IMPORTANT NOTICE

THIS DOCUMENT 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 (AS DEFINED BELOW) ("REGULATION S")) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the pricing supplement and the offering circular following this page (collectively, the "Offering Circular"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information 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 DESCRIBED HEREIN 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 OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS 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.

THE OFFERING CIRCULAR 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. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE PRICING SUPPLEMENT AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR (AS AMENDED AND RESTATED) THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE PRICING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS.

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 HEREIN.

Confirmation of your Representation: In order to be eligible to view the Offering Circular 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 under the Securities Act. By accepting this e-mail and accessing the Offering Circular, 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 under the Securities Act and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of the Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular 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 or disclose the contents of the Offering Circular to any other person.

The materials relating to the issue of the securities described herein 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 issue of the securities described herein be made by a licensed broker or dealer and any Dealer (as described in the Offering Circular) or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the issue of the securities described herein shall be deemed to be made by such Dealer or such affiliate on behalf of the issuer in such jurisdiction.

The Offering Circular may be distributed only to, and is directed at (1) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (2) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated (all such persons together being referred to as "relevant persons"). The Offering

Circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any investment or investment activity to which the Offering Circular relates will be available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on the Offering Circular or any of its contents.

The Offering Circular 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, any Arranger (as described in the Offering Circular) nor any Dealer (as described in the Offering Circular) nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard-copy version available to you upon request to the Arranger.

You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting this e-mail 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.

HYUNDAI CAPITAL SERVICES, INC.

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

Issue of U.S.$500,000,000 5.125% Senior Notes Due 2027
Under the U.S.$10,000,000,000 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) WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED UNDER RULE 144A).

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "SFA") - the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes have not been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Notes may not be offered, delivered, or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a "qualified institutional investor" as defined in the Regulation on Securities Issuance and Disclosure of Korea (a "**Korean QII**") who is registered with the KOFIA for Korean QII bond trading. Furthermore, the Notes acquired by all Korean QIIs at the time of issuance must be no more than 20 percent of the aggregate principal amount of the Notes.

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 January 15, 2024. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

The date of this Pricing Supplement is January 29, 2024.

Hyundai Capital Services, Inc.

Issue of U.S.$500,000,000 5.125% Senior Notes Due 2027
under the U.S.$10,000,000,000 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 January 15, 2024. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

1.	Issuer:		Hyundai Capital Services, Inc.
	LEI Code:		549300MALMDAGL2ZJJ27
2.	(i)	Series Number:	64
	(ii)	Tranche Number:	1
	(iii)	Re-opening:	No
3.	Specified Currency or Currencies:		United States dollars (U.S.$)
4.	Aggregate Nominal Amount:		
	Series:		U.S.$500,000,000
	Tranche:		U.S.$500,000,000
5.	(i)	Issue Price of Tranche:	99.728% of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	U.S.$497,390,000
	(iii)	Use of Proceeds	General corporate purposes
6.	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$1,000
7.	(i)	Issue Date:	February 5, 2024
	(ii)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		February 5, 2027, subject to adjustment in accordance with the Modified Following Business Day Convention
9.	Interest Basis:		5.125% Fixed Rate (further particulars specified below)

10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:		None
12.	Put/Call Options:		None
13.	Status of the Notes:		Senior unsecured
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 of Interest:	5.125% per annum payable semi-annually in arrears
	(ii)	Interest Payment Date(s):	February 5 and August 5 in each year, commencing on and including August 5, 2024, up to and including the Maturity Date, subject to adjustment in accordance with the Modified Following Business Day Convention
	(iii)	Fixed Coupon Amount(s):	Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction
	(iv)	Broken Amount(s):	Not Applicable
	(v)	Day Count Fraction:	30/360, Unadjusted
	(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:	U.S.$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*)):	U.S.$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:	New York City, Seoul, London
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: 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
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
32.	Additional U.S. federal income tax	The Notes are not subject to U.S. federal

	considerations:		withholding tax under Section 871(m).
DISTRIBUTION			
33.	(i)	If syndicated, names of Managers:	BNP Paribas, Citigroup Global Markets Inc., Mizuho Securities Asia Limited, MUFG Securities Asia Limited and Société Générale (the "**Joint Lead Managers**")
	(ii)	Stabilizing Manager (if any):	Each of the Joint Lead Managers
34.	If non-syndicated, name of relevant Dealer:		Not Applicable
35.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:		Not Applicable
36.	U.S. Selling Restriction:		Rule 144A Selling Restrictions / Regulation S Selling Restrictions as described in the Offering Circular
37.	Prohibition of Sales to EEA Retail Investors:		Not Applicable
38.	Prohibition of Sales to UK Retail Investors:		Not Applicable
39.	MiFID II product governance/target market:		Not Applicable
40.	Additional selling restrictions:		Selling Restrictions under Korean Law as described in the Offering Circular The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 – Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may

		provide a purchaser with remedies for rescission or damages if the Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 – Underwriting Conflicts ("NI 33-105"), the dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.
41.	Singapore Sales to Institutional Investors and Accredited Investors only:	Applicable

OPERATIONAL INFORMATION

42.	Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	The Depository Trust Company
43.	Delivery:	Delivery free of payment
44.	In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	Citicorp International Limited, 9/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
45.	Additional Paying Agent(s) (if any):	None
45.	ISIN:	Rule 144A Notes: US44920UAU25 Regulation S Notes: USY3815NBG52
	CUSIP:	Rule 144A Notes: 44920UAU2 Regulation S Notes: Y3815NBG5
	Common Code:	Rule 144A Notes: 275751243 Regulation S Notes: 275751260

HONG KONG SFC CODE OF CONDUCT

46.	Rebates:	Not Applicable

47.	Contact email addresses of the Overall Coordinators where the underlying investor information in relation to omnibus orders should be sent:	dl.asia.syndicate@asia.bnpparibas.com DCM.Omnibus@citi.com AS_DBSYN@hk.mizuho-sc.com Asia-Syndicate@hk.sc.mufg.jp list.asiapac-glfi-syn-cap@sgcib.com

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the US$10,000,000,000 Global Medium Term Note Program of Hyundai Capital Services, Inc.

The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

RECENT DEVELOPMENTS

On January 25, 2024, Hyundai Motor Company, which is the largest shareholder of the Issuer, released its preliminary financial results for the fourth quarter and the fiscal year ended December 31, 2023, which included certain information about the preliminary financial results of the Issuer for the fourth quarter and the fiscal year ended December 31, 2023. Such information is publicly available on the following website of Hyundai Motor Company: https://www.hyundai.com/worldwide/en/company/ir/ir-events.

For the avoidance of doubt, such website does not form part of the Offering Circular.

The Issuer's preliminary financial results included in Hyundai Motor Company's preliminary financial results is not a comprehensive statement of the Issuer's financial position and results of operations, and actual results may differ materially from such preliminary financial results as a result of the completion of normal quarter-end and year-end accounting procedures and adjustments.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: Hyundai Capital Services, Inc.
Duly authorized signatory
14, Sejong-Daero, Jung-Gu,
Name: 04527, Seoul, Korea
Title: C E O Mok, Jin Won



HYUNDAI CAPITAL SERVICES, INC.

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

US$10,000,000,000
Global Medium Term Note Program

This offering circular (the "**Offering Circular**") replaces and supersedes in its entirety the offering circular dated January 9, 2023. 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 US$10,000,000,000 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 US$10,000,000,000 (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**") in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to 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 for listing and quotation on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, 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 and quoted on the SGX-ST, will be submitted 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
BNP PARIBAS

Dealers

BNP PARIBAS
Citigroup
HSBC
Mizuho
Société Générale
Corporate & Investment Banking

BofA Securities
Crédit Agricole CIB
J.P. Morgan
MUFG
Standard Chartered Bank
UBS

The date of this Offering Circular is January 15, 2024.

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.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The applicable Pricing Supplement in respect of any Notes may include a legend entitled "EU MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**EU MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The applicable Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT — EEA RETAIL INVESTORS — If the applicable Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors" or otherwise specifies "Prohibition of Sales to EEA Retail Investors" as "Applicable", such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT — UK RETAIL INVESTORS — If the applicable Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors" or otherwise specifies "Prohibition of Sales to UK Retail Investors" as "Applicable", such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the **UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA or (iii) not a "qualified investor" as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the domestic law of the UK by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE — The Pricing Supplement in respect of any Notes may include a legend entitled "*Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "SFA")*" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included in the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA. 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 U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT — Prospective

investors should be aware that certain intermediaries in the context of certain offerings of the Securities, including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Hong Kong Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for such offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each offering of Securities under the Program.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer, or any CMI (including its group companies) should specifically disclose this when placing an order for the Securities and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to such offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to such offering, such order is hereby deemed not to negatively impact the price discovery process in relation to such offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to the Securities subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant offering based on the principal amount of the Securities distributed by such private banks to investors. Details of any such rebate (where applicable) will be notified to prospective investors on or prior to the launch of an offering of Securities under the Program. If a prospective investor is an asset management arm affiliated with any Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to such offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to such offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to such offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for such offering. Failure to provide such information may result in that order being rejected.

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, the United Kingdom, Japan, Singapore, Hong Kong, Korea, Italy and Switzerland. See "*Subscription and Sale and Transfer and Selling Restrictions*".

The Arranger, the Dealers and the Agents have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Agents as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Program. To the fullest extent permitted by law, none of the Dealers, the Arrangers or the Agents accept any liability in relation to the information contained or incorporated by reference in this Offering Circular, any other information provided by the Issuer in connection with the Program or any other statement, made or purported to be made by an Arranger or a Dealer or any Agent or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger, each Dealer and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arranger, the Dealers or the Agents or any of their respective affiliates, directors or advisors undertakes to review the results of operations, financial condition or affairs of the Issuer or any of its affiliates during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Arranger, the Dealers or the Agents.

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.

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, stabilization may not necessarily occur. 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 cease 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.

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 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.

KOREAN SELLING RESTRICTIONS

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea (the "**FSCMA**"). Accordingly, 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 resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and its Enforcement Decree), or to any other person for reoffering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations. In addition, until the expiration of one year after the issuance of the Notes, a holder of Notes will be prohibited from offering, delivering or selling any Notes, directly or indirectly, in Korea or to any Korean resident except (i) in the case where the Notes are not issued as convertible bonds, bonds with warrants or exchangeable bonds and are issued relying on the exemption as set out in Article 2-2-2, Paragraph 2, Item 3 of the Regulation on Securities Issuance and Disclosure, 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, provided that (x) the Notes are registered with Korea Financial Investment Association (the "**KOFIA**") by the Issuer and (y) the qualified institutional investors are registered with the KOFIA in advance, and further provided that all of the following requirements are satisfied: (1) the Notes shall be issued in a currency other than Korean Won and the principal and interest shall be paid in a currency other than Korean Won, (2) at least 80 percent of the Notes shall be allocated to non-residents of Korea (which applies only to the Notes acquired from the Issuer or any underwriter at the time of issuance), (3) the Notes shall be those listed on a major overseas securities market specified by the governor of the Financial Supervisory Services, those registered with or reported to a foreign financial investment supervisory agency of the country in which a major overseas market is established, or those for which any other procedure that may be deemed a public offering is completed in the country in which a major overseas market is established, (4) measures shall be taken to state the condition that the Notes shall not be transferred to any Korean resident other than qualified institutional investors at the time of issuance or within one year from the issuance date on the face of such Notes (limited to cases where any physical instrument is issued), the underwriting agreement, subscription agreement and offering document and (5) the Issuer and the relevant Dealers shall take measures under foregoing items (1) through (4) and the Issuer and the relevant Dealers shall severally or jointly preserve evidential documents in relation thereto; or (ii) as otherwise permitted under applicable Korean laws and regulations.

SERVICE OF PROCESS AND 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 Lee & Ko, 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, "**Kia**" are to Kia Corporation, the "**Hyundai Motor Group**" or "**HMG**" are to the Company, HMC, Kia 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$**" and "**$**" 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, all references to "**CHF**" refer to the currency of Swiss Confederation 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 ₩ 1,344.80 to US$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 September 30, 2023. 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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Won in accordance with the Korean equivalent of International Financial Reporting Standards ("**K-IFRS**"), which differ in certain significant respects from generally accepted accounting principles in other countries, including generally accepted accounting principles in the United States ("**U.S. GAAP**"). The Issuer has made no attempt to identify or quantify the impact of differences between K-IFRS and U.S. GAAP.

The adjusted operating revenues and expenses (Non-GAAP) presented in this offering circular are not measures of the Issuer's financial performance under K-IFRS and should not be considered as an alternative to operating revenues and expenses or any other performance measures derived in accordance with K-IFRS. Not all companies use the same definition of the adjusted operating revenues and expenses, and the adjusted operating revenues and expenses presented herein are not comparable to similarly titled measures presented by other companies including companies in the Issuer's industry.

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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 English version of the audited annual consolidated financial statements and the unaudited condensed consolidated interim financial statements of the Issuer for the most recent financial period, which are available at (www.hyundaicapital.com); 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 and quotation of the Notes on the SGX-ST, so long as the rules of the SGX-ST so require, in the event of any material change 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 US$10,000,000,000 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.
Legal Entity Identifier	549300MALMDAGL2ZJJ27
Description	Global Medium Term Note Program
Arranger	BNP Paribas
Dealers.....	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, MUFG Securities EMEA plc, Société Générale, Standard Chartered Bank and UBS AG Hong Kong Branch 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	Citicorp International Limited
Calculation Agent and Exchange Agent.....	Citibank, N.A., London Branch
Program Size	Up to US$10,000,000,000 (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 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 US$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 in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to 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 for listing and quotation on 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, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). 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, the United Kingdom, Japan, Singapore, Hong Kong, Korea, Italy and Switzerland 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 SA/NV ("**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, in the event that a Bearer Global Note is exchanged for definitive Bearer Notes, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Bearer Global Note is exchanged for definitive Bearer Notes, 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 expiration 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 US$500,000 and integral multiples of US$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, in the event that a Registered Global Note is exchanged for definitive Registered Notes, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Registered Global Note is exchanged for definitive Registered Notes, 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 expiration 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, in the event that a Global Note is exchanged for definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, 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 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 US$[10,000,000,000] Global Medium Term Note Program

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.] [*Include if the Pricing Supplement specifies "Prohibition of Sales to EEA Retail Investors" as "Applicable"*]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a "qualified investor" as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.] [*Include if the Pricing Supplement specifies "Prohibition of Sales to UK Retail Investors" as "Applicable"*]

[**EU MIFID II product governance / Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**EU MiFID II**")]; or (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the [Notes] (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**MIFID II PRODUCT GOVERNANCE / RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES (ECPS) TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); EITHER [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] OR [(ii) all channels for distribution to eligible counterparties and professional clients are

appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice[,/and] portfolio management[,/ and][non-advised sales][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].]

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MIFIR PRODUCT GOVERNANCE / RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES (ECPS) TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**"), and eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); EITHER [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] OR [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][non-advised sales] [and pure execution services][, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable]]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable.]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "SFA") –** the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [Excluded Investment Products]/[Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][1]

The Notes have not been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Notes may not be offered, delivered, or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. [In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a "qualified institutional investor" as defined in the Regulation on Securities Issuance and

[1] To be inserted if the Notes will be offered to investors in Singapore; for any Notes to be offered to Singapore investors, the Issuer to determine the classification of the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

Disclosure of Korea (a "**Korean QII**") who is registered with the KOFIA for Korean QII bond trading. Furthermore, the Notes acquired by all Korean QIIs at the time of issuance must be no more than 20 percent of the aggregate principal amount of the Notes.]

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 January 15, 2024. 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 [*current date*], 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.
	LEI Code:		549300MALMDAGL2ZJJ27
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:		[•]
	Series:		[•]
	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) "[US$200,000] and integral multiples of [US$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):* *"[US$200,000] and integral multiples of [US$1,000] in excess thereof, up to and including [US$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] [[*specify reference rate*][2] +/- [•]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] *[specify other]* (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [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[3] /*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))*

[2] Parties to consider the various IBOR cessation dates and the maturity date of the Notes in selecting a Reference Rate.

[3] For SGX listing of drawdowns under this Offering Circular, a reminder to attach the latest audited annual financial statements to pricing supplements after FY2023 financial statement is released.

	(ii)	Interest Payment Date(s):	[•] in each year up to and including the Maturity Date [adjusted in accordance with [*specify Business Day Convention*] / [not adjusted] / [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 EURIBOR, SOFR or other, although additional information is required if other — including fallback provisions in the Agency Agreement)

- Interest Determination Date(s): [•]

  (Second day on which the T2 is open prior to the start of each Interest Period if EURIBOR)

- 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)

- SOFR Benchmark: [Not Applicable/Compounded Daily SOFR/SOFR Index]

  (*Only applicable where the Reference Rate is SOFR Benchmark*)

- Compounded Daily SOFR: [Not Applicable/SOFR Lag/SOFR Observation Shift]

  (*Only applicable in the case of Compounded Daily SOFR*)

- Lookback Days: [Not Applicable/ [•] U.S. Government Securities Business Day(s)]

  (*Only applicable in the case of SOFR Lag*)

- SOFR Observation Shift Days: [Not Applicable/[•] U.S. Government Securities Business Day(s)]

  (*Only applicable in the case of SOFR Observation Shift or SOFR Index*)

- SOFR $\text{Index}_{\text{Start}}$: [Not Applicable/[•] U.S. Government Securities Business Day(s)]

  (*Only applicable in the case of SOFR Index*)

- SOFR $\text{Index}_{\text{End}}$: [Not Applicable/[•] U.S. Government Securities Business Day(s)]

  (*Only applicable in the case of SOFR Index*)

(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]] *(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect (however, appropriate amendments should be made for different currencies): "[US$200,000] and integral multiples of [US$1,000] in excess thereof, up to and including [US$499,000].' Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Permanent Bearer Global Note exchangeable for Definitive Bearer Notes.)* [Registered Notes: Regulation S Global Note (US$[•] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Rule 144A Global Note (US$[•] 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]*
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*]
32.	Additional U.S. federal income tax considerations:		[Not *applicable/give details]* [The Notes are [not] subject to U.S. federal withholding tax under Section 871(m).] [Additional information regarding the application of Section 871(m) to the Notes will be available at [•]]

DISTRIBUTION

33.	(i)	If syndicated, names of Managers:	[Not Applicable*/give names*]
	(ii)	Stabilizing Manager (if any):	[Not Applicable*/give names*]
34.	If non-syndicated, name of relevant Dealer:		[•]
35.	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)]
36.	U.S. Selling Restriction:		[Rule 144A]/Regulation S, Category 2
37.	Prohibition of Sales to EEA Retail Investors:		[Applicable/Not Applicable] *[(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products, "Applicable" should be specified.)]*

38.	Prohibition of Sales to UK retail Investors:	[Applicable/Not Applicable] *[(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products, "Applicable" should be specified.)]*
39.	[MiFID II product governance / target market:]	[*appropriate target market legend to be included*]
40.	Additional selling restrictions:	[Not Applicable/give details]
41.	[Singapore Sales to Institutional Investors and Accredited Investors only: *(If Singapore Sales is not applicable, delete this paragraph.)*	[Applicable/Not Applicable] *(If the Notes are offered in Singapore to Institutional Investors and Accredited Investors (as defined under the Securities and Futures Act 2001 of Singapore) only, "Applicable" should be specified. If the Notes are also offered in Singapore to investors other than Institutional Investors and Accredited Investors (as defined under the Securities and Futures Act 2001 of Singapore), "Not Applicable" should be specified.)*]

OPERATIONAL INFORMATION

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

[HONG KONG SFC CODE OF CONDUCT[4]

[4] For an MTN drawdown involving in-scope managers, parties may decide to have a preliminary Pricing Supplement which can be distributed to other CMIs and investors containing the relevant Hong Kong SFC Code of Conduct information. If no preliminary Pricing Supplement is available for the MTN drawdown, or for EU/UK PR-compliant programs, in-scope managers may consider other ways in which to facilitate compliance with paragraph 21 requirements (e.g. BBG messages, bilateral communications with investors, attaching a standalone "Notice to Investors" page to the front of any marketing materials).

