410,141	18,776,993	—	18,311,398	465,595

(*1) Excluding liabilities for taxes and dues

(Continued)

The valuation techniques and inputs related to cash and cash equivalents, non-trade receivables, accrued revenues, non-trade payables, accrued expenses, withholdings and other liabilities are not disclosed as the Group estimates the fair value of these items equal to the carrying amount as the carrying amount is a reasonable approximation of the fair value because of short maturity of these instruments.

The valuation techniques and inputs for the fair value measurements for financial assets and liabilities classified as Level 2 for which the fair value are disclosed as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		Fair value				
		December 31, 2015	December 31, 2014	December 31, 2013	Valuation technique	Inputs
Financial assets measured at amortized cost:						
Due from banks	₩	2,496	36,133	15	DCF model	Market benchmark interest rate
Leasehold deposits		21,326	20,896	28,117	DCF model	Market benchmark interest rate
	₩	23,822	57,029	28,132		
Financial liabilities: amortized cost:						
Borrowings	₩	1,768,844	1,571,584	1,822,182	DCF model	Market benchmark interest rate, other spreads
Bonds issued		17,952,586	16,346,713	15,780,619	DCF model	Market benchmark discount rate
Deposits received		526,969	584,187	708,597	DCF model	Market benchmark interest rate
	₩	20,248,399	18,502,484	18,311,398		

The valuation techniques and inputs for the fair value measurements of financial assets and liabilities classified as Level 3 for which the fair value are disclosed as of December 31, 2015, 2104 and 2013 are as follows:

(in millions of Korean won)		Fair value				
		December 31, 2015	December 31, 2014	December 31, 2013	Valuation technique	Inputs
Financial assets measured at amortized cost:						
Loans and receivables	₩	8,410,462	9,439,544	11,318,040	DCF model	Market benchmark interest rate, credit spread and other spreads
Installment financial assets		8,869,681	6,528,367	4,801,546	DCF model	Market benchmark interest rate, credit spread and other spreads
Lease receivables		2,625,396	2,676,961	2,943,184	DCF model	Market benchmark interest rate, credit spread and other spreads
	₩	19,905,539	18,644,872	19,062,770		

(Continued)

33. Categories of Financial Assets and Financial Liabilities

(1) Carrying amounts by accounting classification

The carrying amounts of each of the categories of financial assets and financial liabilities as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015				
		Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Designated as hedging instruments for cash flow hedges	Total
Financial assets:						
Cash and due from other financial institutions	₩	758,705	—	865,360	—	1,624,065
Available-for-sale securities		—	77,550	—	—	77,550
Loans receivable		—	—	8,492,110	—	8,492,110
Installment financial assets		—	—	8,861,006	—	8,861,006
Lease receivables		—	—	2,630,653	—	2,630,653
Derivative assets		—	—	—	179,154	179,154
Non-trade receivables		—	—	120,470	—	120,470
Accrued revenues		—	—	89,788	—	89,788
Leasehold deposits		—	—	22,180	—	22,180
	₩	758,705	77,550	21,081,567	179,154	22,096,976

(in millions of Korean won)		December 31, 2014			
		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Designated as hedging instruments for cash flow hedges	Total
Financial liabilities:					
Borrowings	₩	—	1,763,872	—	1,763,872
Bonds issued		—	17,637,558	—	17,637,558
Derivative liabilities		—	—	140,234	140,234
Non-trade payables		—	309,825	—	309,825
Accrued expense		—	175,132	—	175,132
Withholdings		—	34,403	—	34,403
Deposits received		—	546,574	—	546,574
Other		—	40	—	40
	₩	—	20,467,404	140,234	20,607,638

(Continued)

(in millions of Korean won)		December 31, 2014				
		Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Designated as hedging instru-ments for cash flow hedges	Total
Financial assets:						
Cash and due from other financial institutions	₩	950,396	—	644,340	—	1,594,736
Available-for-sale securities		—	63,446	—	—	63,446
Loans receivable		—	—	9,584,209	—	9,584,209
Installment financial assets		—	—	6,502,794	—	6,502,794
Lease receivables		—	—	2,685,208	—	2,685,208
Derivative assets		—	—	—	20,321	20,321
Non-trade receivables		—	—	114,785	—	114,785
Accrued revenues		—	—	97,344	—	97,344
Leasehold deposits		—	—	22,033	—	22,033
	₩	950,396	63,446	19,650,713	20,321	20,684,876

(in millions of Korean won)		December 31, 2014			
		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Designated as hedging instru-ments for cash flow hedges	Total
Financial liabilities:					
Borrowings	₩	—	1,562,261	—	1,562,261
Bonds issued		—	15,899,469	—	15,899,469
Derivative liabilities		—	—	383,107	383,107
Non-trade payables		—	255,369	—	255,369
Accrued expense		—	177,592	—	177,592
Withholdings		—	19,314	—	19,314
Deposits received		—	609,078	—	609,078
Other		—	50	—	50
	₩	—	18,523,133	383,107	18,906,240

(Continued)

(in millions of Korean won)		December 31, 2013				
		Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Designated as hedging instruments for cash flow hedges	Total
Financial assets:						
Cash and due from other financial institutions	₩	—	—	1,502,615	—	1,502,615
Available-for-sale securities		—	52,783	—	—	52,783
Loans receivable		—	—	11,124,201	—	11,124,201
Installment financial assets		—	—	4,799,854	—	4,799,854
Lease receivables		—	—	2,989,959	—	2,989,959
Derivative assets		—	—	—	23,946	23,946
Non-trade receivables		—	—	113,750	—	113,750
Accrued revenues		—	—	103,517	—	103,517
Leasehold deposits		—	—	28,343	—	28,343
	₩	—	52,783	20,662,239	23,946	20,738,968

(in millions of Korean won)		December 31, 2013			
		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Designated as hedging instruments for cash flow hedges	Total
Financial liabilities:					
Borrowings	₩	—	1,811,443	—	1,811,443
Bonds issued		—	15,426,879	—	15,426,879
Derivative liabilities		2	—	512,743	512,745
Non-trade payables		—	290,405	—	290,405
Accrued expense		—	161,447	—	161,447
Withholdings		—	13,673	—	13,673
Deposits received		—	706,224	—	706,224
Other		—	70	—	70
	₩	2	18,410,141	512,743	18,922,886

(Continued)

(2) Income, expense, gains or losses by accounting classification

Income, expense, gains or losses of each of the categories of financial assets and financial liabilities for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)	2015										
	Interest income	Interest expense	Income on loans	Income on inst-allment financial assets	Income on leases	Lease expense	Impair-ment loss	Gain (loss) on valuation	Gain (loss) on disposal	Gain (loss) on foreign currency translation	Gain (loss) on foreign currency trades
Financial assets:											
Financial assets at fair value through profit or loss	₩ —	—	—	—	—	—	—	894	—	—	—
Available-for-sale financial assets	1,202	—	—	—	—	—	—	—	1,717	—	—
Loans and receivables	24,400	—	1,080,836	437,695	337,250	114,271	307,229	—	43,734	1,608	1,572
Designated as hedging instruments for cash flow hedges	—	—	—	—	—	—	—	—	—	—	—
Financial liabilities:											
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—	—	—	—	—
Financial liabilities measured at amortized cost	—	649,061	—	—	—	—	—	—	—	(196,765)	(28,884)
Designated as hedging instruments for cash flow hedges	—	—	—	—	—	—	—	196,726	28,706	—	—
	₩ 25,602	649,061	1,080,836	437,695	337,250	114,271	307,229	197,620	74,157	(195,157)	(27,312)