47.	Rebates:	[A rebate of [•] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to [Bonds/Notes/Securities] subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the [Bonds/Notes/Securities] distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [*Not Applicable*]
48.	Contact email addresses of the Overall Coordinators where the underlying investor information in relation to omnibus orders should be sent:	[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide] / [*Not Applicable*]
49.	Marketing and Investor Targeting Strategy:	[*If different from the program OC*]]

[LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the US$10,000,000,000 Global Medium Term Note Program of Hyundai Capital Services, Inc.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.]

[Application will be made for the Notes to be recognized under the SGX Sustainable Fixed Income initiative on SGX-ST. There is no guarantee that such application for recognition under the SGX Sustainable Fixed Income initiative will be approved. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Notes will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. If approved, SGX-ST may remove the recognition from the Notes at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX website.][5]

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

[5] For SGX listing – To include this paragraph if the Notes are green/social/sustainability Notes and the Issuer intends to apply for recognition under SGX's Sustainable Fixed Income initiative.

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 or other relevant authority (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 (a "**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 dated March 11, 2009 as amended and supplemented by the First Supplement to the Agency Agreement dated March 13, 2012, the Second Supplement to the Agency Agreement dated March 7, 2014, the Third Supplement to the Agency Agreement dated March 4, 2016 and the Fourth Supplement to the Agency Agreement dated January 10, 2022 (as further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor), as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor), as transfer agent (the "**Principal Transfer Agent**", which expression shall include any successor), as calculation agent (the "**Calculation Agent**", which expression shall include any successor) and as exchange agent (the "**Exchange Agent**", which expression shall include any successor), the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and the other transfer agents named therein (together with the Principal Transfer Agent, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents), and Citicorp International Limited, as registrar (the "**Registrar**", which expression shall include any successor registrar).

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 Paying Agents, Transfer Agents and the Registrar (such Paying Agents, Transfer 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 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 SA/NV ("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 or sub-custodian for DTC, Euroclear or Clearstream, as the case may be, shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee or sub-custodian of DTC, Euroclear or Clearstream, as the case may be, or to a successor of DTC, Euroclear or Clearstream, as the case may be, or such successor's nominee or sub-custodian.

(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 applicable 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 US$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 check;

(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 rounding 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;

(iii) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual 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 divided by 365;

(iv) if "**Actual/360 (Fixed)**" is specified in the applicable Pricing Supplement, the actual 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 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.

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:

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

(ii) 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

(iii) 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 in any Additional Business Center specified in the applicable Pricing Supplement 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, any day on which the real time gross settlement system operated by the Eurosystem or any successor system ("**T2**") is open for the settlement of payments in euro.

(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;

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

(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 in any Additional Business Center specified in the applicable Pricing Supplement 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 T2 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 (i) if the applicable Floating Rate Option is based 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 as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as EURIBOR in the applicable Pricing Supplement, 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. (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; provided, however, that Condition 6(c) shall apply if the Issuer or its designee has determined that a Benchmark Transition Event (as defined in such Condition) has occurred and Benchmark Transition Event is specified in the applicable Pricing Supplement.

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 EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(C) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark*

Where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as SOFR Benchmark in the applicable Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Compounded Daily SOFR or SOFR Index, as follows (subject in each case to Condition 6(d) as further specified hereon):

(1) If Compounded Daily SOFR is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Period (where SOFR Lag is specified in the applicable Pricing Supplement to

determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the applicable Pricing Supplement:

(a) SOFR Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-xUSBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_{i-xUSBD}$**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Period;

"**d_0**" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a "U.S. Government Securities Business Day "I""); and

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_{i-xUSBD}$ applies.

(b) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or

0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**SOFR Observation Period**" means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Payment Date for such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_0**" for any SOFR Observation Period means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to d_0, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which **$SOFR_i$** applies.

The following defined terms shall have the meanings set out below for purpose of this Condition 6(b)(ii)(C)(1):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provisions:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 6(d) shall apply as specified in the applicable Pricing Supplement;

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

(2) If SOFR Index is specified in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**SOFR Index**" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, provided that:

(a) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded Daily SOFR formula described above in Condition 6(b)(ii)(C)(1)(b)"SOFR Observation Shift", and the term "SOFR Observation Shift Days" shall mean five U.S. Government Securities Business Days; or

(b) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 6(d) shall apply as specified in the applicable Pricing Supplement;

"**SOFR Index$_{End}$**" means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the Interest Payment Date for such Interest Period (or in the final Interest Period, the Maturity Date);

"**SOFR Index$_{Start}$**" means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the first day of such Interest Period;

"**SOFR Index Determination Time**" means, in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation

Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Payment Date for such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement; and

"$\mathbf{d_c}$" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for purpose of this Condition 6(b)(ii)(C):

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period;

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York or any successor source;

"**SOFR Benchmark Replacement Date**" means the date of occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 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 D1 is greater than 29, in which case D2 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 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 D2 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 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

D1 will be 30; and

D2 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 D2 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*).

(c) **Benchmark Discontinuation (General)**

(i) ***Independent Adviser***

If a Benchmark Transition Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavors to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(c)(ii) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with 6(c)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 6(c) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents, or the Noteholders for any determination made by it, pursuant to this Condition 6(c).

If (1) the Issuer is unable to appoint an Independent Adviser, or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(c)(i) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to Floating Rate Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest determined using

the Original Reference Rate last displayed on the Relevant Screen Page prior to the relevant Interest Determination Date. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 6(c)(i).

(ii) ***Successor Rate or Alternative Rate***

If the Independent Adviser determines that:

(A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on Floating Rate Notes (subject to the operation of this Condition 6(c)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on Floating Rate Notes (subject to the operation of this Condition 6(c)).

(iii) ***Adjustment Spread***

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) ***Benchmark Amendments***

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 6(c) and the Independent Adviser determines (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "Benchmark Amendments"), and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving of notice thereof in accordance with Condition 6(c)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 6(c), neither the Calculation Agent nor any Paying Agent is obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 6(c) which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

(v) ***Notices, etc.***

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 6(c) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Calculation Agent, the Paying Agents and, in accordance with Condition 16 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark

Amendments, if any. No later than notifying the Noteholders of the same, the Issuer shall deliver to the Calculation Agent and the Paying Agents a certificate signed by an authorized officer of the Issuer:

(A) confirming (i) that a Benchmark Transition Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 6(c); and

(B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 6(c), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 6(c), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(vi) ***Survival of Original Reference Rate***

Without prejudice to the obligations of the Issuer under Condition 6(c)(i), Condition 6(c)(ii), Condition 6(c)(iii) and Condition 6(c)(iv), the Original Reference Rate and the fallback provisions provided for in Condition 6(b)(ii) will continue to apply unless and until a Benchmark Transition Event has occurred.

(vii) ***Definitions***

As used in this Condition 6(c):

"**Adjustment Spread**" means either (x) a spread (which may be positive, negative or zero) or (y) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(C) if the Independent Adviser determines that no such spread is customarily applied, the Independent Adviser determines is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 6(c)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Floating Rate Notes;

"**Benchmark Amendments**" has the meaning given to it in Condition 6(c)(iv);

"**Benchmark Replacement Conforming Changes**" means, with respect to the Benchmark Amendments, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Amendments in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Amendments exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Transition Event**" means:

(A) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or

(B) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(C) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Floating Rate Notes; or

(E) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(F) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholders using the Original Reference Rate,

provided that the Benchmark Transition Event shall be deemed to occur (i) in the case of sub-paragraphs (B) and (C) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (ii) in the case of sub-paragraph (D) above, on the date of the prohibition of use of the Original Reference Rate and (iii) in the case of sub-paragraph (E) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Transition Event shall be determined by the Issuer and promptly notified to the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 6(c)(i);

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Floating Rate Notes;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body. In connection with the implementation of the Benchmark Amendments, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes (as defined herein) from time to time.

(d) **Benchmark Discontinuation (SOFR)**

The following provisions shall apply if SOFR Benchmark Discontinuation is specified in the applicable Pricing Supplement:

(i) ***Benchmark Replacement***

If the Issuer or its designee determines that a Benchmark Event (as defined herein) and its related Benchmark Replacement Date (as defined herein) have occurred on or prior to the Reference Time (as defined herein) with respect to the then-current Benchmark (as defined herein), the Benchmark Replacement (as defined herein) will replace the then-current Benchmark for all purposes relating to the applicable Notes in respect of all determinations on such date and all determinations on all subsequent dates.

(ii) ***SOFR Benchmark Replacement Conforming Changes***

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make SOFR Benchmark Replacement Conforming Changes (as defined herein) from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 6(d). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Agents (if required). Further, none of the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) ***Decisions and Determinations***

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 6(d), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (A) will be conclusive and binding absent manifest error, (B) will be made in the sole discretion of the Issuer or its designee, as applicable, and (C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(iv) ***Certain Defined Terms***

As used in this Condition 6(d):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the sum of:

(1) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(2) the Benchmark Replacement Adjustment;

(B) the sum of:

(1) the ISDA Fallback Rate; and

(2) the Benchmark Replacement Adjustment; or

(C) the sum of:

(1) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(2) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) in the case of sub-paragraph (A) or (B) of the definition of "Benchmark Event," the later of:

(1) the date of the public statement or publication of information referenced therein; and

(2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(B) in the case of sub-paragraph (C) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Compounded Daily SOFR is specified as applicable hereon) or SOFR Index Determination Time (where SOFR Index is specified as applicable hereon), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the SOFR Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto;

"**SOFR Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary); and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

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 check 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 check.

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 US$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a check 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 check 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 check 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);

(ii) in relation to any sum payable in Euro, a day on which the T2 is open;

(iii) 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) (A) in the case of any payment in respect of a Note in definitive form only, in the relevant place of presentation and (B) in 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 or any Additional Financial Center specified in the applicable Pricing Supplement.

(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 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 advisors 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 expiration 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 check, 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);

(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;

(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) any combination of (a), (b) or (c) 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 interest holder 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 U.S. 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;

(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;

(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;

(d) any External Indebtedness of the Issuer in the aggregate principal amount of US$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 US$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;

(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, in the event that a Global Note is exchanged for definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, 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, a leading 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
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020	1,088.0	1,180.1	1,280.1	1,082.7
2021	1,185.5	1,144.4	1,199.1	1,083.1
2022	1,267.3	1,292.0	1,436.6	1,185.5
2023	1,289.4	1,305.4	1,360.6	1,219.3
July	1,280.0	1,286.3	1,319.4	1.261.6
August	1,321.4	1,318.5	1,341.6	1,273.8
September	1,344.8	1,329.5	1,344.8	1,319.2
October	1,352.8	1,350.7	1,360.6	1,339.6
November	1,289.0	1,310.4	1,356.9	1,287.7
December	1,289.4	1,304.0	1,322.7	1,289.4
2024 (through January 15)	1,314.1	1,309.9	1,320.1	1,289.4
January (through January 15)	1,314.1	1,309.9	1,320.1	1,289.4

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Source: Seoul Money Brokerage Services, Ltd.

(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. Certain sections of the Korean economy continue to show signs of sluggishness in part due to weak consumer confidence, consumer spending and corporate investment, and its outlook for 2024 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 the trade disputes between the United States and China and between Korea and Japan, signs of cooling economy for China, the continuing political instability and the escalating conflicts between Israel and Palestine and Russia's ongoing invasion of Ukraine and ensuing sanctions against 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 Kia.

In recent years, financing and extending lease financing for HMC and Kia 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 Kia directly impacts the Company's automotive financing and automotive leasing volume. In addition, the resale value of HMC and Kia 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 Kia vehicles produced, affects the proceeds the Company receives from the sale of repossessed vehicles and off-lease vehicles at lease termination.

HMC and Kia are the leading automobile manufacturers in Korea, with a combined market share of approximately 90.7% based on units of new vehicles sold (excluding imported units) in the nine months ended September 30, 2023 according to the Korea Automobile Manufacturers Association ("**KAMA**"). Any decline in the sales of HMC and Kia vehicles in Korea due to a reduction or suspension of HMC or Kia'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 Kia 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.

Historically, the Bank of Korea has utilized monetary policies, including adjusting the base interest rate to stimulate economic growth or curb inflationary pressures. Between 2009 and 2019, the base interest rate set by the Bank of Korea, to which the market interest rates correlate, has fluctuated within a range of 1.25 per cent. and 3.25 per cent. In March 2020, amid growing concerns over the COVID-19 pandemic, the Bank of Korea cut the base interest rate by 50 basis points to 0.75 per cent. and in May 2020 further to 0.50 per cent. However, as the pandemic began to recede and the economy showed some signs of recovery starting from the second half of 2021, the Bank of Korea gradually raised the base interest rate multiple times to reach a pre-pandemic level of 1.25% from August 2021 through January 2022. More recently, in response to rising levels of household debt and inflation in Korea as well as globally, the Bank of Korea again raised the base interest rate to 1.50% in April 2022, 1.75% in May 2022, 2.25% in July 2022, 2.50% in August 2022, 3.00% in October 2022, 3.25% in November 2022 and 3.50% in January 2023 in an effort to address rising consumer prices.

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 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. Because the companies that specialize in car rental business have also entered into the automotive leasing market, competition in the automotive financing and automotive leasing sectors has also increased, which puts more pressure on the Company's share of automotive financing and lease financing of new HMC and Kia vehicles. 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 Kia.

The Company has an agreement with each of HMC and Kia 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 Kia vehicles (together, the "**Settlement Interest Agreements**"). Such fixed interest spread may be amended during the term of the agreement by either HMC or Kia, as the case may be, with consultation with the Company and based upon market conditions or the rates of competitors. The Settlement Interest Agreements have been successfully renewed as of June 2022. If any of the Settlement Interest Agreements 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 Kia hold 59.68% and 40.10% of the outstanding shares of the Company, respectively. In addition, the Company engages in a variety of related party transactions with HMC, Kia 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 and Kia 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 major 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 and Kia 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.

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 Sources and Strategy — 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 Kia, downgrades or changes in outlook of credit ratings of HMC or Kia 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 asset-backed securities ("**ABS**"), 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, 2020, 2021 and 2022 and September 30, 2023, the Company had domestic loans and bonds (which generally have maturities of one to 10 years) in the aggregate amounts ₩17,198 billion, ₩16,638 billion and ₩18,908 billion and ₩20,090 billion, respectively, and commercial papers (which generally have maturities ranging from 30 days to 3 years) in the amounts of ₩1,030 billion,

₩1,450 billion and ₩900 billion and ₩720 billion, respectively. As of September 30, 2023, 22.4% of the Company's debt funding was obtained from the international debt capital and lending markets. The Company securitized its receivables in the aggregate amount of ₩3,940 billion in 2020, ₩4,661 billion in 2021 and ₩5,233 billion in 2022 and ₩4,739 billion in the nine months ended September 30, 2023. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Funding Sources and Strategy*". 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 is subject to a contractual arrangement obligating it to purchase delinquent and written-off receivables from Hyundai Commercial, a member of the HMG, the amount of which may increase significantly in an economic downturn.

The Company has entered into 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 such arrangement, the Company agrees to purchase all of the 60-day overdue and wholly written-off receivables from Hyundai Commercial each month at a market value of such receivables as determined by an independent accountant. The Company also had the same arrangement with Hyundai Card and Fubon Hyundai Life Insurance but such arrangements have been terminated as of December 2020 and December 2021, respectively. The amount of Company's purchase of delinquent and written-off receivables from Hyundai Commercial has been steadily declining since 2020 as the FSC issued a recommendation in early 2020 to refrain from selling off unsecured delinquent individual receivables and if necessary, sell such receivables to Korea Asset Management Corporation only as a relief measure for individuals impacted by COVID-19. However, the FSC announced a plan (the "**2023 Plan**") to allow financial companies to sell unsecured delinquent individual receivables not only to Korea Asset Management Corporation but also to a special purpose company for selling off non-performing loan. The 2023 Plan has been in effect since June 2023.

In 2020, 2021 and 2022 and the nine months ended September 30, 2023, the aggregate nominal value of the delinquent and written-off receivables the Company purchased from Hyundai Commercial amounted to ₩58.3 billion, ₩19.8 billion and ₩15.3 billion and ₩9.9 billion, respectively, for which the Company paid ₩32.7 billion, ₩11.8 billion and ₩8.7 billion and ₩4.8 billion, respectively. See "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Commercial*". 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 Hyundai Commercial, 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 some portion 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 such assets 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, 2020, 2021 and 2022 and September 30, 2023, ₩5,348.7 billion, ₩6,947.0 billion and ₩7,716.4 billion and ₩7,091.5 billion, respectively, or 17.4%, 22.2% and 23.2% and 21.0%, 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. While the Company has set aside allowances to cover potential losses that may arise from its ABS transactions, there is no assurance that such allowances will be sufficient to cover actual losses.

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, 2020, 2021 and 2022 and September 30, 2023, the Company held ₩1,634.3 billion, ₩2,661.5 billion and ₩2,915.9 billion and ₩2,721.1 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 ₩131.4 billion, ₩128.0 billion and ₩128.8 billion and ₩91.1 billion in 2020, 2021 and 2022 and the nine months ended September 30, 2023, 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 pandemic of COVID-19 and any possible recurrence of other types of widespread infectious diseases could materially affect the Company's business, financial condition or results of operations.

The Company's business and operations could be adversely affected by health epidemics impacting the markets and communities in which the Company and its customers and vendors operate. The outbreak of communicable diseases such as COVID-19, H7N9 strain of flu, the H1N1 virus and MERS on a global scale has affected, and may also affect in the future, investment sentiment in Korea and globally, resulting in sporadic volatility in global capital markets and economies.