(in millions of Korean won)	2014										
	Interest income	Interest expense	Income on loans	Income on inst-allment financial assets	Income on leases	Lease expense	Impair-ment loss	Gain (loss) on valuation	Gain (loss) on disposal	Gain (loss) on foreign currency translation	Gain (loss) on foreign currency trades
Financial assets:											
Financial assets at fair value through profit or loss	₩ —	—	—	—	—	—	—	854	2	—	—
Available-for-sale financial assets	1,197	—	—	—	—	—	—	—	1,838	—	—
Loans and receivables	39,371	—	1,274,125	362,507	374,968	140,699	418,327	—	56,403	444	(438)
Designated as hedging instruments for cash flow hedges	—	—	—	—	—	—	—	—	—	—	—
Financial liabilities:											
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—	—	—	—	—
Financial liabilities measured at amortized cost	—	752,631	—	—	—	—	—	—	—	(56,181)	21,970
Designated as hedging instruments for cash flow hedges	—	—	—	—	—	—	—	55,975	(21,956)	—	—
	₩ 40,568	752,631	1,274,125	362,507	374,968	140,699	418,327	56,829	36,287	(55,737)	21,532

(Continued)

(in millions of Korean won)		2013										
		Interest income	Interest expense	Income on loans	Income on installment financial assets	Income on leases	Lease expense	Impairment loss	Gain (loss) on valuation	Gain (loss) on disposal	Gain (loss) on foreign currency translation	Gain (loss) on foreign currency trades
Financial assets:												
Financial assets at fair value through profit or loss	₩	—	—	—	—	—	—	—	(2)	(10)	—	—
Available-for-sale financial assets		138	—	—	—	—	—	—	—	2,424	—	—
Loans and receivables		32,003	—	1,492,401	255,712	404,520	131,456	453,061	—	63,767	(193)	1,218
Designated as hedging instruments for cash flow hedges		—	—	—	—	—	—	—	—	—	—	—
Financial liabilities:												
Financial liabilities at fair value through profit or loss		—	—	—	—	—	—	—	—	—	—	—
Financial liabilities measured at amortized cost		—	800,590	—	—	—	—	—	—	—	240,695	(4,149)
Designated as hedging instruments for cash flow hedges		—	—	—	—	—	—	—	(240,405)	3,649	—	—
	₩	32,141	800,590	1,492,401	255,712	404,520	131,456	453,061	(240,407)	69,830	240,502	(2,931)

34. Financial Risk Management

The Group is exposed to credit risk, liquidity risk and market risk (foreign exchange risk and interest rate risk). In order to manage these factors, the Group operates risk management policies and programs that monitor closely and respond to each of the risk factors. The Group primarily utilizes derivatives to manage specific risks.

34.1. Credit Risk

(1) Exposures to credit risk

The Group's exposures to credit risk as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Cash and due from other financial institutions	₩	1,524,060	1,544,219	1,502,612
Available-for-sale securities		33,693	33,016	31,958
Loans receivable		8,492,110	9,584,209	11,124,201
Installment financial assets		8,861,006	6,502,794	4,799,854
Lease receivables		2,630,653	2,685,208	2,989,959
Non-trade receivables		120,470	114,785	113,750
Accrued revenue		89,788	97,344	103,517
Leasehold deposits		22,180	22,033	28,343
Derivative assets		179,154	20,321	23,946
Unused loan commitments		1,052,031	1,002,421	1,100,213
	₩	23,005,145	21,606,350	21,818,353

(Continued)