In particular, the recent global outbreak of COVID-19 has resulted in changes in consumer behavior, and the implementation of restrictions intended to slow the spread of COVID-19, including quarantines, government-mandated actions, stay-at-home orders, restrictions on travel and public transport, prolonged closures of workplaces and other restrictions, has negatively impacted the global economy as well as the Company's business and created significant volatility and disruption of financial markets. During the height of the pandemic, the Company offered a payment relief option to small business owners and small- and medium-sized enterprises impacted by COVID-19, allowing temporary deferrals of principal and interest payment for a period of six months or more for automotive financing for commercial vehicles. However, the actual number of applicants for such relief option was very limited. Additionally, since October 2022, the Company has ceased to accept new applications for this relief program but provided extensions to existing customers only.

The spread of COVID-19 has led to disruption and volatility in the global capital markets, which has increased the Company's cost of capital and adversely affected the Company's ability to access the capital markets. The Company may also in the future have difficulty accessing debt and capital on attractive terms, or at all, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Since 2021, the Korean and global economies have showed signs of recovery from the pandemic recession in 2020, due largely to aggressive fiscal and monetary measures implemented by the governments. In addition, the Government and other governmental authorities across the world lifted most of the restrictions put in place to slow the spread of COVID-19 and, in May 2023, the World Health Organization declared that the COVID-19 pandemic was still ongoing but no longer represented a public health emergency. However, the risk remains that circumstances could deteriorate, for instance, with the spread of a new COVID-19 variant. In addition, rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated in many economies including Korea.

While it is not possible to predict the duration or full magnitude of harm from COVID-19, in the event that outbreaks of COVID-19 or its new variants cannot be effectively and swiftly contained, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, there can be no assurance that there will not be a serious outbreak of another contagious diseases in the future.

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 and affiliates in Australia, Germany, Brazil, China, India, Russia, Canada, the United Kingdom, Indonesia, Italy and France, 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, the United Kingdom, Canada, Germany, Brazil, Italy and France and the provision of primarily consulting services in other countries including Brazil, Australia, Indonesia, India and Russia. 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 Kia 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 (the "**CIUP Act**"), as amended in February 2020, 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 February 2020, 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. 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.

The risk of an unfavorable outcome to litigation against the Company could adversely affect the Company's business, financial condition, results of operations and prospects.

The Company is exposed to litigation risk relating to the operations of its businesses on an ongoing basis. While the outcome of any pending or future litigation cannot be foreseen given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters may have a material and adverse effect on the Company's business, financial condition, results of operations and prospects.

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.

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.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy, mainly due to the COVID-19 pandemic and more recently due to Russia's invasion of Ukraine and ensuing sanctions against Russia and the escalated conflicts between Israel and Palestine, have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has also fluctuated. Furthermore, as a result of adverse global and Korean economic conditions, there has been volatility in the stock prices of Korean companies in recent years. Future declines in the Korea Composite Stock Price Index ("**KOSPI**") and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Political instability may further adversely affect the Korean economy and cause volatility in the stock prices of Korean companies.

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;
- the occurrence of severe health epidemics in Korea or other parts of the world, such as the COVID-19 pandemic;
- continued volatility or deterioration in Korea's credit and capital markets;

- adverse developments in the economies of countries and regions that are Korea's important export markets (such as the United States, Europe, China and Japan or in emerging market economies in Asia or elsewhere), including as a result of economic and trade tensions between the United States and China;
- deterioration in economic or diplomatic relations between Korea and its major trading partners or allies, as a result of trading or territorial disputes or disagreements in foreign policy, such as the ongoing trade dispute between Korea and Japan;
- substantial fluctuations in the market prices of Korean real estate market and uncertainties arising from construction companies' exposures to project financing loans;
- 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 ageing 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 an 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;
- political scandal, including but not limited to, bribery, power abuse and illegal dealings by the government officials;
- investigation on *chaebols* and arrest of their senior management, which causes volatility of the Korean stock market and delays decision making of major businesses in Korea;
- 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 Middle East, the former republics of the Soviet Union and the Korean peninsula), an act of war, a terrorist act, a breakout of an epidemic or natural or man-made disasters;
- hostilities, political or social tensions involving Russia (including the invasion of Ukraine by Russia and ensuing actions that the United States and other countries have taken or may take in the future) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets; 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, including purchases of vehicles produced by HMC and Kia, 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 have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and ballistic missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. North Korea has increased the frequency of its missile tests in 2022, firing over 60 ballistic missiles, including eight intercontinental ballistic missiles. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaeseong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in December 2017, in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

Since April 2018, North Korea has held a series of bilateral summit meetings with Korea and the United States to discuss peace and denuclearization of the Korean peninsula. At the end of July 2021, the inter-Korean communication lines were restored for the first time since June 2020, when North Korea severed all inter-Korean governmental communication, but days later, North Korea stopped answering routine calls from Korea in apparent protest of the joint U.S.-Korea military exercises scheduled for August 2021. Although in October 2021, North Korea began answering military and liaison office communication lines again, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future or that such escalation will not have a material adverse impact on the Korean economy and the Company. Despite some mixed signs of improved relationship between North Korea and Korea as well as the United States in recent years, North Korea has not ceased its missile testing, heightening tensions, and the outlook of discussions with North Korea remains uncertain.

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 US$200,000.

The Notes have not been and will not be registered under 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 Transactions Law 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 are issued relying on the exemption as set out in Article 2-2-2, Paragraph 2, Item 3 of the Regulation on Securities Issuance and Disclosure, 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 who is registered with the KOFIA as qualified institutional investor, provided that the amount of the Notes acquired by such Korean qualified institutional investors in the primary market is limited to no more than 20 percent of the aggregate issue amount of the Notes, or (ii) as otherwise permitted under applicable Korean laws and regulations.

Payments made on or with respect to the Notes may be subject to U.S. withholding tax.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Korea) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes treated as debt for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Notes — 18. Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The regulation or reform of certain benchmark rates may adversely affect the value of Notes linked to or referencing such benchmark rates.

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark".

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") and Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU and the UK, respectively. The EU Benchmark Regulation and UK Benchmark Regulation could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks."

As an example of such benchmark reforms, on September 21, 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate," which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On September 13, 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("€STR") as the new risk-free rate for the euro area. The €STR was published for the first time on October 2, 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

Where the Interest Rate specified in the relevant Pricing Supplement is SOFR, if we determine that a Benchmark Transition Event and its related Benchmark Replacement Date has occurred, the then-current Benchmark will be replaced by a Benchmark Replacement (determined by us in accordance with the Terms and Conditions of the Notes) for all purposes relating to the relevant Floating Rate Notes in respect of all determinations on such date and for all determinations on all subsequent dates. We will have to exercise our discretion to determine (or to elect not to determine) a Benchmark Replacement and, if applicable, a Benchmark Replacement Adjustment, in a situation in which it is presented with a conflict of interest.

The use of a Benchmark Replacement may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the relevant Floating Rate Notes if the relevant benchmark remained available in its current form.

Any of the above changes or any other consequential changes to benchmarks as a result of EU, UK, or other international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes could have a material adverse effect on the trading market for, value of and return on any Notes linked to such benchmark. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to risk-free rates as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Secured Overnight Financing Rate ("**SOFR**"). This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions as applicable to the Notes. Furthermore, the Issuer may in future issue Notes referencing SOFR that differ materially in terms of interest determination when compared with the Notes.

In addition, the manner of adoption or application of SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR.

SOFR has a limited history.

Publication of SOFR began in April 2018 and it therefore has a limited history. The future performance of SOFR may therefore be difficult to predict based on the limited historical performance. The level of SOFR during the term of the Notes may bear little or no relation to the historical level of SOFR. Prior observed patterns, if any, in the behavior of market variables and their relation to SOFR such as correlations, may change in the future.

Furthermore, the Interest Rate is only capable of being determined at the end of the relevant reference period and immediately prior to the relevant Interest Payment Date. It may be difficult for Noteholders to estimate reliably the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of the Notes. Further, if the Notes become due and payable as a result of an Event of Default under Condition 12 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Interest Rate payable in respect of the Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable.

The administrator of SOFR may make changes that could change the value of SOFR or discontinue SOFR.

The New York Federal Reserve (or a successor), as administrator of SOFR, may make methodological or other changes that could change the value of SOFR, including changes related to the method by which SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR. In addition, the administrator may alter, discontinue or suspend calculation or dissemination

of SOFR (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SOFR.

CAPITALIZATION

The following table sets out the Company's capitalization (defined as the sum of long-term debt and equity) as of September 30, 2023.

	As of September 30, 2023 (billions of Won)	
Long-term debt[(1)]:		
Long-term debt (net of current portion)	₩	20,240.0
Equity:		
Issued capital		496.5
Capital surplus		388.6
Capital adjustment		(3.7)
Accumulated other comprehensive income, net		85.9
Retained earnings		4,981.6
Total equity		5,949.0
Total long-term debt and equity	₩	26,189.0

(1) Excluding discounts on bonds payable.

There has been no material change in the Company's capitalization since September 30, 2023.

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, 2020, 2021 and 2022 set forth below have been derived from the Company's audited consolidated financial statements and related notes included elsewhere in this Offering Circular, which have been prepared in accordance with K-IFRS. The selected financial data as of September 30, 2023 and for the nine months ended September 30, 2022 and 2023 set forth below have been derived from the Company's unaudited consolidated interim financial statements included elsewhere in this Offering Circular, which have been prepared in accordance with Korean IFRS No. 1034 *Interim Financial Reporting*.

The selected financial and other data set forth below should be read in conjunction with the audited and unaudited 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			For the Nine Months Ended September 30	
	2020	2021	2022	2022	2023
	(in billions of Won, except for per share data)				
Operating revenue:					
Interest income	₩ 17.1	₩ 11.6	₩ 41.6	₩ 22.5	₩ 92.6
Gain on valuation and sale of securities	1.0	0.7	1.0	0.8	14.3
Income on loans	807.2	792.6	920.0	671.7	666.5
Income on installment financial assets	624.9	609.9	629.2	458.1	616.3
Income on leases	1,137.6	1,359.7	2,051.4	1,188.2	1,794.4
Gain on sale of loans	96.7	7.9	24.3	23.9	51.8
Gain on foreign currency transactions	337.2	4.8	46.8	9.1	33.7
Dividend income	1.2	0.5	0.6	0.6	0.7
Other operating income	221.4	698.0	721.3	1,450.7	506.0
Total operating revenue	**₩ 3,244.3**	**₩ 3,485.6**	**₩ 4,436.1**	**₩ 3,825.6**	**₩ 3,776.3**
Operating expenses:					
Interest expense	588.4	557.7	711.8	492.2	792.9
Lease expense	843.5	1,066.9	1,670.0	907.9	1,440.6
Loss on valuation and sale of securities	1.5	0.5	2.0	4.2	—
Provision for loan losses	271.0	139.5	198.3	125.9	179.4
Loss on sale of loans	4.5	—	2.7	2.3	1.5
Loss on foreign currency transactions	71.8	527.3	588.1	1,345.2	427.2
General and administrative expenses	633.3	620.2	676.0	497.1	498.6
Other operating expenses	432.3	87.4	112.7	63.8	81.4
Total operating expenses	**₩ 2,846.4**	**₩ 2,999.5**	**₩ 3,961.6**	**₩ 3,438.5**	**₩ 3,421.5**
Operating income	397.9	486.1	474.5	387.1	354.8
Non-operating income	83.5	109.4	118.6	90.5	75.7
Non-operating expenses	4.4	20.2	9.8	6.3	27.4
Profit before income taxes	477.0	575.2	583.3	471.2	403.1
Income taxes	116.7	143.2	146.2	115.0	87.4
Profit from continuing operations	**360.3**	**432.1**	**437.1**	**356.2**	**315.7**
Profit (Loss) from discontinued operations, net of tax	(11.7)	0.5	—	—	—
Profit for the period	**₩ 348.6**	**₩ 432.6**	**₩ 437.1**	**₩ 356.2**	**₩ 315.7**
Basic and diluted EPS of continuing operations (in Korean Won)	**₩ 3,628.0**	**₩ 4,351.0**	**₩ 4,401.0**	**₩ 3,587.0**	**₩ 3,179.0**
Basic and diluted EPS of discontinued operations (in Korean Won)	**₩ (118.0)**	**₩ 5.0**	**₩ —**	**₩ —**	**₩ —**

Selected Statements of Financial Position Data

	As of December 31			As of September 30
	2020	2021	2022	2023
	(in billions of Won)			
Assets:				
Cash and due from other financial institutions[(1)]	₩ 1,688.0	₩ 1,673.9	₩ 2.958.9	₩ 1,231.0
Securities[(1)]	1,343.0	1,505.7	1,757.3	3,549.5
Loans receivable, net	9,212.4	10,118.0	9,942.9	9,055.4
Installment financial assets, net	14,523.4	13,752.1	14,720.8	15,931.5
Lease receivables, net	2,407.1	2,108.3	2,044.9	2,007.1
Leased assets, net	3,621.7	4,559.0	5,538.1	5,857.8
Property and equipment, net	201.8	196.8	209.3	197.2
Right-of-use assets, net	36.9	14.4	68.5	56.3
Other assets, net	649.0	988.9	1,406.7	1,440.6
Total assets	**₩ 33,683.3**	**₩ 34,917.1**	**₩ 38,647.5**	**₩ 39,326.4**
Liabilities and equity:				

	As of December 31			As of September 30
	2020	2021	2022	2023
	(in billions of Won)			
Borrowed funds	₩ 27,339.7	₩ 28,519.1	₩ 31,399.2	₩ 31,673.3
Other liabilities	1,611.6	1,191.3	1,618.6	1,704.1
Total liabilities	**₩ 28,951.2**	**₩ 29,710.3**	**₩ 33,017.8**	**₩ 33,377.4**
Issued capital	496.5	496.5	496.5	496.5
Capital surplus	388.6	388.6	388.6	388.6
Capital adjustment	—	—	—	(3.7)
Accumulated other comprehensive income (loss)	(41.0)	92.8	78.6	85.9
Retained earnings	3,888.0	4,228.8	4,665.9	4,981.6
Total equity	**₩ 4,732.1**	**₩ 5,206.7**	**₩ 5,629.7**	**₩ 5,949.0**
Total liabilities and equity	**₩ 33,683.3**	**₩ 34,917.1**	**₩ 38,647.5**	**₩ 39,326.4**

(1) Since the third quarter of the fiscal year ended December 31, 2023, short-term financial investments, which were previously classified as part of cash and due from other financial institutions, have been reclassified as securities, and the amounts of cash and due from other financial institutions and securities as of September 30, 2023 are provided after incorporating the effects of such change.

Selected Other Data

	As of December 31			As of September 30
	2020	2021	2022	2023
Adjusted capital adequacy ratio[1]	14.2%	14.8%	14.5%	14.7%
NPL[2] balance (in billions on Won)	₩ 815.7	₩ 685.9	₩ 722.4	₩ 716.9
Ratio of NPLs to total financial receivables[3]	2.7%	2.2%	2.2%	2.1%
Ratio of delinquent receivable[4] to total financial receivables	1.0%	0.6%	0.6%	0.6%
Allowance as percentage of total financial receivables	2.3%	1.9%	1.9%	1.7%
Coverage ratio[5]	43.9%	40.9%	42.0%	43.3%

(1) Adjusted capital adequacy ratio is calculated by dividing adjusted equity by adjusted total assets. Adjusted equity represents the sum of total capital and the allowance for normal and precautionary assets, less regulatory reserve for loan losses. Adjusted total assets are total assets less cash and cash equivalents and regulatory reserve for loan losses.

(2) Defined as assets that are classified as substandard or below. For a description of assets that are classified as substandard or below, see "*Business — Risk Management — Allowances for Doubtful Accounts*". Also includes delinquent and written-off receivables purchased by the Company from Hyundai Commercial, Hyundai Card (until December 2020) and Fubon Hyundai Life Insurance (until December 2021) as further described in "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Card and — Relationship with Hyundai Commercial*". For more details on the composition of NPL balance, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Delinquencies*."

(3) Total financial receivables include receivables on a managed basis.

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

(5) Represents ratio of (x) allowances for doubtful accounts to (y) managed assets (which include loans receivable, installment financial assets and lease receivables) less such 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 and unaudited 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 ₩39.3 trillion of assets as of September 30, 2023, 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 rental car services.

The Company operates as the primary financing arm of HMC and Kia. As a result, providing financing for the purchase and lease of new HMC and Kia 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 Kia vehicles, the Company has an agreement with each of HMC and Kia under which each of HMC and Kia 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 Kia vehicles.

The Company also provides personal loan services, including mortgage loans for residential property. Outstanding financial receivables for personal loans, including mortgage loans, amounted to ₩5,640.6 billion, ₩5,903.2 billion, ₩5,290.8 billion and ₩4,239.3 billion as of December 31, 2020, 2021 and 2022 and September 30, 2023, 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.

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 Kia, 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 new car automotive loans, the Company charges interest at rates currently ranging from 7.30% to 8.70% per year. For used car automotive loans, the Company charges interest at rates currently ranging from 4.00% to 19.50% per year. For personal loans, the Company charges interest at rates currently ranging from 4.20% to 19.50% per year. The maximum legally permitted interest rate for personal loans applicable to all financial institutions in Korea was changed to 20% per annum from 24% per annum, pursuant to an amendment to the Act on Registration of Credit Business and Protection of Finance Users and the Enforcement Decree thereunder, which became effective from July 7, 2021. For mortgage loans, the Company charges interest at rates ranging from 5.39% to 14.99% per year.

- ***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 2.50% to 12.25% 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 4.70% to 7.40% per year. The Settlement Interest Agreements provide that with respect to the Company's installment financing of new HMC and Kia vehicles, the Company must return to HMC and Kia 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.

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 2024 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 2024 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 Kia 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.

For 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 audited consolidated financial statements and unaudited consolidated interim financial statements included elsewhere in this Offering Circular.

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 September 30, 2023.

	Subsidiaries
Asset-backed securitization special purpose entities[(1)]	Autopia Sixty-fifth SPC (trust)
	Autopia Sixty-sixth SPC (trust)
	Autopia Sixty-seventh SPC (trust)
	Autopia Sixty-eighth SPC (trust)
	Autopia Sixty-ninth SPC (trust)
	Autopia Seventieth SPC (trust)
	Autopia Seventy-first SPC (trust)
	Autopia Seventy-second SPC (trust)
	Autopia Seventy-third SPC (trust)
	Autopia Seventy-fourth SPC (trust)
	Autopia Seventy-fifth SPC (trust)
	Autopia Seventy-sixth SPC (trust)
	Autopia Seventy-seventh SPC (trust)
Limited liability companies	Hyundai Capital Europe GmbH[(2)]
	Hyundai Capital India Private Limited
	Hyundai Capital Brasil LTDA
	Hyundai Capital Australia Pty Limited
	PT. Hyundai Capital Indonesia
Specified money trusts[(3)]	16 specified money trusts

	Subsidiaries
Structured entity	Zavurov First Co., Ltd.(4)

(1) Autopia Sixty-fifth SPC (trust) was established in 2018. Autopia Sixty-sixth SPC (trust), Autopia Sixty-seventh SPC (trust) and Autopia Sixty-eighth SPC (trust) were established in 2019. Autopia Sixty-ninth SPC (trust) and Autopia Seventieth SPC (trust) were established in 2020. Autopia Seventy-first SPC (trust) and Autopia Seventy-second SPC (trust) were established in 2021. Autopia Seventy-third SPC (trust), Autopia Seventy-fourth SPC (trust), and Autopia Seventy-fifth SPC (trust) were established in 2022. Autopia Seventy-sixth SPC (trust) and Autopia Seventy-seventh SPC (trust) were established in 2023.