(2) Credit quality analysis

Credit quality of financial assets exposed to credit risk as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			December 31, 2014			December 31, 2013		
		Current	Past due	Impaired	Current	Past due	Impaired	Current	Past due	Impaired
Cash and due from										
other financial institutions	₩	1,524,060	—	—	1,544,219	—	—	1,502,612	—	—
Available-for-sale securities		33,693	—	—	33,016	—	—	31,958	—	—
Financial receivables:										
Loans receivable		7,985,664	436,706	69,740	8,945,927	545,424	92,858	10,323,443	649,946	150,812
Installment financial assets		8,593,951	260,816	6,239	6,257,833	240,335	4,626	4,616,465	179,120	4,269
Lease receivables		2,519,701	107,864	3,088	2,549,680	130,728	4,800	2,854,054	130,875	5,030
		19,099,316	805,386	79,067	17,753,440	916,487	102,284	17,793,962	959,941	160,111
Non-trade receivables		120,470	—	—	114,785	—	—	113,750	—	—
Accrued revenue		81,825	7,935	28	89,218	8,103	23	103,517	—	—
Leasehold deposits		22,180	—	—	22,033	—	—	28,343	—	—
Derivative assets		179,154	—	—	20,321	—	—	23,946	—	—
Unused loan commitments		1,052,031	—	—	1,002,421	—	—	1,100,213	—	—
	₩	22,112,729	813,321	79,095	20,579,453	924,590	102,307	20,698,301	959,941	160,111

(a) Financial receivables neither past due nor impaired

Credit quality according to internal credit rating of financial receivables which are neither past due nor impaired as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			December 31, 2014			December 31, 2013		
		Gross amount	Allowance for loan losses	Carrying amount	Gross amount	Allowance for loan losses	Carrying amount	Gross amount	Allowance for loan losses	Carrying amount
First-rate	₩	3,309	—	3,309	9,788	(1)	9,787	4,732	(1)	4,731
Second-rate		7,183,992	(9,920)	7,174,072	6,561,611	(9,671)	6,551,940	6,448,445	(8,737)	6,439,708
Third-rate		7,317,527	(46,649)	7,270,878	6,675,592	(43,071)	6,632,521	6,223,962	(39,171)	6,184,791
Fourth-rate		1,512,909	(29,907)	1,483,002	1,810,429	(29,325)	1,781,104	1,533,959	(26,615)	1,507,344
Fifth-rate		1,946,369	(55,876)	1,890,493	1,774,840	(63,521)	1,711,319	1,265,220	(39,606)	1,225,614
Sixth-rate		788,508	(74,903)	713,605	348,532	(47,011)	301,521	462,854	(55,944)	406,910
No rating		566,649	(2,692)	563,957	774,927	(9,679)	765,248	2,044,601	(19,737)	2,024,864
	₩	19,319,263	(219,947)	19,099,316	17,955,719	(202,279)	17,753,440	17,983,773	(189,811)	17,793,962

The Group classifies financial receivables into six internal credit rating scales based on the rating criteria and the characteristic of receivables. The internal credit rating is assessed based on the expected probability of default in the previous month. Certain financial receivables do not have credit ratings as sufficient information is not yet available at the reporting date.

(b) Financial receivables past due but not impaired

Financial receivables past due but not impaired as of as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			
		Less than 1 month	Between 1 ~ 2 months	Between 2~3 months	Total
Loans receivable	₩	379,452	63,477	42,377	485,306
Installment financial assets		245,611	18,203	5,989	269,803
Lease receivables		101,500	8,352	1,676	111,528
		726,563	90,032	50,042	866,637
Allowance for loan losses		(28,489)	(13,142)	(19,620)	(61,251)
Carrying amount	₩	698,074	76,890	30,422	805,386

(Continued)

		December 31, 2014			
		Less than 1 month	Between 1 ~ 2 months	Between 2~3 months	Total
Loans receivable	₩	466,691	80,931	51,318	598,940
Installment financial assets		223,122	19,918	5,480	248,520
Lease receivables		117,052	14,742	3,432	135,226
		806,865	115,591	60,230	982,686
Allowance for loan losses		(28,737)	(15,102)	(22,360)	(66,199)
Carrying amount	₩	778,128	100,489	37,870	916,487

		December 31, 2013			
		Less than 1 month	Between 1 ~ 2 months	Between 2~3 months	Total
Loans receivable	₩	559,769	90,415	57,254	707,438
Installment financial assets		168,413	12,026	4,625	185,064
Lease receivables		119,233	11,940	4,225	135,398
		847,415	114,381	66,104	1,027,900
Allowance for loan losses		(28,659)	(16,390)	(22,910)	(67,959)
Carrying amount	₩	818,756	97,991	43,194	959,941

(c) Impaired financial receivables

Impaired financial receivables as of as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			December 31, 2014			December 31, 2013		
		Gross amount	Allowance for loan losses	Carrying amount	Gross amount	Allowance for loan losses	Carrying amount	Gross amount	Allowance for loan losses	Carrying amount
Loans receivable	₩	193,762	(124,022)	69,740	209,594	(116,736)	92,858	285,921	(135,109)	150,812
Installment financial assets		22,213	(15,974)	6,239	16,117	(11,491)	4,626	14,481	(10,212)	4,269
Lease receivables		47,283	(44,195)	3,088	48,943	(44,143)	4,800	38,445	(33,415)	5,030
	₩	263,258	(184,191)	79,067	274,654	(172,370)	102,284	338,847	(178,736)	160,111

(d) Credit quality of other financial assets and unused loan commitments

For exposures neither past due nor impaired, credit quality of cash and due from other financial institutions and derivative assets obtained from external credit rating agencies and internal credit rating of unused loan commitments as of December 31, 2015, 2014 and 2013 are as follows:

Cash and due from other financial institutions

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
AAA	₩	426,945	423,880	712,441
AA+		341,466	305,584	170,494
AA		200,026	290,006	210,000
AA-		130,011	100,001	20,000
A+		290,401	100,001	260,000
A		71,929	310,911	120,000
A-		20,112	—	—
No rating		43,170	13,836	9,677
	₩	1,524,060	1,544,219	1,502,612

Average rating of three domestic credit rating agencies is applied.

(Continued)

Derivative assets

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
AAA	₩	—	—	5,298
AA-		3,144	—	111
A+		94,895	9,669	3,627
A		48,560	2,674	14,079
A-		32,555	7,978	831
	₩	179,154	20,321	23,946

Credit rating based on Standard & Poor's is applied.

Unused loan commitments

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
First-rate	₩	—	—	—
Second-rate		922,497	883,286	958,653
Third-rate		96,837	84,115	86,263
Fourth-rate		8,869	9,954	17,154
Fifth-rate		3,936	4,345	6,511
Sixth-rate		7,651	604	4,809
No rating		12,241	20,117	26,823
	₩	1,052,031	1,002,421	1,100,213

(3) Collateral held and other credit enhancements

The assets pledged as collateral for financial receivables as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			
			Not impaired		
		Impaired	Past due	Current	Total
Total financial receivables	₩	79,067	805,386	19,099,316	19,983,769
Collateralized assets:					
Automobiles		38,859	305,837	4,352,979	4,697,675
Real estates		2,774	1,497	30,402	34,673
	₩	41,633	307,334	4,383,381	4,732,348

(in millions of Korean won)		December 31, 2014			
			Not impaired		
		Impaired	Past due	Current	Total
Total financial receivables	₩	102,283	916,487	17,753,441	18,772,211
Collateralized assets:					
Automobiles		40,749	387,029	4,787,210	5,214,988
Real estates		13,857	2,203	59,073	75,133
	₩	54,606	389,232	4,846,283	5,290,121

(Continued)

(in millions of Korean won)		December 31, 2013			
			Not impaired		
		Impaired	Past due	Current	Total
Total financial receivables	₩	160,111	959,941	17,793,962	18,914,014
Collateralized assets:					
Automobiles		52,320	404,079	4,529,564	4,985,963
Real estates		63,316	3,125	92,036	158,477
	₩	115,636	407,204	4,621,600	5,144,440