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

(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.

(4) It is established to finance real estate project. Although the Company owns less than 50% of the shares of this entity, it is considered that the Company has control over this entity as it is exposed, or has rights, to variable returns from its involvement with this entity and has the ability to affect those returns through its power over this entity.

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 expected credit losses 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.

Provisions for unused loan commitments

Provisions are recognized when the Company has a present unused loan commitment, 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,			For the nine months ended September 30,	
	2020	2021	2022	2022	2023
			(in billions of Won)		
Operating revenue:					
Interest income	₩ 17.1	₩ 11.6	₩ 41.6	₩ 22.5	₩ 92.6
Gain on valuation and sale of securities	1.0	0.7	1.0	0.8	14.3
Income on loans	807.2	792.6	920.0	671.7	666.5
Income on installment financial assets	624.9	609.9	629.2	458.1	616.3
Income on leases	1,137.6	1,359.7	2,051.4	1,188.2	1,794.4
Gain on sale of loans	96.7	7.9	24.3	23.9	51.8
Gain on foreign currency transactions	337.2	4.8	46.8	9.1	33.7
Dividend income	1.2	0.5	0.6	0.6	0.7
Other operating income[(1)]	221.4	698.0	721.3	1,450.7	506.0
Total operating revenue	**₩ 3,244.3**	**₩ 3,485.6**	**₩ 4,436.1**	**₩ 3,825.6**	**₩ 3,776.3**
Operating expenses:					
Interest expense	588.4	557.7	711.8	492.2	792.9
Lease expense	843.5	1,066.9	1,670.0	907.9	1,440.6
Loss on valuation and sale of securities	1.5	0.5	2.0	4.2	—
Provision for loan losses	271.0	139.5	198.3	125.9	179.4
Loss on sale of loans	4.5	—	2.7	2.3	1.5
Loss on foreign currency transactions	71.8	527.3	588.1	1,345.2	427.2
General and administrative expenses	633.3	620.2	676.0	497.1	498.6
Other operating expenses[(2)]	432.3	87.4	112.7	63.8	81.4
Total operating expenses	**₩ 2,846.4**	**₩ 2,999.5**	**₩ 3,961.6**	**₩ 3,438.5**	**₩ 3,421.5**
Operating income	397.9	486.1	474.5	387.1	354.8
Non-operating income	83.5	109.4	118.6	90.5	75.7
Non-operating expenses	4.4	20.2	9.8	6.3	27.4
Profit before income taxes	477.0	575.2	583.3	471.2	403.1
Income taxes	116.7	143.2	146.2	115.0	87.4
Profit from continuing operations	**360.3**	**432.1**	**437.1**	**356.2**	**315.7**
Profit (Loss) from discontinued operations, net of tax	(11.7)	0.5	—	—	—
Profit for the period	**₩ 348.6**	**₩ 432.6**	**₩ 437.1**	**₩ 356.2**	**₩ 315.7**

(1) Includes, among others, (i) gain on valuation of derivatives of ₩55.5 billion, ₩486.7 billion and ₩402.8 billion and ₩1,187.2 billion and ₩333.9 billion, in 2020, 2021 and 2022 and the nine months ended September 30, 2022 and 2023, respectively, and (ii) gain on derivatives transactions of ₩17.3 billion, ₩53.1 billion and ₩199.5 billion and ₩171.0 billion and ₩101.8 billion in 2020, 2021 and 2022 and the nine months ended September 30, 2022 and 2023, respectively.

(2) Includes, among others, (i) loss on valuation of derivatives of ₩333.7 billion, ₩1.4 billion and ₩58.6 billion and ₩18.1 billion and ₩33.7 billion in 2020, 2021 and 2022 and the nine months ended September 30, 2022 and 2023, respectively, and (ii) loss on derivatives transactions of ₩2.3 billion, ₩1.0 billion and ₩3.0 billion and ₩3.0 billion and ₩6.8 billion in 2020, 2021 and 2022 and the nine months ended September 30, 2022 and 2023, respectively.

Operating Revenues

Operating revenues decreased by 1.3% to ₩3,776.3 billion for the nine months ended September 30, 2023 from ₩3,825.6 billion for the nine months ended September 30, 2022, primarily due to a decrease in other operating income principally resulting from adverse effects of the fluctuation in exchange rates and changes in foreign currency denominated debts, which offset the effect of increases in income on installment financial receivables, income on leases and gain on sale of loans. Operating revenues increased by 27.3% to ₩4,436.1 billion in 2022 from ₩3,485.6 billion in 2021, primarily due to increases in income on loans, income on leases and gain on sale of loans. Operating revenues increased by 7.4% to ₩3,485.6 billion in 2021 from ₩3,244.3 billion in 2020, primarily due to an increase in income from lease sales.

Adjusted operating revenues (Non-GAAP). Adjusted operating revenue is defined as operating revenue for the nine months or the year excluding gain on foreign currency transactions, gain on valuation of derivatives and gain on derivatives transactions, to internally evaluate the performance of our business. The table below presents a reconciliation of operating revenue to adjusted operating revenue.

	For the year ended December 31,			For the nine months ended September 30,	
	2020	2021	2022	2022	2023
			(in billions of Won)		
Total operating revenue	₩ 3,244.3	₩ 3,485.6	₩ 4,436.1	₩ 3,825.6	₩ 3,776.3
Less: Gain on foreign currency transaction	337.2	4.8	46.8	9.1	33.7
Less: Gain on valuation of derivatives	55.5	486.7	402.8	1,187.2	333.9
Less: Gain on derivatives transactions	17.3	53.1	199.5	171.0	101.8
Total adjusted operating revenue (Non-GAAP)	**₩ 2,834.3**	**₩ 2,941.0**	**₩ 3,787.0**	**₩ 2,458.3**	**₩ 3,306.9**

Adjusted operating revenues increased by 34.5% to ₩3,306.9 billion for the nine months ended September 30, 2023 from ₩2,458.3 billion for the nine months ended September 30, 2022, primarily due to the

recovery of car sales of HMG driven by the increase in the income on installment financial assets and income on leases. Such increase was also due to a decrease in gain on valuation of derivatives caused by the base effect of the gain on valuation of derivatives in the nine months ended September 30, 2022 associated with fluctuation in exchange rates, which was absent in the nine months ended September 30, 2023. Adjusted operating revenues increased by 28.8% to ₩3,787.0 billion in 2022 from ₩2,941.0 billion in 2021, mainly due to increases in income on loans, income on leases and gain on sale of loans. Adjusted operating revenues increased by 3.8% to ₩2,941.0 billion in 2021 from ₩2,834.3 billion in 2020, mainly due to an increase in income on lease sales. Adjusted operating revenue is not a measure determined in accordance with K-IFRS. It also should not be considered as an alternative to gross profit, cash flows from operating activities or profit for the six months or the year, as determined in accordance with K-IFRS. Our calculation of adjusted operating revenue may not be comparable to similarly titled measures reported by other companies.

Interest income. Interest income increased by 311.4% to ₩92.6 billion for the nine months ended September 30, 2023 from ₩22.5 billion for the nine months ended September 30, 2022, primarily due to an increase in return rate caused by a continuous increase in the general level of base interest rates. Interest income increased by 260.1% to ₩41.6 billion in 2022 from ₩11.6 billion in 2021, primarily due to an increase in return rate caused by an increase in the general level of base interest rates. Interest income decreased by 32.5% to ₩11.6 billion in 2021 from ₩17.1 billion in 2020, primarily due to a decrease in the return rate caused by a decrease in installment financing undertakings.

Income on loans. Income on loans decreased by 0.8% to ₩666.5 billion for the nine months ended September 30, 2023 from ₩671.7 billion for the nine months ended September 30, 2022, primarily due to a decrease in non-auto loans driven by the focus of prime portfolio on auto-finance products. Income on loans increased by 16.1% to ₩920.0 billion in 2022 from ₩792.6 billion in 2021, primarily due to an increase in non-auto loans driven by prime customers. Income on loans decreased by 1.8% to ₩792.6 billion in 2021 from ₩807.2 billion in 2020, primarily due to maintaining the enhanced risk management measures including conservative screening process for non-auto products.

Income on installment financial assets. Income on installment financial assets increased by 34.5% to ₩616.3 billion for the nine months ended September 30, 2023 from ₩458.1 billion for the nine months ended September 30, 2022, primarily due to the recovery of car sales of HMG driven by normalized production and volume expansion backed by strong market demand. Income on installment financial assets increased by 3.2% to ₩629.2 billion in 2022 from ₩609.9 billion in 2021, primarily due to an increase in average balance of installment financing followed by recovery of car sales of HMG. Income on installment financial assets decreased by 2.4% to ₩609.9 billion in 2021 from ₩624.9 billion in 2020, primarily due to a decrease in installment financing undertakings.

Income on leases. Income from leased assets increased by 51.0% to ₩1,794.4 billion for the nine months ended September 30, 2023 from ₩1,188.2 billion for the nine months ended September 30, 2022, primarily due to a continued increase in demand for the lease of luxury vehicles such as Genesis car models and sports utility vehicles. Income from leased assets increased by 50.9% to ₩2,051.4 billion in 2022 from ₩1,359.7 billion in 2021, primarily due to an increase in demand for the lease of luxury vehicles such as Genesis car models and sports utility vehicles. Income from leased assets increased by 19.5% to ₩1,359.7 billion in 2021 from ₩1,137.6 billion in 2020, primarily due to an increase in income from lease sales of luxury vehicles.

Gain on sale of loans. Gain on sale of loans increased by 116.5% to ₩51.8 billion for the nine months ended September 30, 2023 from ₩23.9 billion for the nine months ended September 30, 2022, primarily due to the sales of non-performing loans. Gain on sale of loans increased by 207.1% to ₩24.3 billion in 2022 from ₩7.9 billion in 2021, primarily due to the sales of non-performing loans. Gain on sale of loans decreased by 91.8% to ₩7.9 billion in 2021 from ₩96.7 billion in 2020, primarily due to a recommendation from FSC to refrain from selling off unsecured delinquent individual receivables. 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.

Gain on foreign currency transactions. Gain on foreign currency transactions increased by 271.3% to ₩33.7 billion for the nine months ended September 30, 2023 from ₩9.1 billion for the nine months ended September 30, 2022. Gain on foreign currency transactions increased by 870.9% to ₩46.8 billion in 2022 from ₩4.8 billion in 2021. Gain on foreign currency transactions decreased by 98.6% to ₩4.8 billion in 2021 from ₩337.2 billion in 2020.

Other operating income. Other operating income decreased by 65.1% to ₩506.0 billion for the nine months ended September 30, 2023 from ₩1,450.7 billion for the nine months ended September 30, 2022, primarily due to fluctuation in exchange rates and changes in foreign currency denominated debts .Other operating income increased by 3.3% to ₩721.3 billion in 2022 from ₩698.0 billion in 2021, primarily due to fluctuation in exchange rates and changes in foreign currency denominated debts. Other operating income increased by 215.2% to ₩698.0 billion in 2021 from ₩221.4 billion in 2020, primarily due to fluctuation in exchange rates and changes in foreign currency denominated debts. The Company's derivatives consist largely of currency swaps, and volatility in the value of the Korean Won against major foreign currencies results in a fluctuation in the asset value of the currency swaps relating to the Company's liabilities denominated in foreign currencies. A decrease in the asset value results in loss on valuation of derivatives and an increase in the asset value results in gain on valuation of derivatives. 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.

Operating Expenses

Operating expenses decreased by 0.5% to ₩3,421.5 billion for the nine months ended September 30, 2023 from W3,438.5 billion for the nine months ended September 30, 2022, primarily due to a decrease in loss on foreign currency transactions resulting from the impacts of the fluctuation in exchange rates and changes in foreign currency denominated debts, which offset the effect of increases in expenses associated with the growth of lease assets as well as financing costs driven by an increase in base interest rates. Operating expenses increased by 32.1% to ₩3,961.6 billion in 2022 from ₩2,999.5 billion in 2021, primarily due to increases in expenses associated with the growth of lease assets as well as financing costs driven by an increase in base interest rates**.** Operating expenses increased by 5.4% to ₩2,999.5 billion in 2021 from ₩2,846.4 billion in 2020, primarily due to a growth in lease assets.

Adjusted operating expenses (Non-GAAP). Adjusted operating expense is defined as operating expense for the nine months or the year excluding loss on foreign currency transactions, loss on valuation of derivatives and loss on derivative transactions, to internally evaluate the performance of our business. The table below presents a reconciliation of operating expense to adjusted operating expense.

	For the year ended December 31,			For the nine months ended September 30,	
	2020	2021	2022	2022	2023
			(in billions of Won)		
Total operating expense	₩ 2,846.4	₩ 2,999.5	₩ 3,961.6	₩ 3,438.5	₩ 3,421.5
Less: Loss on foreign currency transaction	71.8	527.3	588.1	1,345.2	427.2
Less: Loss on valuation of derivatives	333.7	1.4	58.6	18.1	33.7
Less: Loss on derivatives transactions	2.3	1.0	3.0	3.0	6.8
Total adjusted operating expense (Non-GAAP)	**₩ 2,438.6**	**₩ 2,469.8**	**₩ 3,311.8**	**₩ 2,072.1**	**₩ 2,953.8**

Adjusted operating expenses increased by 42.6% to ₩2,953.8 billion for the nine months ended September 30, 2023 from ₩2,072.1 billion for the nine months ended September 30, 2022. Adjusted operating expenses increased by 34.1% to ₩3,311.8 billion in 2022 from ₩2,469.8 billion in 2021. Adjusted operating expenses increased by 1.3% to ₩2,469.8 billion in 2021 from ₩2,438.6 billion in 2020. As discussed above, the sum of loss on foreign currency transactions, loss on valuation of derivatives and loss on derivatives transactions is substantially offset 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. Adjusted operating expense is not a measure determined in accordance with K-IFRS. It also should not be considered as an alternative to gross loss, cash flows from operating activities or loss for the nine months or the year, as determined in accordance with K-IFRS. Our calculation of adjusted operating expense may not be comparable to similarly titled measures reported by other companies.

Interest expense. Interest expense increased by 61.1% to ₩792.9 billion for the nine months ended September 30, 2023 from ₩492.2 billion for the nine months ended September 30, 2022, primarily due to increases in borrowings and the general level of base interest rates. Interest expense increased by 27.6% to ₩711.8 billion in 2022 from ₩557.7 billion in 2021, primarily due to increases in borrowings and the general level of base interest rates. Interest expense decreased by 5.2% to ₩557.7 billion in 2021 from ₩588.4 billion in 2020, primarily due to a decrease in interest rate despite an increase in borrowings.

Lease expense. Lease expense increased by 58.7% to ₩1,440.6 billion for the nine months ended September 30, 2023 from ₩907.9 billion for the nine months ended September 30, 2022, primarily due to an increase in other related expenses associated with a greater demand for vehicle models with high average selling prices. Lease expense increased by 56.5% to ₩1,670.0 billion in 2022 from ₩1,066.9 billion in 2021, primarily due to an increase in other related expenses associated with an increase in the Company's lease undertakings. Lease expense increased by 26.5% to ₩1,066.9 billion in 2021 from ₩843.5 billion in 2020, primarily due to an increase in depreciation as the Company's lease undertaking increased.

Provision for loan losses. Provision for loan losses increased by 42.5% to ₩179.4 billion for the nine months ended September 30, 2023 from ₩125.9 billion for the nine months ended September 30, 2022, primarily due to an increase in non-performing loans driven by expectations of a potential economic downturn. Provision for loan losses increased by 42.1% to ₩198.3 billion in 2022 from ₩139.5 billion in 2021, primarily due to additional provisions set aside for proactive risk management. Provision for loan losses decreased by 48.5% to ₩139.5 billion in 2021 from ₩271.0 billion in 2020, primarily due to an improvement in asset quality.

Loss on foreign currency transactions. Loss on foreign currency transactions decreased by 68.2% to ₩427.2 billion for the nine months ended September 30, 2023 from ₩1,345.2 billion for the nine months ended September 30, 2022, primarily due to fluctuations in exchange rates and the level of foreign currency denominated debts. Loss on foreign currency transactions increased by 11.5% to ₩588.1 billion in 2022 from ₩527.3 billion in 2021, primarily due to fluctuations in exchange rates and the level of foreign currency denominated debts. Loss on foreign currency transactions increased by 634.2% to ₩527.3 billion in 2021 from ₩71.8 billion in 2020, primarily due to fluctuation in exchange rates and changes in foreign currency denominated debts.

General and administrative expenses. General and administrative expenses increased by 0.3% to ₩498.6 billion for the nine months ended September 30, 2023 from ₩497.1 billion for the nine months ended September 30, 2022, primarily due to an increase in the amount of incentives associated with an increase in car sales. General and administrative expenses increased by 9.0% to ₩676.0 billion in 2022 from ₩620.2 billion in 2021, primarily due to an increase in labor and construction related costs caused by a relocation of the Company. General and administrative expenses decreased by 2.1% to ₩620.2 billion in 2021 from ₩633.3 billion in 2020, primarily due to improvement in operating efficiencies, including a decrease in marketing expenses.

Other operating expenses. Other operating expenses increased by 27.7% to ₩81.4 billion for the nine months ended September 30, 2023 from ₩63.8 billion for the nine months ended September 30, 2022, primarily due to fluctuations in exchange rates and the level of foreign currency denominated debts. Other operating expenses increased by 28.9% to ₩112.7 billion in 2022 from ₩87.4 billion in 2021, primarily due to fluctuations in exchange rates and the level of foreign currency denominated debts. Other operating expenses decreased substantially by 79.8% to ₩87.4 billion in 2021 from ₩432.3 billion in 2020, primarily due to fluctuation in exchange rates and changes in foreign currency denominated debts. 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 decreased by 8.3% to ₩354.8 billion for the nine months ended September 30, 2023 from ₩387.1 billion for the nine months ended September 30, 2022, decreased by 2.4% to ₩474.5 billion in 2022 from ₩486.1 billion in 2021 and increased by 22.2% to ₩486.1 billion in 2021 from ₩397.9 billion in 2020.

Non-operating Income

The Company recorded non-operating income of ₩75.7 billion in the nine months ended September 30, 2023, compared to ₩90.5 billion in the nine months ended September 30, 2022, primarily due to a decrease in equity method income derived from our oversea equity method investments in Canada and Germany. The Company recorded non-operating income of ₩118.6 billion in 2022, compared to ₩109.4 billion in 2021, primarily due to an increase in equity method income driven by the stabilization of the operations of the overseas investees. The Company recorded non-operating income of ₩109.4 billion in 2021, compared to ₩83.5 billion

in 2020, primarily due to an increase in equity method income derived from solid earnings of our oversea equity method investments.