(4) Concentrations of credit risk

An analysis of concentrations of credit risk from financial receivables by debtors as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015			
		Gross carrying amount	Ratio	Allowance for loan losses	Carrying amount
Individual	₩	17,148,476	83.86%	(402,400)	16,746,076
Corporate:					
Financial services		49,737	0.24%	(1,116)	48,621
Manufacturing		798,537	3.90%	(14,548)	783,989
Business services		922,945	4.51%	(19,840)	903,105
Public		8,293	0.04%	(17)	8,276
Others		1,521,170	7.45%	(27,468)	1,493,702
		3,300,682	16.14%	(62,989)	3,237,693
	₩	20,449,158	100.00%	(465,389)	19,983,769

(in millions of Korean won)		December 31, 2014			
		Gross carrying amount	Ratio	Allowance for loan losses	Carrying amount
Individual	₩	15,996,292	83.26%	(377,250)	15,619,042
Corporate:					
Financial services		58,788	0.31%	(2,418)	56,370
Manufacturing		819,151	4.26%	(14,963)	804,188
Business services		957,416	4.98%	(17,930)	939,486
Public		7,237	0.04%	(30)	7,207
Others		1,374,175	7.15%	(28,257)	1,345,918
		3,216,767	16.74%	(63,598)	3,153,169
	₩	19,213,059	100.00%	(440,848)	18,772,211

(Continued)

(in millions of Korean won)		December 31, 2013			
		Gross carrying amount	Ratio	Allowance for loan losses	Carrying amount
Individual	₩	16,161,624	83.52%	(377,485)	15,784,139
Corporate:					
Financial services		108,707	0.56%	(2,320)	106,387
Manufacturing		839,032	4.34%	(14,647)	824,385
Business services		940,036	4.86%	(17,587)	922,449
Public		4,926	0.03%	(16)	4,910
Others		1,296,196	6.70%	(24,452)	1,271,744
		3,188,897	16.48%	(59,022)	3,129,875
	₩	19,350,521	100.00%	(436,507)	18,914,014

34.2. Liquidity Risk

Cash flows of financial liabilities based on remaining contractual maturities as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015					
		On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
Borrowings	₩	—	620,718	1,024,376	146,580	—	1,791,674
Bonds issued		—	921,654	3,634,112	13,582,078	681,044	18,818,888
Other liabilities		3,341	482,290	153,063	369,172	—	1,007,866
Derivative liabilities subject to net settlement		—	2,516	6,039	5,561	—	14,116
Derivative liabilities subject to gross settlement							
Inflow		—	(11,348)	(202,760)	(1,396,206)	—	(1,610,314)
Oufolw		—	17,589	213,938	1,511,847	—	1,743,374
	₩	3,341	2,033,419	4,828,768	14,219,032	681,044	21,765,604

(in millions of Korean won)		December 31, 2014					
		On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
Borrowings	₩	—	512,856	874,861	228,743	—	1,616,460
Bonds issued		—	934,016	3,836,199	12,089,144	410,240	17,269,599
Other liabilities		4,435	324,189	170,363	419,979	—	918,966
Derivative liabilities subject to net settlement		—	2,613	7,233	8,690	—	18,536
Derivative liabilities subject to gross settlement							
Inflow		—	(240,214)	(2,823,599)	(2,650,755)	—	(5,714,568)
Oufolw		—	258,371	3,037,248	2,839,051	—	6,134,670
	₩	4,435	1,791,831	5,102,305	12,934,852	410,240	20,243,663

(Continued)

(in millions of Korean won)		December 31, 2013					
		On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
Borrowings	₩	—	460,105	841,460	557,427	—	1,858,992
Bonds issued		—	978,070	3,015,732	12,610,702	244,119	16,848,623
Other liabilities		4,357	539,198	209,086	458,963	—	1,211,604
Derivative liabilities subject to net settlement		—	1,413	2,538	896	—	4,847
Derivative liabilities subject to gross settlement							
Inflow		—	(182,144)	(624,184)	(3,724,299)	—	(4,530,627)
Oufolw		—	201,238	775,730	4,129,489	—	5,106,457
	₩	4,357	1,997,880	4,220,362	14,033,178	244,119	20,499,896

Amounts shown in the analysis above are based on undiscounted cash flows including the principal and future interest payments according to contractual terms, and are not equal to the amounts in the statement of financial position based on the discounted cash flows.