Non-operating Expenses

The Company recorded non-operating expenses of ₩27.4 billion for the nine-month period ended September 30, 2023, compared to ₩6.3 billion for the nine-month period ended September 30, 2022, primarily due to the impairment of fair value evaluation of shares in Allane SE acquired via HCBE. The Company recorded non-operating expenses of ₩9.8 billion in 2022, compared to ₩20.2 billion in 2021, primarily due to the termination of co-marketing initiatives with BHMC in 2022. The Company recorded non-operating expenses of ₩20.2 billion in 2021, compared to ₩4.4 billion in 2020, primarily due to marketing expenses for joint marketing initiatives with HMC in China during the last quarter of 2021.

Income Taxes

Income taxes decreased by 24.0% to ₩87.4 billion for the nine-month period ended September 30, 2023, compared to ₩115.0 billion for the nine-month period ended September 30, 2022. Income taxes increased by 2.1% to ₩146.2 billion in 2022 from ₩143.2 billion in 2021. Income taxes increased by 22.7% to ₩143.2 billion in 2021 from ₩116.7 billion in 2020.

Profit for the Period

As a cumulative result of the factors described above, profit for the period decreased by 11.4% to ₩315.7 billion for the nine-month period ended September 30, 2023 from ₩356.2 billion for the nine-month period ended September 30, 2022, increased by 1.0% to ₩437.1 billion in 2022 from ₩432.6 billion in 2021 and increased by 24.1% to ₩432.6 billion in 2021 from ₩348.6 billion in 2020.

Financial Condition

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

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(in billions of Won)			
Assets:				
Cash and due from other financial institutions[1]	₩ 1,688.0	₩ 1,673.9	₩ 2.958.9	₩ 1,231.0
Securities[1]	1,343.0	1,505.7	1,757.3	3,549.5
Loans receivable, net	9,212.4	10,118.0	9,942.9	9,055.4
Installment financial assets, net	14,523.4	13,752.1	14,720.8	15,931.5
Lease receivables, net	2,407.1	2,108.3	2,044.9	2,007.1
Leased assets, net	3,621.7	4,559.0	5,538.1	5,857.8
Property and equipment, net	201.8	196.8	209.3	197.2
Right-of-use assets, net	36.9	14.4	68.5	56.3
Other assets, net[2]	649.0	988.9	1,406.7	1,440.6
Total assets	**₩ 33,683.3**	**₩ 34,917.1**	**₩ 38,647.5**	**₩ 39,326.4**
Liabilities and equity:				
Borrowings	₩ 27,339.7	₩ 28,519.1	₩ 31,399.2	₩ 31,673.3
Other liabilities[3]	1,611.6	1,191.3	1,618.6	1,704.1
Total liabilities	**₩ 28,951.2**	**₩ 29,710.3**	**₩ 33,017.8**	**₩ 33,377.4**
Issued capital	496.5	496.5	496.5	496.5
Capital surplus	388.6	388.6	388.6	388.6
Capital adjustment	—	—	—	(3.7)
Accumulated other comprehensive income (loss)	(41.0)	92.8	78.6	85.9
Retained earnings	3,888.0	4,228.8	4,665.9	4,981.6
Total equity	**₩ 4,732.1**	**₩ 5,206.7**	**₩ 5,629.7**	**₩ 5,949.0**
Total liabilities and equity	**₩ 33,683.3**	**₩ 34,917.1**	**₩ 38,647.5**	**₩ 39,326.4**

(1) Since the third quarter of the fiscal year ended December 31, 2023, short-term financial investments, which were previously classified as part of cash and due from other financial institutions, have been reclassified as securities, and the amounts of cash and due from other financial institutions and securities as of September 30, 2023 are provided after incorporating the effects of such change.

(2) Includes, among others, derivative assets of ₩93.5 billion, ₩417.4 billion and ₩729.9 billion and ₩702.5 billion as of December 31, 2020, 2021 and 2022 and as of September 30, 2023, respectively.

(3) Includes, among others, derivative liabilities of ₩359.1 billion, ₩22.8 billion and ₩52.5 billion and ₩49.1 billion as of December 31, 2020, 2021 and 2022 and as of September 30, 2023, 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 decreased by 58.4% to ₩1,231.0 billion as of September 30, 2023 from ₩2,958.9 billion as of December 31, 2022, primarily due to the reclassification of short-term financial investments (which were previously classified as part of cash and due from other financial institutions) as securities from the third quarter of the fiscal year ended December 31, 2023. Cash and due from other financial institutions increased by 76.8% to ₩2,958,9 billion as of December 31, 2022 from ₩1,673.9 billion as of December 31, 2021. Cash and due from other financial institutions decreased by 0.8% to ₩1,673.9 billion as of December 31, 2021 from ₩1,688.0 billion as of December 31, 2020.

Loans receivable. Loans receivable decreased by 8.9% to ₩9,055.4 billion as of September 30, 2023 from ₩9,942.9 billion as of December 31, 2022, primarily due to the focus of prime portfolio on auto-finance products. Loans receivable decreased by 1.7% to ₩9,942.9 billion as of December 31, 2022 from ₩10,118.0 billion as of December 31, 2021, primarily due to a decrease in non-auto loans. Loans receivable increased by 9.8% to ₩10,118.0 billion as of December 31, 2021 from ₩9,212.4 billion as of December 31, 2020, primarily due to an increase in non-auto loans driven by prime customers.

Installment financial assets. Installment financial assets have increased by 8.2% to ₩15,931.5 billion as of September 30, 2023 from ₩14,720.8 billion as of December 31, 2022, primarily due to a continued increase in sales of luxury vehicles such as Genesis car models and sports utility vehicles. Installment financial assets have increased by 7.0% to ₩14,720.8 billion as of December 31, 2022 from ₩13,752.1 billion as of December 31, 2021, primarily due to an increase in installment financial assets caused by an increase in sales of luxury vehicles such as Genesis car models and sports utility vehicles. Installment financial assets have decreased by 5.3% to ₩13,752.1 billion as of December 31, 2021 from ₩14,523.4 billion as of December 31, 2020, primarily due to a decrease in installment financing undertaking.

Lease receivables. Lease receivables, which relate to financial leases with non-affiliates, decreased by 1.8% to ₩2,007.1 billion as of September 30, 2023 from ₩2,044.9 billion as of December 31, 2022, primarily due to a decrease in financial leases. Lease receivables decreased by 3.0% to ₩2,044.9 billion as of December 31, 2022 from ₩2,108.3 billion as of December 31, 2021, primarily as a result of a decrease in financial leases. Lease receivables decreased by 12.4% to ₩2,108.3 billion as of December 31, 2021 from ₩2,407.1 billion as of December 31, 2020, primarily as a result of a business strategy to focus more on operating lease undertakings rather than financial lease undertakings.

Leased assets. Leased assets, which relate to operating leases, increased by 5.8% to ₩5,857.8 billion as of September 30, 2023 from ₩5,538.1 billion as of December 31, 2022, primarily due to an increased demand for leases. Leased assets increased by 21.5% to ₩5,538.1 billion as of December 31, 2022 from ₩4,559.0 billion as of December 31, 2021, primarily due to an increased demand for leases. Leased assets increased by 25.9% to ₩4,559.0 billion as of December 31, 2021 from ₩3,621.7 billion as of December 31, 2020, primarily due to an increase in the amount of lease undertakings.

Other Assets. Other assets increased by 2.4% to ₩1,440.6 billion as of September 30, 2023 from ₩1,406.7 billion as of December 31, 2022, primarily due to fluctuations in exchange rates and the level of foreign currency denominated debts. Other assets increased by 42.2% to ₩1,406.7 billion as of December 31, 2022 from ₩988.9 billion as of December 31, 2021, primarily due to an increase in derivative assets caused by fluctuations in exchange rates. Other assets increased by 52.4% to ₩988.9 billion as of December 31, 2021 from ₩649.0 billion as of December 31, 2020, primarily due to an increase in derivative assets caused by an increase in foreign currency liabilities.

Major Factors Affecting Changes to Liabilities and Equity

Liabilities. Total liabilities increased by 1.1% to ₩33,377.4 billion as of September 30, 2023 from ₩33,017.8 billion as of December 31, 2022 as the financing to support the growth in assets increased. Total liabilities increased by 11.1% to ₩33,017.8 billion as of December 31, 2022 from ₩29,710.3 billion as of December 31, 2021, as the financing to support the growth in assets increased. Total liabilities increased by 2.6% to ₩29,710.3 billion as of December 31, 2021 from ₩28,951.2 billion as of December 31, 2020, as the financing to support the growth in assets increased.

Equity. Total equity increased by 5.7% to ₩5,949.0 billion as of September 30, 2023 from ₩5,629.7 billion as of December 31, 2022, primarily due to an increase in retained earnings resulting from the increase in profits and the Company's no dividend policy adopted since 2021. Total equity increased by 8.1% to ₩5,629.7 billion as of December 31, 2022 from ₩5,206.7 billion as of December 31, 2021, primarily due to an increase in profits and the Company's no dividend policy adopted since 2021. Total equity increased by 10.0% to ₩5,206.7 billion as of December 31, 2021 from ₩4,732.1 billion as of December 31, 2020, primarily due to an increase in lease and non-auto products undertakings.

Cash Flow

The increase in cash and cash equivalents during 2020 was principally due to a net cash inflow from financing activities of ₩1,139.3 billion, which was partially offset by net cash outflows from operating activities of ₩734.9 billion and from investing activities of ₩349.4 billion.

The increase in cash and cash equivalents during 2021 was principally due to a net cash inflow from financing activities of ₩510.9 billion, which was partially offset by net cash outflows from operating activities of ₩367.7 billion and from investing activities of ₩40.4 billion.

The increase in cash and cash equivalents during 2022 was principally due to a net cash inflow from financing activities of ₩2,572.6 billion, which was partially offset by net cash outflows from operating activities of ₩1,111.1 billion and from investing activities of ₩223.1 billion.

The decrease in cash and cash equivalents during the nine months ended September 30, 2023 was principally due to a net outflow of cash from operating activities of ₩868.0 billion and a net outflow of cash from investing activities of ₩233.0 billion, which was partially offset by a net inflow of cash from financing activities of ₩289.9 billion.

The Company recorded cash used in operations of ₩868.0 billion in the nine months ended September 30, 2023, which is an amount decreased compared to the amount in the corresponding period in 2022, principally as a result of dividends from our investments in UK in July 2023. The Company recorded cash used in operations of ₩1,111.1 billion in 2022, principally as a result of an increase in cash outflows caused by an increase in auto undertaking driven by a recovery of car sales. The Company recorded cash used in operations of ₩367.7 billion in 2021, principally as a result of a slowdown in asset growth. The Company recorded cash used in operations of ₩734.9 billion in 2020, principally as a result of a slowdown in asset growth rate compared to 2019. 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 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 Company also 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.

The following table summarizes outstanding debt as of the periods indicated:

	As of December 31,						As of September 30,	
	2020		2021		2022		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(billions of Won, except percentages)							
Domestic								
Corporate bonds	₩14,645.0	53.1%	₩ 14,415.0	51.1%	₩16,710.0	54.2%	₩ 17,590.0	56.6%
Commercial paper	1,190.0	4.3%	1,450.0	5.1	900.0	2.9	720.0	2.3
Securitizations	2,500.0	9.1	3,240.0	11.5	4,200.0	13.6	3,282.5	10.6
Bank loans and other	2,393.3	8.7	2,223.2	7.9	2,198.0	7.1	2,499.7	8.0
Total domestic debt	₩20,728.3	75.2%	₩ 21,328.2	75.6%	₩24,008.0	77.9%	₩ 24,092.2	77.6%
International[3]								
Corporate bonds[1].....	5,300.9	19.2	5,459.6	19.4	5,776.5	18.7	5,214.3	16.8
Securitizations	1,439.9	5.2	1.421.2	5.0	1,033.5	3.4	1,456.0	4.7
Bank loans and other	99.0	0.4	—	0.0	0.0	0.0	292.2	0.9
Total international debt .	₩ 6,839.8	24.8%	₩ 6,880.8	24.4%	₩ 6,810.0	22.1%	₩ 6,962.6	22.4%
Total funding[2].....	₩27,568.1	100.0%	₩28,209.0	100.0%	₩30,818.0	100.0%	₩ 31,054.8	100.0%

(1) For further information, see "— *Bonds*" below.
(2) Does not include discounts on bond payable and gains and profits from foreign currency translation.
(3) For international funding, it is recorded in KRW using historic rate as of the transaction date.

As of December 31, 2020, 2021 and 2022 and September 30, 2023, the Company obtained 24.8%, 24.4% and 22.1% and 22.4%, 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.

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 one month to four years. 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 six years. The Company's loan and other borrowings amounted to ₩3,682.3 billion, ₩3,673.2 billion and ₩3,098.0 billion and ₩3,511.9 billion as of December 31, 2020, 2021, 2022 and September 30, 2023, 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]	Kangaroo bonds[4]	FRN[5]	Total bonds[6]
Issuances during 2020.....	3,650.0	884.7	—	—	—	4,534.7
Repayments during 2020.....	4,211.0	571.1	125.9	—	—	4,908.0
Balance as at December 31, 2020	₩ 14,645.0	₩ 4,336.8	₩ 97.4	₩ 639.6	₩ 226.9	₩ 19,945.9
Issuances during 2021.....	3,530.0	1,231.3	—	—	109.5	4,870.8
Repayments during 2021.....	3,760.0	601.3	55.8	298.0	226.9	4,942.1
Balance as at December 31, 2021	₩ 14,415.0	₩ 4,966.9	₩ 41.6	₩ 341.6	₩ 109.5	₩ 19.874.6
Issuances during 2022.....	5,510.0	1,516.2	191.6	181.9	133.3	7,533.0
Repayments during 2022.....	3,215.0	1,364.5	—	341.6	—	4,921.1
Balance as at December 31, 2022	₩ 16,710.0	₩ 5,118.6	₩ 233.2	₩ 181.9	₩ 242.8	₩ 22,486.5
Issuances during 2023.....	4,530.0	1,065.1	—	—	—	5,595.1
Repayments during 2023.....	3,650.0	1,585.7	41.6	—	—	5,277.3
Balance as at September 30, 2023.....	₩ 17,590.0	₩ 4,598.0	₩ 191.6	₩ 181.9	₩ 242.8	₩ 22,804.3

(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 1.02% to 5.89%.
(2) In February 2020, the Company issued a Swiss Franc 300 million bond with a maturity of five years at an interest rate of 0.260%. In September 2020, the Company issued U.S. Dollar 30 million bond with a maturity of five years at an interest rate of 3 month U.S. dollar Libor + 1.25%. In February 2021, the Company issued a U.S.$600 million bond with a maturity of five years at an interest rate of 1.250%. In August 2021, the Company issued Yuan 700 million bond with a maturity of three years at an interest

rate of 3.20%. In September 2021, the Company issued HKD 390 million bond with a maturity of three years at an interest rate of 1.00%. In September 2021, the Company issued HKD 400 million bond with a maturity of three years at an interest rate of 1.05%. In December 2021, the Company issued U.S.$70 million bond with a maturity of five years at an interest rate of 2.02%. In January 2022, the Company issued U.S. Dollar-denominated bonds in an aggregate principal of U.S.$400 million with a maturity of 3.25 years at an interest rate of 2.125% and U.S.$300 million with a maturity of five years at an interest rate of 2.500% in dual tranche. In April 2022, the Company issued U.S.$50 million bond with a maturity of three years at an interest rate of 3.738%. In June 2022, the Company issued Swiss Franc bonds in an aggregate principal of CHF100 million with a maturity of two years at an interest rate of 1.158% and CHF100 million with a maturity of five years at an interest rate of 1.878% in dual tranche. In June 2022, the Company issued a U.S. Dollar 30 million bond with a maturity of three years at an interest rate of 3 month Compounded SOFR + 1.30%. In July 2022, the Company issued a HKD 351 million bond with a maturity of two years at an interest rate of 4.010%. In August 2022, the Company issued a JPY 4 billion bond with a maturity of two years with an interest rate of 0.77%. In September 2022, the Company issued a U.S. $60 million bond with a maturity of 1.25 years with an interest rate of 4.780%. In September 2022, the Company issued a SGD 100 million bond with a maturity of three years with an interest rate of 4.500%. In October 2022, the Company issued a JPY 4 billion bond with a maturity of 1.5 years with an interest rate of 0.72%. In January 2023, the Company issued a Swiss Franc bonds in an aggregate principal of CHF100 million with a maturity of five years at an interest rate of 3.0325%. In April 2023, the Company issued a JPY 4 billion bond with a maturity of three years with an interest rate of 0.65%. In May 2023, the Company issued a Swiss Franc bonds in an aggregate principal of CHF200 million with a maturity of three years at an interest rate of 2.7475%. In July 2023, the Company issued a HKD 650 million bond with a maturity of two years at an interest rate of 5.30%. In July 2023, the Company issued a SGD 220 million bond with a maturity of two years at an interest rate of 4.70%.

(3) In October 2022, the Company issued three-tranche Samurai Bonds in an aggregate principal amount of JPY 40 billion with maturities of 1.5, two and three years at interest rates of 0.98% and 1.05% and 1.21%, respectively.

(4) In March 2022, the Company issued a AUD 200 million bond with a maturity of three years at an interest rate of 3.50%.

(5) In January 2021, the Company issued a floating rate note in a principal amount of U.S.$100 million with a maturity of three years at an interest rate of 3 month U.S. dollar LIBOR + 0.82%. In November 2022, the Company issued a floating rate note in a principal amount of U.S.$100 million with a maturity of three years at an interest rate of 3 month Compounded SOFR + 2.01%. In November 2023, the Company issued a floating rate note in a principal amount of U.S.$100 million with a maturity of two years at an interest rate of 3 month Compounded SOFR + 1.19%.

(6) 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 September 30, 2023 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)	1.08 – 6.09%	10,814.7	34.8%
Long-term debt			
within 1-2 years (due on or prior to September 30, 2025)	1.13 – 6.15%	8,906.7	28.7%
within 2-3 years (due on or prior to September 30, 2026)	1.00 – 6.22%	5,553.1	17.9%
within 3-4 years (due on or prior to September 30, 2027)	1.65 – 5.89%	2,488.0	8.0%
more than 4 years (due on or after October 1, 2027)	1.86 – 6.39%	3,292.2	10.6%
Total long-term debt		20,240.0	65.2%
Total debt[(1)]		31,054.8	100.0%

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

Credit Facilities

For additional liquidity purposes, the Company maintained credit facilities amounting to ₩48.5 billion of deposit-backed loans and current loans and U.S. Dollar 320 million, Japanese Yen 89 billion, EUR 600 million and ₩2,555 billion of credit facilities with international banks as well as domestic banks, as of September 30, 2023.

Cash Reserves

As of September 30, 2023, the Company held ₩1,231.0 billion in cash and due from other financial institutions and ₩3,549.5 billion of securities.

Securitizations

In May 2020 and October 2020, the Company raised ₩795.6 billion and ₩600.0 billion through securitization of its new vehicle installment financing receivables and loans with an average weighted life of 3.5 years and 2.96 years at an average interest rate of 1.53% and 1.36%, respectively. In May 2021, the Company raised ₩550 billion through securitization of its new vehicle installment financing receivables and loans with an average weighted life of 2.96 years at an average interest rate of 1.13%. In September 2021, the Company raised ₩550 billion through securitization of its new vehicle installment financing receivables and loans with an average weighted life of 2.96 years at an average interest rate of 1.43%. In April 2022, the Company raised ₩500 billion

through securitization of its new vehicle installment financing receivables and loans with an average weighted life of 3.0 years at an average interest rate of 3.375%. In September 2022, the Company raised ₩600 billion through securitization of its new vehicle installment financing receivables with an average weighted life of 2.0 years at an average interest rate of 3.82%. In December 2022, the Company raised ₩500 billion through securitization of its new vehicle installment financing receivables with an average weighted life of 2.51 years at an average interest rate of 4.116%. In June 2023, the Company raised ₩794.7 billion through securitization of its new vehicle installment financing receivables with an average weighted life of 2.94 years at an average interest rate of 3.872%.

The Company's asset securitization income from subordinated bonds and subordinated beneficiary certificates amounted to ₩131.4 billion, ₩128.0 billion, ₩128.8 billion and ₩91.1 billion in 2020, 2021, 2022 and the nine months ended September 30, 2023, 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,			As of September 30,
	2020	2021	2022	2023
	(in billions of Won)			
Securitizations	₩ 5,348.7	₩ 6,947.0	₩ 7,716.4	₩ 7,091.5
Ratio of total assets securitized	17.4%	22.2%	23.2%	21.0%
Total financial receivables	₩ 30,732.3	₩ 31,340.7	₩ 33,271.6	₩ 33,767.4

The amount of financial receivables sold in securitization transactions was ₩2,174.6 billion, ₩1,969.9 billion, ₩2,921.4 billion and nil during 2020, 2021, 2022 and the nine months ended September 30, 2023, 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 "Baa1" by Moody's with a positive outlook and "BBB+ (stable)" by S&P, as well as "BBB+ (positive)" by Fitch. The Company is also rated "AA+" by each of Korean Information Service, NICE Investor Service Co. and Korea Ratings, each with a stable outlook. In addition, the Company is rated "A+" by Japan Credit Rating Agency, with a positive 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 for specialized credit financial companies which do not engage in credit card business includes, among other things, (i) provisions for normal and precautionary assets, payment guarantees, guarantees in connection with real estate project financing and undrawn commitment and (ii) 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 the sum of total assets and certain off-balance items 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,			As of September 30,
	2020	2021	2022	2023
	(in billions of Won, except percentages)			
Equity				
Issued capital	₩ 496.5	₩ 496.5	₩ 496.5	₩ 496.5
Capital surplus	407.5	407.5	407.5	407.5
Capital adjustment	—	—	—	(3.7)
Accumulated other comprehensive income (loss)	(17.1)	39.6	29.5	(14.9)
Retained earnings	3,629.6	3,900.6	4,245.3	4,565.2
Regulatory reserve for loan losses	(213.1)	(192.9)	226.8	278.0
Total equity (basis capital)[(1)]	4,303.5	4,651.3	4,952.1	5,172.6
Total equity	4,516.6	4,844.2	5,178.9	5,450.6
Supplementary capital				
Provisions	427.8	413.9	484.3	495.3
Total Supplementary capital	427.8	413.9	484.3	495.3
Deductions	74.7	61.6	70.4	60.2
Adjusted equity	4,656.6	5,003.7	5,366.0	5,611.3
Adjusted total assets	32,838.9	33,808.1	37,016.3	38,253.9
Adjusted capital adequacy ratio[(2)]	14.18%	14.80%	14.50%	14.67%

(1) Total basis capital is calculated as total equity less regulatory reserve for loan losses.
(2) Adjusted capital adequacy ratio is calculated by dividing adjusted equity by adjusted total assets. Adjusted equity represents the sum of total capital and the allowance for normal and precautionary assets, less regulatory reserve for loan losses. Adjusted total assets are total assets less cash and cash equivalents and regulatory reserve for loan losses.

The Company's adjusted capital adequacy ratio increased from 14.50% on December 31, 2022 to 14.67% on September 30, 2023, primarily due to the relatively higher increase of the adjusted equity capital. The Company's adjusted capital adequacy ratio decreased from 14.80% on December 31, 2021 to 14.50% on December 31, 2022, primarily due to the relatively higher increase of the adjusted total assets. The Company's adjusted capital adequacy ratio increased from 14.18% on December 31, 2020 to 14.80% on December 31, 2021, primarily due to a rapid growth of total equity capital.

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, Swiss Franc 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 September 30, 2023, the longest estimated period the hedged items under the cash flow hedge are exposed to the cash flow risk was until September 7, 2029. During the nine-month period ended September 30, 2023, the profit recognized for the ineffectiveness of the hedging was ₩3.523 billion.

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 Risk Control Committee ("**RCC**") 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 in accordance with the rules and regulations of the Risk Management Committee. The RCC deliberates on the Company's risk management policy and strategies within the scope determined by the quarterly meetings of the Risk Management Committee. During its monthly meetings, the RCC establishes counterparty limits, formulates hedging strategies, implements risk management strategies, optimizes risks stemming from liquidity, interest rate, foreign exchange and maturity mismatch and reports the stress test results and the status of implementation of the agendas determined by the Risk Management Committee.

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 19 to the Company's audited consolidated financial statements and Note 16 to the Company's unaudited consolidated interim financial statements, each 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 operates.

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, see to Note 30 of the Company's audited financial statements 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,			As of September 30,
	2020	2021	2022	2023
	(in billions of Won, except percentages)			
Financial Receivables:				
Automotive financing:				
New vehicles	₩ 15,504.5	₩ 14,769.2	₩ 15,783.9	₩ 16,978.1
Used vehicles[1]	2,645.0	2,795.7	2,618.8	2,788.9
Maturity extension[2]	17.4	21.5	17.2	25.1
Subtotal	18,166.9	17,586.4	18,419.9	19,792.1
Automotive leasing	6,071.6	6,736.1	7,641.4	7,907.5
Personal loan:				
Personal loans	2,175.0	2,263.2	1,874.9	1,101.5
Mortgage	3,465.7	3,640.0	3,415.9	3,137.8
Subtotal	5,640.6	5,903.2	5,290.8	4,239.3
Others:				
CRS loans[3]	84.1	64.4	61.3	54.9
Others[4]	769.1	1,050.6	1,858.3	1,773.6
Subtotal	853.2	1,115.0	1,919.6	1,828.5
Total financial receivables	**₩ 30,732.3**	**₩ 31,340.7**	**₩ 33,271.7**	**₩ 33,767.4**

(1) The categorization of loan products secured by used vehicles was revised from personal loans to used vehicles automotive financing.
(2) Includes non-delinquent loans whose maturity has been extended.
(3) Includes loans restructured in coordination with the Credit Counselling and Recovery Service. See "*Business — Risk Management — Collections in respect of Delinquent Assets*".
(4) Includes other corporate loans and loans purchased from Hyundai Commercial, Hyundai Card (until December 2020) and Fubon Hyundai Life (until December 2021).

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,			As of September 30,
	2020	2021	2022	2023
	(in billions of Won, except percentages)			
Total financial receivables	₩ 30,732.3	₩ 31,340.7	₩ 33,271.6	₩ 33,767.4
NPL[1] balance	815.7	685.9	722.4	716.9
Automotive financing	183.6	156.9	173.8	198.9
Automotive leasing	104.1	108.5	119.9	112.3
Personal loans	419.0	343.3	344.0	331.3
Others[2]	109.0	77.1	84.7	74.4
Ratio of NPLs to total financial receivables	2.65%	2.19%	2.17%	2.12%
Delinquent receivables[3]	₩ 312.1	₩ 196.6	₩ 212.2	₩ 197.8

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(in billions of Won, except percentages)			
Automotive financing	51.1	30.2	41.8	41.6
Automotive leasing	37.2	64.1	50.2	28.1
Personal loans	175.2	72.2	85.7	100.8
Others[2]	48.5	30.1	34.5	27.3
Ratio of delinquent receivables to total financial receivables.....	1.02%	0.63%	0.64%	0.59%
Allowances for loan losses, beginning of period	₩ 729.0	₩ 699.5	₩ 595.9	₩ 640.5
Provision for allowance.....	270.5	141.6	196.8	181.5
Charge-offs.....	361.2	300.0	212.7	281.6
Recoveries and others.....	61.1	54.8	60.5	41.6
Allowance for loan losses, end of period.....	699.5	595.9	640.5	582.0
Loan allowance as percentage of total financial receivables.....	2.28%	1.90%	1.92%	1.72%
Net charge-offs as a percentage of average amount outstanding (finance receivables)	0.96%	0.75%	0.42%	0.51%

(1) Defined as sub-standard or below.
(2) Includes re-aged loans, CRS Loans and other restructured loans and corporate loans.
(3) Delinquent receivables are those overdue for 90 days or more. The Company purchases delinquent and written-off receivables from Hyundai Commercial, Hyundai Card (until December 2020) and Fubon Hyundai Life Insurance (until December 2021) as further described in "*Certain Relationships and Related Party Transactions — Relationship with Hyundai Card and — Relationship with Hyundai Commercial*".

The tables below show the delinquency amounts and ratios for the Company's automotive financing, automotive leasing, personal loans 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,			As of September 30,
	2020	2021	2022	2023
	(in billions of Won, except percentages)			
Automotive financing:				
Total automotive financing receivables.....	**₩ 18,166.9**	**₩ 17,586.4**	**₩ 18,419.9**	**₩ 19,792.1**
Delinquent loans:				
Over 1 month:	92.9	63.9	82.8	88.8
Between 1 to 3 months.....	41.8	33.7	41.1	47.2
Between 3 to 6 months.....	33.0	18.0	20.7	28.8
Over 6 months.....	18.1	12.3	21.1	12.8
Delinquency ratio (over 1 month)[1]	0.51%	0.36%	0.45%	0.45%
Automotive leasing:				
Total automotive leasing receivables	**₩ 6,071.6**	**₩ 6,736.1**	**₩ 7,641.4**	**₩ 7,907.5**
Delinquent loans:				
Over 1 month:	62.4	77.6	67.9	43.7
Between 1 to 3 months.....	25.2	13.5	17.7	15.6
Between 3 to 6 months.....	5.6	10.3	6.9	5.7
Over 6 months.....	31.6	53.8	43.3	22.4
Delinquency ratio (over 1 month)[1]	1.03%	1.15%	0.89%	0.55%
Personal loan:				
Total personal loan	**₩ 5,640.6**	**₩ 5,903.2**	**₩ 5,290.8**	**₩ 4,239.3**
Delinquent loans:				
Over 1 month:	229.7	107.3	149.5	148.4
Between 1 to 3 month	54.4	35.0	63.8	47.6
Between 3 to 6 months.....	50.5	21.1	36.3	43.7
Over 6 months.....	124.8	51.1	49.3	57.1
Delinquency ratio (over 1 month)[1]	4.07%	1.82%	2.82%	3.50%
Other assets:				

	As of December 31,						As of September 30,	
	2020		2021		2022		2023	
	(in billions of Won, except percentages)							
Total other assets	**₩**	**853.2**	**₩**	**1,114.9**	**₩**	**1,919.6**	**₩**	**1,828.5**
Delinquent loans:								
Over 1 month:		61.0		35.5		41.4		31.8
Between 1 to 3 months		12.51		5.4		6.8		4.6
Between 3 to 6 months		10.5		6.3		4.1		3.7
Over 6 months		38.0		23.8		30.4		23.5
Delinquency ratio (over 1 month)[1]		7.15%		3.18%		2.16%		1.74%

(1) Represents ratio of receivables that are overdue for more than one month 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 ₩10 million, without any minimum delinquency period or collection effort requirements. Balances of ₩10 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 ₩30,000 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 ₩10 million are charged off monthly, and the Company applies for FSS approval to charge-off balances of more than ₩10 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.

	As of December 31,						As of September 30,	
	2020		2021		2022		2023	
	(in billions of Won, except percentages)							
Average daily interest earning assets	₩	30,195.0	₩	31,036.5	₩	32,306.2	₩	33,414.7
Gross charge-offs		361.2		300.0		212.7		281.6
Recoveries		80.7		73.2		75.7		53.8
Net charge-offs		280.5		226.8		137.0		227.8
Gross charge-off ratio[1]		1.2%		1.0%		0.7%		0.6%
Net charge-off ratio[2]		1.0%		0.8%		0.4%		0.5%

(1) Represents the ratio of gross charge-offs for the year to average daily balances of interest earning assets for the period.
(2) 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 expected 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 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 three months or more 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, 2020											
	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	₩16,531.8	130.6	0.8%	5,781.8	21.4	0.4%	5,675.6	136.0	2.4%	28,676.0	297.2	1.0%
Precautionary	684.9	24.0	3.5%	185.6	2.4	1.3%	312.8	30.8	9.8%	1,240.7	66.1	5.3%
Sub-standard	54.0	23.5	43.5%	3.6	1.4	38.0%	246.5	24.4	9.9%	304.2	49.3	16.2%
Doubtful	79.8	32.7	41.0%	50.6	5.1	10.1%	100.2	49.3	49.3%	289.4	115.5	40.0%
Estimated loss	34.3	25.5	74.4%	49.9	42.2	84.3%	87.8	61.4	69.9%	222.1	171.4	77.2%
Total	**17,384.8**	**236.3**	**1.4%**	**6,071.6**	**72.4**	**1.2%**	**6,422.8**	**301.9**	**4.7%**	**30,732.3**	**699.5**	**2.3%**

	As of December 31, 2021											
	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	₩16,698.6	178.7	1.1%	6,403.2	18.9	0.3%	5,341.6	102.9	1.9%	29,433.8	307.6	1.0%

	As of December 31, 2021											
	Automotive financing			Automotive leasing			Personal loans			Total receivables		
	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio
Precautionary	730.8	26.5	3.6%	224.4	4.3	1.9%	214.7	16.6	7.7%	1,221.0	50.5	4.1%
Sub-standard	43.8	18.5	42.3%	2.3	0.7	28.7%	231.9	15.5	6.7%	278.0	34.7	12.5%
Doubtful	84.6	33.8	40.0%	57.6	4.4	7.7%	64.8	29.1	44.9%	254.8	86.5	33.9%
Estimated loss	28.5	19.5	68.3%	48.6	40.4	83.1%	46.6	31.1	66.7%	153.1	116.6	76.1%
Total	**17,586.3**	**277.0**	**1.6%**	**6,736.1**	**68.6**	**1.0%**	**5,899.5**	**195.2**	**3.3%**	**31,340.7**	**595.9**	**1.9%**

	As of December 31, 2022											
	Automotive financing			Automotive leasing			Personal loans			Total receivables		
	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio
Normal	₩17,525.4	183.6	1.0%	7,185.4	19.3	0.3%	4,729.7	106.3	2.2%	31,237.2	330.4	1.1%
Precautionary	720.8	28.0	3.9%	336.1	2.8	0.8%	217.1	26.7	12.3%	1,312.0	60.4	4.6%
Sub-standard	39.9	16.7	41.9%	1.4	0.4	28.5%	210.5	17.9	8.5%	269.2	35.8	13.3%
Doubtful	94.8	39.0	41.2%	75.3	4.1	5.5%	83.6	35.7	42.7%	296.2	94.8	32.0%
Estimated loss	39.1	28.2	72.1%	43.2	31.5	72.9%	49.8	37.0	74.3%	157.0	119.1	75.9%
Total	**₩ 18,419.9**	**₩ 295.5**	**1.6%**	**₩ 7,641.4**	**₩ 58.1**	**0.8%**	**₩ 5,290.8**	**₩ 223.6**	**4.2%**	**₩ 33,271.6**	**₩ 640.5**	**1.9%**

	As of September 30, 2023											
	Automotive financing			Automotive leasing			Personal loans			Total receivables		
	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio	Billions of Won Assets	Billions of Won Allowance	% of Total Ratio
Normal	₩19,124.6	193.4	1.0%	7,481.5	18.8	0.3%	3729.9	67.6	1.8%	31,828.0	292.2	0.9%
Precautionary	468.6	27.4	5.8%	313.7	2.6	0.8%	178.1	22.8	12.8%	1,222.5	62.5	5.1%
Sub-standard	46.9	20.3	43.3%	1.1	0.4	34.3%	218.5	22.0	10.0%	280.5	45.8	16.3%
Doubtful	114.7	47.9	41.8%	87.7	6.2	7.0%	72.8	30.5	41.8%	317.9	100.7	31.7%
Estimated loss	37.3	23.3	62.4%	23.5	14.2	60.4%	40.0	27.9	69.7%	118.5	80.9	68.3%
Total	**₩ 19,792.1**	**₩ 312.2**	**1.6%**	**₩ 7,907.5**	**₩ 42.2**	**0.5%**	**₩ 4,239.3**	**₩ 170.7**	**4.0%**	**₩ 33,767.4**	**₩ 582.0**	**1.7%**

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 regulatory reserve for loan losses as of September 30, 2023 was ₩640.2 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			For the Nine-Month Period Ended September 30
	2020	2021	2022	2023
		(in billions of Won)		
Allowance for loan losses, beginning of period	₩ 729.0	₩ 699.5	₩ 595.9	₩ 640.5
Charge-offs	361.2	300.0	212.7	281.6
Recoveries	80.7	73.2	75.7	53.8
Provision for allowance	270.5	141.6	196.8	181.5
Others	(19.5)	(18.3)	(15.2)	(12.2)
Allowance for loan losses, end of period	**₩ 699.5**	**₩ 595.9**	**₩ 640.5**	**₩ 582.0**

BUSINESS

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 99.78% 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 Kia, 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 Kia, 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 ₩3,244.3 billion and ₩348.6 billion, respectively, in 2020, ₩3,485.6 billion and ₩432.6 billion, respectively, in 2021, ₩4,436.1 billion and ₩437.1 billion, respectively, in 2022 and ₩3,776.3 billion and ₩315.7 billion, respectively, in the nine months ended September 30, 2023. The Company had total assets of ₩33,683.3 billion, ₩34,917.1 billion, ₩38,647.5 billion and ₩39,326.4 billion respectively, and total equity of ₩4,732.1 billion, ₩5,206.7 billion, ₩5,629.7 billion and ₩5,949.0 billion respectively, as of December 31, 2020, 2021, 2022 and as of September 30, 2023.

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, 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 Kia, reducing its equity interest in the Company to 20.0%. On October 17, 2016, GECC sold its remaining 20.0% equity interest in the Company held by IGE USA Investments, a second tier subsidiary of GECC, to Elisia the Sixth Co., Ltd. and Jace C the Third Co., Ltd. For 10.0% each. In November 2021, Elisia the Sixth Co., Ltd. and Jace C the Third Co., Ltd. sold each of their 10.0% equity interest in the Company to Kia.