Outstanding unused loan commitment balances may be withdrawn immediately on customers' request.

34.3. Market Risk

(1) Interest rate risk

The Group monitors and manages its interest rate risk by measuring Value at Risk (VaR) and Earning at Risk (EaR), and analyzing Interest Rate Gap which represents the difference in maturities of the interest revenue-generating assets and the interest-bearing liabilities in each maturity bucket.

VaR is estimated under the standard framework in accordance with the Bank for International Settlements (BIS). Based on the standard framework, the Group utilizes the proxy of modified duration per re-pricing interval proposed by the BIS, and applies hypothetical change in benchmark interest rate curve of parallel shifts by 100 basis points.

The interest rate risk measure in VaR as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Interest rate VaR	₩	38,962	27,301	59,990

VaR is a common market risk measurement technique but the model has certain limitations. VaR estimates the expected loss under the specific reliability based on the historical changes in the market data. However, the past changes in market cannot reflect all conditions and environments that may occur in the future. Therefore, in the process of calculating, the timing and size of the actual loss may vary according to changes in assumptions.

(Continued)

(2) Foreign exchange risk

The Group holds financial instruments and borrowings that are denominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures. The Group enters into derivative contracts to manage its exposures to changes in future cash flows arising from volatilities in interest rate and foreign currency exchange rates with its borrowings and bonds issued.

Exposures to foreign exchange risk of the Group as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Cash and due from other financial institutions:				
EUR	₩	66,866	1,288	2,899
RUB		1,086	1,906	3,886
INR		260	379	660
BRL		1,276	2,330	962
Other currencies		23	1	11
		69,511	5,904	8,418
Finance lease receivables:				
USD		4,121	9,124	11,937
Borrowings and bonds issued				
USD		4,042,694	3,606,593	4,158,513
MYR		87,382	216,826	221,021
JPY		233,282	230,035	532,470
CHF		746,796	866,915	832,069
Other currencies		328,444	427,068	580,524
		5,438,598	5,347,437	6,324,597
Other assets:				
USD		28,875	23,572	3,342
Other liabilities:				
USD		1,166	2,860	4,329
	₩	5,542,271	5,388,897	6,352,623

The Group's exposures to foreign exchange risk is being hedged by derivatives. Foreign exchange risk of the Group is not significant.

(Continued)

35. Capital Management

The objective of the Group's capital management is to maintain sound capital structure. The Group uses the adjusted capital adequacy ratio under the Article 8 of Regulation on Supervision of Specialized Credit Finance Business (the Regulation) mandated by the Financial Services Commission as a capital management indicator. The ratio is calculated as adjusted total assets divided by adjusted equity based on the Company's financial position in the separate financial statements.

Adjusted capital adequacy ratios of the Company as of December 31, 2015, 2014 and 2013 are as follows:

(in millions of Korean won)		December 31, 2015	December 31, 2014	December 31, 2013
Adjusted total assets (A)	₩	23,559,183	21,792,521	20,672,853
Adjusted equity (B)		3,518,263	3,345,862	3,129,918
Adjusted capital adequacy ratio (B/A) (*1)		14.93%	15.35%	15.14%

(*1) Adjusted capital adequacy ratio is calculated in accordance with Regulations on Supervision of Specialized Credit Finance Business and Detailed Regulations on Supervision of Specialized Credit Finance Business. The Company should maintain the adjusted capital adequacy ratio 7% or above in accordance with the Regulation.

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