Hyundai Capital Europe

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 Kia 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 has been converted into an entity that provides market research and consulting services in the European market other than Germany and the UK.

The provision of sales support and financial consulting services in Russia conducted through a wholly-owned subsidiary of Hyundai Capital Europe has been limited to attending to the existing inventories only since March 2022 when HMC ceased all manufacturing operations in Russia. Given the uncertainties and political instability related to Russia's ongoing invasion of Ukraine and ensuing sanctions against Russia, the Company does not plan to expand beyond its already limited level of operations in Russia in any foreseeable future. As of the date of this Offering Circular, the Company's dealings in Russia, as disclosed in this Offering Circular, are not in violation of any sanctions laws and the Company has no other nexus to Russia or any of the entities subject to sanctions.

Beijing Hyundai Auto Finance Co., Ltd.

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 RMB500 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. In 2020, the Company commenced leasing business in China under the name of BAIC Hyundai Leasing Co., Ltd. in coalition with BAIC Motor Corporation and HMG China Holding Co. The total amount of capital contribution made by the Company into Beijing Hyundai Auto Finance was RMB 1.84 billion as of September 30, 2023.

Hyundai Capital Services UK Limited

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 was GBP16.5 million as of September 30, 2023.

Hyundai Capital Brazil LTDA

In May 2013, the Company established Hyundai Capital Brazil LTDA ("**Hyundai Capital Brazil**") as a wholly-owned subsidiary of the Company. Hyundai Capital Brazil provides financial consulting services in Brazil. The Company and AYMORÉ CRÉDITO, FINANCIAMENTO E INVESTIMENTO S.A. ("**Aymoré**"), which is a wholly-owned subsidiary of the BANCO SANTANDER (BRASIL) S.A., entered into a joint venture agreement to create Banco Hyundai Capital Brasil S.A. ("**BHCB**"). In April 2018, BHCB was established and began providing automotive financing services in April 2019. The total amount of capital contribution made by the Company into BHCB was BRL150 million as of September 30, 2023.

Hyundai Capital Canada Inc.

In April 2014, Hyundai Capital Canada Inc. ("**Hyundai Capital Canada**") was established as a joint venture among HMC, which owned a 60% equity interest, and Kia, which owned a 40% equity interest. In May 2017, the Company acquired a 20% equity interest in Hyundai Capital Canada whereupon the Company, HMC and Kia owned 20%, 50% and 30% equity interests, respectively, in Hyundai Capital Canada. The total

amount of capital contribution made by the Company into Hyundai Capital Canada was CAD 80 million as of September 30, 2023.

Hyundai Capital Bank Europe GmbH

In July 2015, the Company established Hyundai Capital Deutschland in order to provide financing services in Germany. Hyundai Capital Deutschland was established as a joint venture between the Company, which owned an 80% equity interest, and Kia, which owned a 20% equity interest. The Company received the approval from the European Central Bank ("**ECB**") to establish Hyundai Capital Bank Europe GmbH in September 2016, the first for a financial institution based in a non-EU member state to receive approval from the ECB for a banking license. In October 2016, Hyundai Capital Deutschland changed its name to Hyundai Capital Bank Europe GmbH ("**HCBE**") and began operations in 2017. In March 2017, the Company provided the credit line to HCBE by providing a revolving credit facility at the aggregate amount of EUR75 million, to assist it to meet the liquidity stress test requirements implemented by the *Bundesanstalt für Finanzdienstleistungsaufsich* and as an indication of the Company's support for HCBE's future fundraising activities. Shortly thereafter, HMC acquired a 20.0% equity interest in HCBE whereupon the Company, Kia and HMC owned 65%, 15% and 20% equity interests, respectively, in HCBE. The Company, through HCBE, provides banking and auto financing services directly to consumers and expand similar operations to other markets in Europe. In August 2018, the Company and Santander Consumer Bank AG ("**SCB**") entered into a joint venture agreement to convert HCBE into a new joint venture between the Company, which owned a 49% equity interest, and SCB, which owned a 51% equity interest. In March 2019, HCBE commenced its automotive financing business as a newly formed joint venture entity. The total amount of capital contribution made by the Company into HCBE was EUR494.3 million as of September 30, 2023.In February 2020, the Company, through HCBE, its joint venture entity with SCB, completed the acquisition of shares in Allane SE (formerly known as Sixt Leasing SE with the name change effective as of August 2021), a German-based international mobility service provider, as part of its strategy to expand its car rental service in Europe and focus more on innovation-driven development of new mobility services. In October 2021, Hyundai Capital Bank Europe GmbH Italy was established as the first and the wholly-owned branch of HCBE. Hyundai Capital Bank Europe GmbH Italy is also the first branch established by utilizing the European Passport License obtained in Germany, which allows establishment of branches in other EU countries.

Hyundai Capital Australia Pty Limited

In March 2016, the Company established Hyundai Capital Australia Pty Limited ("**Hyundai Capital Australia**") as a wholly-owned subsidiary of the Company. Hyundai Capital Australia provides financial consulting services in Australia.

Hyundai Capital France

In July 2021, the Company and CGI France, a wholly-owned subsidiary of Société Générale group, entered into a joint venture agreement, according to which the Company acquired 49.99% equity interests in Sefia, a previously wholly-owned subsidiary of CGI France and a former non-captive financing partner of Hyundai Motor France. Sefia changed its name into Hyundai Capital France ("**HCF**") and began its operations as a joint venture in January 2022. HCF aims to support Hyundai Motor France, Kia France and their dealer networks in lease and loan financing for new and used vehicles as well as to serve as a sales agent for relevant insurance policy products. The total amount of capital contribution made by the Company into HCF was EUR79.4 million as of September 30, 2023

Other Subsidiaries

The Company has also established subsidiaries in India and Indonesia and is currently exploring business opportunities (including automotive financing services) in such countries and adjacent regions, subject to market conditions. Most recently in October 2023, the Company entered into a strategic partnership with Indonesian Sinarmas Group and Shinhan Bank Indonesia as part of its strategies to enter into Indonesian captive financial company market with a goal to start operations within 2025.

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, entails 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.

Although the assets of credit specialized financing companies in Korea have been growing steadily, the profitability of such companies has not seen similar increments because of intensified competition in the credit specialized financing industry in the past few years. According to FSS, the total assets for special credit financing service providers amounted to ₩389 trillion as of June 30, 2023, and total net income for these companies showed stagnant trend, amounting to ₩4.2 trillion, ₩5.9 trillion, ₩6.0 trillion and ₩3.1 trillion 2020, 2021, 2022 and June 30, 2023, respectively.

Historically, the Korean financial regulators have placed emphasis on consumer protection and contingency planning as part of their key policy objectives.

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 calculated based on assets and liabilities 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.

Under the SCFBA and relevant Presidential Decree which is currently in effect, (i) the total amount of credit extension which the CSF company (as defined below) 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 150% of the equity capital of such CSF company. Under the amended SCFBA and relevant Presidential Decree which took effect in 2020, individuals who have entered into credit facility agreements with a CSF company are granted rights to request interest rate reduction when they acknowledge that they have improved financial conditions by way of employment, promotion, property growth or an increase in his/her individual credit score.

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 principal 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 1, 2023, there were 47 companies in Korea dedicated to providing installment financing. According to the FSS, the Company, Shinhan Card, KB Kookmin Card and KB Capital were the largest providers of installment financing, based on installment financing assets outstanding as of June 30, 2023.

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 a stagnant trend despite an increase in the number of automobiles sold, largely due to the 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. Also in recent years, credit card companies are joining the auto installment financing market for new car purchases by utilizing their own installment financing system.

According to FSS, the total amount of outstanding installment financing in Korea was approximately ₩37.7 trillion, ₩38.5 trillion, ₩41.4 trillion and ₩42.3 trillion as of December 31, 2020, 2021, 2022 and June 30, 2023, 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 Company had focused on long-term car rental business to meet the increased demand, but due to the Korean regulation that prohibits the proportion of rental business of financial services companies from exceeding that of its lease business, the Company is focusing on maintaining the balance between its lease and rental products. Also, since 2019, an increasing number of the Company's new customers have been introduced through home shopping, ARS and other online channels.

The majority of lease financing in Korea relates to automobile leasing. According to FSS, the Company, KB Capital, Hana Capital and BMW Financial Services were the largest providers of lease financing, based on lease financing assets outstanding as of June 30, 2023.

As of December 1, 2023, there were 46 companies based in Korea dedicated to lease financing. According to the FSS, the total outstanding balance of lease financing amounted to ₩38.1 trillion, ₩43.3 trillion, ₩49.2 trillion and ₩5.03 trillion as of December 31, 2020, 2021, 2022 and June 30, 2023, 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 lesser extent, "sales on credit". Personal loans represent the sum of general loans made to individuals and SOHOs (including cash advances, 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 amounts of personal credit in Korea as of December 31, 2020, 2021, 2022 and September 30, 2023 were ₩1,729.5 trillion, ₩1,862.9 trillion, ₩1,867.6 trillion and ₩1,875.6 trillion, respectively, of which personal loans represented 94.5% (or ₩1,633.6 trillion), 94.3% (or ₩1,757.1 trillion), 93.7% (or ₩1,749.8 trillion) and 93.8% (or ₩1,759.1 trillion) as of such dates, respectively.

According to the Bank of Korea, credit specialized financing companies accounted for 4.3%, 4.3%, 4.2% and 4.1% of personal loans outstanding as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively, while they accounted for the substantial majority of sales on credit outstanding as of such dates.

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 20% per annum under the Act on Registration of Credit Business and Protection of Finance Users and the Enforcement Decree thereunder.

Mortgage Loans

Mortgage 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, as of September 30, 2023, the total secured housing mortgage loans (including asset-backed securitized loans) amounted to ₩1,049.1 trillion, of which (i) ₩659.4 trillion, or 63%, was extended by commercial banks; (ii) ₩227.2 trillion, or 22%, was extended by Korea Housing Finance Corporation and Korea Housing & Urban Guarantee Corporation; and (iii) ₩105.4 trillion, or 10%, was extended by non-banking depositary institutions (such as savings banks).

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 FSC, jointly with the Korean Association of Lenders, announced tightened lending guidelines including reduction in loan grace periods and heightened standard in credit checks applicable for new borrowers, which took effect for Seoul in February 2016 and for the rest of Korea in May 2016. According to the household debt management plan announced by the FSC on January 13, 2017, the programs applied to Korean commercial banks, insurance providers and mutual savings banks, but did not apply to the Company. On January 22, 2019, the FSC announced a new COFIX (Cost of Funds Index), a new standard for calculating the floating rate of mortgage loans, to be applied to new lenders starting from July 2019. The new COFIX has the effect of lowering the interest rate on mortgage loans. In May 2019, the FSC announced its management plan to extend Debt Service Ratio (DSR) standards to non-bank financial institutions as one of the criteria for managing household loans. The DSR is the ratio of a household borrower's total debt repayment (i.e. principal and interest payments) to the borrower's annual income. The DSR was first introduced to the banking sector from October 2018. Starting from June 17, 2019, the DSR has been implemented across the non-banking financial sector including insurance providers, mutual saving banks, card companies and installment financing companies. Under the initial implementation plan, the target ratio of the average DSR of CSF companies by the end of 2021 was 90%. On October 26, 2021, the FSC announced its management plan to further strengthen the DSR standards for CSF companies, adjusting the standard for average DSR for CSF companies from 90% to 65%. Since around the second half of 2022, however, the Government has begun to reverse some of these measures by introducing a number of policy measures that seek to sustain housing prices and activity levels in the Korean real estate market, in light of an overall decrease in housing prices.

In January 2018, the FSC amended the Regulation on Supervision of Specialized Credit Financial Business to lower the maximum loan-to-value ("**LTV**") ratio and the debt-to-income ("**DTI**") ratio allowed for mortgage loans. In particular, the amendment tightened the LTV ratio and the DTI ratio for certain districts which are considered to be under excessive speculation (*Tugi-jiyeok* and *Tugi-gwayeol-jigu*), and heightened the conditions to grant an additional household mortgage loan to borrowers who have an existing mortgage loan outstanding. In October 2018, the FSC further amended the Regulation on Supervision of Specialized Credit Financial Business. The amendment was part of reflecting the Government's measures announced in September 2018 that aim to stabilize the real estate market by blocking the speculative demand of homeowners who own multiple houses while protecting those people who are actually in need of residence. The amended regulation also applied more tightened DTI ratio and LTV ratio for mortgage loans if the price of the house under contemplation exceeds ₩900 million. In December 2020, the FSC amended the Regulation on Supervision of Specialized Credit Financial Business, following a series of Government real estate policies from 2019 that aim to steady the real estate market. The amended regulation set more tightened LTV ratio for houses over ₩900 million and prohibits mortgage loans on apartments over ₩1.5 billion in *Tugi-jiyeok* and *Tugi-gwayeol-jigu.* However, since around the second half of 2022, the Government led by President Yoon Suk Yeol has announced and implemented a series of policies to ease the demand-side regulations in the real estate market in order to prevent the housing prices from crashing due to the hike in interest rates. Under the Regulation on Supervision of Specialized Credit Financial Business currently in effect, the LTV ratio for districts under speculation has been loosened and mortgage loans on apartments over ₩1.5 billion in *Tugi-jiyeok* and *Tugi-gwayeol-jigu* have been allowed. See "*Regulation and Supervision — Limitations on Mortgage Lending*".

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 Kia, 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 Kia had a combined domestic market share of 83.2%, 87.6%, 88.2% and 90.7% based on units of new vehicles sold (excluding imported units) in 2020, 2021, 2022 and the nine months ended September 30, 2023, 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, the Company is rated "Baa1 (positive)" by Moody's and "BBB+ (stable)" by S&P, as well as "BBB+ (positive)" by Fitch. The Company is also rated "AA" by each of Korean Information Service, NICE Investor Service and Korea Ratings, each with a stable outlook. Since the outbreak of the COVID-19 pandemic, Moody's and S&P had temporarily adjusted the credit outlooks, but such outlooks have returned to their previous level due to the expected rebound in the auto sales, improved product mix and strong capitalization of the Company. The Company is one of the few companies in Korea in auto industry whose credit rating was not adjusted by these credit rating agencies since the outbreak of the COVID-19 pandemic. In addition, the Company is rated "A+" by Japan Credit Rating Agency, with a positive outlook.

In addition, the Company has the largest domestic market share of automotive financing in terms of sales volume in the nine months ended September 30, 2023, and is one of the largest consumer finance companies in Korea in terms of assets and revenues as of and for the nine months ended September 30, 2023 with a consistent growth in assets. 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 an 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 1.5%, 0.9%. 1.0% and 0.9% as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. The Company also continues to adopt a conservative approach to risk management in an effort to pre-emptively respond to economic downturn. As a result of implementing such pre-emptive measures and building a healthy asset portfolio since 2018, the 30-day or more overdue delinquency rate has been maintained at a stable level. The Company also plans to further strengthen its risk management system by implementing a new risk management frame tailored for each product in case of potential economic downturn.

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 Kia 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 Kia to jointly develop various new marketing initiatives that have expanded its suite of low-interest rate financing offers, enabling it to attract a wider range of customer segments. The Company has also jointly developed financing products with Hyundai Card enabling customers to choose from a wider range of products and receive more benefits and has further simplified its loan application process with the adoption of a fully digitalized mobile web-based credit approval process. Additionally, the Company has sought to diversify its sales channels with home shopping, ARS and other online methods and the proportion of these new sales channels has been continuously growing. The Company reinforced its customer retention program so that customers extend the lease contract or re-use the Company's leasing products.

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. Dollar, Japanese Yen, Swiss Franc, Chinese Yuan and Australian Dollar), reflecting in part the Company's efforts to reduce 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 Kia overseas in tandem with the existing overseas sales networks of HMC and Kia. In order to strengthen its funding and operation in its overseas business, the Company usually forms a joint venture with a strategic partner. The Company adopts a unified management framework for human resources and risk management, which is referred to as a "Global One Company" approach. The Company, however, establishes a business model and operates it in accordance with the local market situation and business opportunities in each jurisdiction.

To that end, the Company established subsidiaries and affiliates in China, the United Kingdom, Germany, Brazil, Italy and France, where it is actively providing automotive financing services. The Company also established its presence in Canada by acquiring a 20% stake in Hyundai Capital Canada on May 30, 2017. The Company also has subsidiaries in other regions, including Brazil, Australia, India and Indonesia, to explore opportunities and provide financial consulting services, subject to market conditions. In April 2018, the Company established BHCB, an automotive financing service provider in Brazil, based on a joint venture agreement with Aymoré, which is a wholly-owned subsidiary of the BANCO SANTANDER (BRASIL) S.A. In February 2020, the Company, through HCBE, its joint venture entity with SCB, completed the acquisition of shares in Allane SE (formerly known as Sixt Leasing SE with the name change effective as of August 2021), a German-based international mobility service provider, as part of its strategy to expand its car rental service in Europe and focus more on innovation-driven development of new mobility services. The Company established a subsidiary in Indonesia to offer consulting services and support its overseas automobile sales business in November 2020. In October 2021, Hyundai Capital Bank Europe GmbH Italy was established as a branch of HCBE, and in January 2022, the Company formed HCF with CGI France, a subsidiary of Société Générale group, to support Hyundai Motor France, Kia France and their dealer networks in lease and loan financing for new and used vehicles as well as to serve as a sales agent for relevant insurance policy products.

Business Operations

Automotive Financing

The Company operates as the primary automotive financing arm of HMC and Kia. As a result, financing for the purchase of new HMC and Kia vehicles has historically represented and continues to represent the principal source of the Company's automotive financing business. The Company benefits from customer referrals by HMC and Kia and cooperates with HMC and Kia 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 2020, 2021 and 2022, 96.1%, 95.0% and 99.8%, respectively, of the Company's automotive financings for new vehicles were arranged as installment financings and 3.9%, 5.0% and 0.2%, respectively, 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. 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	4.70-6.20%	3-60 months
Residual value guaranteed.....	Equal monthly payments for a partial amount of the principal followed by payment of remaining	5.20-7.00%	36 and 48 months

	principal amount at the used car value upon maturity		
Principal deferred	Equal monthly payments for a partial amount of the loan principal followed by payment for the outstanding amount	5.20-7.00%	36 and 48 months
Deferred amortization	Interest payments during grace period followed by equal monthly payments for principal and interest	5.20-7.40%	36-60 months

The Company has a Settlement Interest Agreement with each of HMC and Kia, under which each of HMC and Kia 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*".

Automotive 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 Kia, 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 domestic and imported vehicles. The Company's automotive financing of used vehicles is typically capped at ₩70 million. The Company offers financing of used vehicles at interest rates ranging from 4.0% to 19.5% per annum, with a maximum maturity of up to six years.

As of September 30 2023, the Company operated 10 automotive financing branches specializing in used car financing. The Company believes it continues to be the leading provider of automotive financing for used vehicles in the Korean market.

Automotive Leasing

The Company is a leading automotive leasing company in Korea. Lease financing for HMC and Kia 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 the nine months ended September 30, 2023, 5% of the Company's total amount of the leases that were newly entered or extended during the period were finance leases and the remaining 95% were operating leases. 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 expiration 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 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 to 84 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 Company's automotive leasing products generally have lease periods ranging from 12 to 60 months and interest rates ranging from 2.50% to 12.25% per annum, depending on, among other factors, the amount of initial deposit.

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. In terms of disposing off-lease vehicles to a third party, the Company has contractual arrangements with Glovis (a member company of the HMG) and Autoplus in respect of domestic vehicles. 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.

Rental Car

The Company operates a long-term (i.e., with a minimum contract period of one year) car rental business for both captive and non-captive brands. The Company's sales from both personal and corporate rentals were ₩1,388.4 billion, ₩1,347.4 billion, ₩1,346.5 billion and ₩1,227.4 billion in 2020, 2021, 2022 and the nine months ended September 30, 2023. With approximately 2,034 maintenance facilities of HMC and Kia, the Company believes it has an advantage in providing key services to its customers, which it believes is critical in the car rental business.

As of December 31, 2020, 2021, 2022 and September 30, 2023, the number of registered rental cars provided by the Company totaled 46,726, 44,347, 43,276 and 37,447, respectively.

In March 2020, the Company sold its assets related to the long-term car rental business for around ₩500 billion in order to improve its portfolio and also to comply with the Korean regulation that prohibits the proportion of rental business of financial services companies from exceeding that of its lease business. The sale was mainly comprised of financial receivables for long-term car rentals, which have low profitability compared to operative rent assets, and was also a part of the Company's decision to focus on lease business as the demand for lease increases, particularly for the high-end car model "Genesis".

Returned Vehicle Business

In anticipation of the launch of the "certified" used car business by HMC and Kia, the Company as of July 31, 2023 has ceased its own "certified" used car business through which it had disposed of certain qualifying returned vehicles as its "certified" used cars via its partner used car dealers or its owned "certified" used car showrooms. In the past, approximately 40% to 50% of the Company's total off-lease or off-rent vehicles that were returned to the Company after the expiry of the lease or rent period had been sold as the Company's "certified" used cars via such channels. Since July 31, 2023, the Company has ceased to offer any "certified" used cars of its own, terminated its arrangements with partner used car dealers and closed its dedicated "certified" used car showrooms. Instead, the Company now sells the qualifying used cars to HMC and Kia and earns a certain percentage of margins from such sales to the extent the returned vehicles meet the quality standards required by HMC and Kia. The Company expects the overall financial effects from such change to be minimal.

Fleet Services

The Company operates a fleet leasing business which involves the leasing of HMC, Kia 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 2,034 maintenance facilities of HMC and Kia that are located throughout Korea to service their fleet vehicles. In 2020, 2021, 2022 and the nine months ended September 30, 2023, sales in the Company's fleet leasing business were ₩617.8 billion, ₩766.4 billion, ₩857.7 billion and ₩697.1 billion, respectively.

Personal Loans

Unsecured Personal Loans

The Company offers unsecured and unguaranteed personal loans to individuals and small business owners. The Company targets mainly near-prime customers. As of December 31, 2020, 2021, 2022 and September 30, 2023, total outstanding personal loans (other than mortgage loans) were ₩2,175.0 billion, ₩2,263.2 billion, ₩1,874.9 billion and ₩1,101.5billion, respectively, representing 7.1%, 7.2%, 5.6% and 3.3% of the Company's total financial receivables balance as of the respective dates.

The Company offers different terms to its personal loan customers depending on the customer's credit profile. As of December 31, 2020, 2021, 2022 and September 30, 2023, the average annual percentage rate ("**APR**") for the Company's entire personal loan portfolio was 14.2%, 14.0%, 15.5% and 16.4%, respectively.

Mortgage Loans

The Company offers mortgage loans to individuals and small business owners. As of December 31, 2020, 2021, 2022 and September 30, 2023, the outstanding balance of the Company's mortgage loans amounted to ₩3,465.7 billion, ₩3,640.0 billion, ₩3,415.9 billion and ₩3,137.8 billion, respectively, representing 11.3%, 11.6%, 10.3% and 9.3% 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 60 to 420 months with interest rates ranging from 5.39% to 14.99% 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 from 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. The Company discontinued its key-money loan business in May 2020. As of December 31, 2020, 2021, 2022 and September 30, 2023, the balance

of the Company's key-money loans amounted to ₩36.8 billion, ₩10.7 billion, ₩0.2 billion and ₩0.0 billion, respectively.

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 Kia vehicles, as well as its leasing products, through HMC's and Kia'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. 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 Kia vehicles. HMC's and Kia's sales representatives or car masters ("**CMs**") originate loan applications from their prospective customers and also obtain supporting loan documentation. As of September 30, 2023, HMC's sales network in Korea consists of 317 HMC sales offices and 378 independent dealerships. Kia's sales network in Korea consists of 290 Kia sales offices and 358 independent dealerships. The sales representatives or CMs, who are either employees of HMC or Kia or independent contractors of HMC and Kia acting as their exclusive agents, perform an initial credit screening in accordance with the procedures and criteria established by the Company.

As of September 30, 2023, the Company had a sales network consisting of 48 automobile financing or leasing branches. 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 Kia, while the sales teams principally cover dealers that are owned by individuals. The Company's sales force consists of those known as "relationship managers" ("**RMs**") who market automotive financing products for the purchase of new vehicles, those known as "auto planners" ("**APs**") who market automotive leasing products and those known as "fleet planners" ("**FPs**") who market fleet leasing products. The RMs are generally regular employees of the Company while the APs and FPs are agents that work under exclusive agency agreements with the Company.

The local branch representatives of the Company visit HMC and Kia sales representatives daily to collect loan applications and to provide updates on new products, daily interest rate quotes, and any changes to underwriting procedures.

As of September 30, 2023, the Company also had 5 branches specialized in online channel marketing. The Company's online sales network is designed to directly offer financing to new customers without going through CMs in the middle. The customers are introduced by those known as "general agency" ("**GA**") who specialize in sales or lease through home shopping, ARS, internet website or mobile application channels. After customers submit request for consultation via home shopping channel, ARS, internet website or mobile application, those known as "consultants" ("**CTs**") perform the consulting via phone. Some APs belong to the Company's online sales network and perform the consulting as well.

For sales of used vehicles, the Company relies on dealers affiliated with approximately 72 third-party agencies nationwide with whom the Company has an ongoing 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.

Mortgage Loans and Personal Loans

The Company markets mortgage loans to walk-in customers to its mortgage loan branches 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 September 30, 2023, the Company had a sales network of 7 mortgage loan branches nationwide and 1 online mortgage loan branch. In addition, the Company also employs 227 individual loan planners to market products related to mortgage 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 provides mobile automatic response system (ARS) customer service for its walk-in customers and telemarketer service for cross-sales customers, respectively.

Cross-Selling

The Company 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. In 2020, 2021, 2022 and the nine months ended September 30, 2023, 73.7%, 74.6%, 72.8% and 86.1% of the Company's personal loan customers were sourced from its existing automotive customer base, respectively. 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 mainly comprises an initial credit scoring system to review the credit profile of the applicant and an ongoing 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 on March 30, 2015, pursuant to which the Company was required to adopt certain amendments to its Articles of Incorporation and establish additional committees. Since August 1, 2016, the Company is required to establish and maintain a Risk Management committee under the Act on Governance Structure of Financial Institutions.

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.

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 a stress test methodology and has created stress test models for each of the Company's products. Stress tests are conducted on a semi-annual 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.

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 Kia. 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 Kia 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 Kia. 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 Kia. The amount is verified with the loan information received earlier. Upon verification, the funds are transferred to the HMC or Kia 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.

The Company has also introduced a Pre-Approval Process, which is a fast-track, streamlined process for existing customers. Under the Pre-Approval Process, the Company's loan approval process does not require existing customers to submit additional documents or to undergo a new credit check but rather relies on the pre-approved loan limit that is based on the existing credit information of the customer. The Company gathers and updates such credit information of existing customers regularly on a monthly basis.

Personal Loans

The Company's credit assessment process for personal loans differs for walk-in customers and cross-sales customers. With respect to walk-in customers, if a 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.

For cross-sales 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 cross-sales 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.

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 and The-K NON-Life Insurance, 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 ongoing 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 ongoing 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. The Company conducts an anti-fraud function which is dedicated to preventing, detecting and investigating fraud in order to reduce fraud losses.

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 18 different regions in Korea including regional offices and streamlines the Company's collection strategies. In addition, the 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 89 permanent and contract employees.

The Company had an agreement with Hyundai Card under which the Company purchased delinquent and written-off loans and receivables from Hyundai Card. Under this arrangement, the Company was obligated to purchase all of Hyundai Card's 60-day overdue and wholly written-off loans and receivables on five fixed dates of each month at the market value of such loans and receivables as determined by an independent valuation firm, but such arrangement has been terminated as of December 2020. In 2020, the Company purchased in the aggregate ₩145.7 billion of such loans and receivables for which it paid ₩48.2 billion. The Company has an agreement with Hyundai Commercial pursuant to which the Company is obligated to purchase all future delinquent and written-off loans and receivables from Hyundai Commercial. Under this agreement, the Company purchases 60-day overdue and written off loans and receivables on one or two fixed dates of each month at the market value of such loans receivables as determined by an independent valuation firm. Although the FSC has issued a recommendation to refrain from selling off delinquent individual loans and receivables, the impact of such recommendation on the arrangement with Hyundai Commercial is expected to be minimal since such recommendation is applicable to unsecured products only while the majority of delinquent loans and receivables held by Hyundai Commercial are secured products. The aggregate value of delinquent and written-off loans and receivables purchased from Hyundai Commercial was ₩58.3 billion, ₩19.8 billion, ₩15.3 billion and ₩9.9 billion in 2020, 2021, 2022 and the nine months ended September 30, 2023, respectively, of such loans and receivables for which it paid ₩32.7 billion, ₩11.8 billion, ₩8.7 billion and ₩4.8 billion, respectively. The Company also had a similar agreement with Fubon Hyundai Life Insurance, but such arrangement has been terminated as of December 2021. The aggregate value of delinquent and written-off loans and receivables purchased from Fubon Hyundai Life Insurance was ₩4.7 billion and ₩1.4 billion in 2020 and 2021, respectively, of such receivables for which it paid ₩2.1 billion and ₩0.5 billion, respectively. In 2018, Fubon Hyundai Life Insurance Co., Ltd. was excluded from the affiliated parties of HMG upon a change in the largest shareholder of the company and others. See "*— Relationship with Hyundai Commercial*". Since the Company needs to have a collection system for its own delinquent loans and receivables, having entered into agreements to provide collection services for Hyundai Commercial 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 subject to contractual arrangements obligating it to purchase delinquent and written-off receivables from a member of the HMG the amount of which may increase significantly in an economic downturn*" and "*— Relationship with Hyundai Commercial*".

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.

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 and Credit Relief Support 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.

Credit relief support loans are made by the Company as a way of restructuring a delinquent loan upon request from the Credit Counselling 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, 2020, 2021, 2022 and September 30, 2023, the total outstanding balance of the Company's re-aged loans and credit relief support loans (including pre-workout loans) was ₩84.1 billion, ₩64.4 billion, ₩61.3 billion and ₩54.9 billion, respectively.

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 ₩10 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.

Classification	Description	FSC Minimum Reserve Ratio
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 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.
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 three months or more 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 do 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 Economy 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 30% of the total assets of the CSF Company (excluding loans from its credit card business and incidental business), 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, receivables that arise under the financing provided to a credit card member, receivables that arise under vehicle purchase financing loans in a manner similar to those under installment financing or any claims corresponding to 20/100 of the claims arising from loans that

meet the criteria as set forth in the Regulation on Supervision of Specialized Credit Financial Business, such as interest rates, of personal credit loans mainly for the debtors whose personal credit scores are not higher than the prescribed grade as of the date of application for loans. If the average balance of a CSF Company exceeds 30% due to a decrease in its total assets (and not due to an increase in the amount of its receivables), the CSF Company is required to reduce the balance of the loans below 30% within one year from the date of such violation.

Limitations on Extension of Credit to the Major Shareholder

The aggregate amount of credit that a CSF Company may extend to a major shareholder (as defined under the SCFBA, a "**Major Shareholder**") or related persons (including, but not limited to, affiliates) thereof cannot exceed 50% of the CSF Company's capital. According to the Act on Governance Structure of Financial Institutions (which has been effective from August 1, 2016), a 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.

Limitations on Mortgage Lending

Due to a rapid increase in the number of loans secured by homes and other forms of housing, the FSC adopted an amendment to the Regulation on Supervision of Specialized Credit Financial Business, effective as of January 31, 2018. On October 25, 2018, the FSC further amended the Regulation on Supervision of Specialized Credit Financial Business. The amendment was part of reflecting the Government's measures announced in September 2018, which aim to stabilize the real estate market by blocking the speculative demand of homeowners who own multiple houses while protecting those people who are actually in need of residence. The amended regulation tightened the level of maximum LTV ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) and DTI ratio (calculated as (i) the aggregate annual payment amount of (a) the principal of and interest on loans secured by apartment(s) and (b) the interest on other debts of the borrower over (ii) the borrower's annual income) applicable for the mortgage loans. In particular, the amendment tightened the LTV and the DTI ratios for certain districts which are considered to be under excessive speculation (*Tugi-jiyeok*, *Tugi-gwayeol-jigu* and *Jojungdaesang-jiyeok*, altogether '*Kyuje-jiyeok* (regulated area)'), and heightened the conditions to grant an additional household mortgage loan to borrowers who are already homeowners. Under the amended regulation, detailed household mortgage regulations were imposed such as: (i) multiple home owners are banned from taking out mortgages when purchasing new homes in the regulated area, (ii) loans to single home owners in the regulated area are only allowed in exceptional circumstances such as job relocation or to borrowers who promise to dispose their old houses in two years, and (iii) mortgages are allowed for houses worth more than ₩900 million only when intended for residential purposes. In December 2020, the FSC amended the Regulation on Supervision of Specialized Credit Financial Business, following a series of Government real estate policies from 2019 that aim to steady the real estate market. The amended regulation set more tightened LTV ratio for houses over ₩900 million and prohibits mortgage loans with apartments over ₩1.5 billion in *Tugi-jiyeok* and *Tugi-gwayeol-jigu*. In 2022, the Government announced its policy toward easing regulations related to household mortgage loans. Under the Regulation on Supervision of Specialized Credit Financial Business currently in effect, the LTV ratio for districts under speculation has been loosened and mortgage loans on apartments over ₩1.5 billion in *Tugi-jiyeok* and *Tugi-gwayeol-jigu* have been allowed. When a CSF Company makes a new loan to those who already took out mortgage loan regarding high graded houses (as defined below), the borrower's maximum DSR (Debt Service Ratio, ratio of a certain household borrower's total debt repayment (i.e. principal and interest payments) to the borrower's annual income) is 50%.

The following table is a summary of the LTV and DTI ratios according to the Regulation on Supervision of Specialized Credit Financial Business, subject to certain exceptions:

Classifications of households	**Areas considered to be under excessive speculation (*Tugi-jiyeok and Tugi-gwayeol-jigu*)**		**Area subject to adjustments (*Jojung-daesang jiyeok*)**		**Capital area except *Tugi-jiyeok, Tugi-gwayeol-jigu* and *Jojung-daesang-jiyeok***		**Others**	
	LTV	**DTI**	**LTV**	**DTI**	**LTV**	**DTI**	**LTV**	**DTI**
First-time homeowner[(1)]	80%	60%	80%	60%	80%	60%	80%	-
Actual demander[(1)(2)]	70%	60%	70%	60%	70%	60%	70%	-

Classifications of households	Areas considered to be under excessive speculation (*Tugi-jiyeok and Tugi-gwayeol-jigu*)		Area subject to adjustments (*Jojung-daesang jiyeok*)		Capital area except *Tugi-jiyeok, Tugi-gwayeol-jigu* and *Jojung-daesang-jiyeok*		Others	
	LTV	DTI	LTV	DTI	LTV	DTI	LTV	DTI
Household who does not have existing houses (other than first-time homeowners and actual demanders)[3]	50%	40%	50%	50%	70%	60%	70%	-
Household who has existing house(s)[4]	50%	40%	50%	50%	60%	50%	60%	-

(1) The principal amount of the mortgage loan cannot exceed KRW 600 million.
(2) Actual demander means anyone who meets all of the following conditions: (i) a head of household who does not own a house, (ii) a purchaser of a home priced KRW 900 million or less in areas considered to be under excessive speculation or KRW 800 million or less in areas subject to adjustments and (iii) a person whose annual income, combined with the annual income of such person's spouse, is not more than KRW 90 million.
(3) Includes first-time homeowners and actual demanders with principal amount of mortgage loan exceeding KRW 600 million.
(4) For these households, mortgage loan for purchasing new homes in *Tugi-jiyeok*, *Tugi-gwayeol-jigu* and *Jojung-daesang-jiyeok* is not allowed except: (i) for single homeowners, under the condition that it disposes the existing house within two years; (ii) for single homeowners buying new house with price not more than KRW 900 million, under the condition that (x) their parents over 60 years old move into the new house within three months or (y) a member of the household that does not own a house moves into the new house within three months and form a new household; or (iii) for single homeowners whose house in *Tugi-jiyeok*, *Tugi-gwayeol-jigu* or *Jojung-daesang-jiyeok* and is under reconstruction or remodeling, under the condition that no purchase of additional house is allowed during the term of the loan.

Credit Relief Support

The Company, together with other Korean consumer finance lenders, is subject to the Act on Supporting the Financial Life of the Low Income Households (the "**ASFLLIH**") and 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 ₩1.5 billion or less of total debt (which consists of (i) secured debt of ₩1 billion or less and (ii) unsecured debt of ₩500 million or less) 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 ASFLLIH Individual Work-out Plan Agreement, qualifying individuals may apply for protection under the scheme to the Credit Counselling and Relief Service. On receipt of such an application, the Credit Counselling 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 Work-out 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 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. An Individual Work-out Plan may also include postponing of payments for an additional period of up to three years, adjusting interest rates, establishing an installment plan for a period not exceeding the repayment period and writing-off the principal amount and/or interest of the outstanding debt. 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 Counselling and Relief Service an amount up to ₩2 million.

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.

The Company continually upgrades its security systems for handling personal and other sensitive data relating to its customers. In June 2016, the Company completed upgrades of its security systems in marketing and all other areas of the Company's operations to 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 existing major competitors in this market are Shinhan Card, KB Kookmin Card, KB Capital, BMW Financial Services and Hyundai Commercial based on installment financing assets as of June 30, 2023. 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 Kia 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 Kia 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;
- the Company has a team dedicated to selling online products; and
- the Company has a digitalized system in place that simplifies the automotive loan application process.

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 KB Capital, Hana Capital, BMW Financial Services Korea, Shinhan Card, NH Nonghyup Capital and Woori Capital based on leased assets as of June 30, 2023. In addition to these credit specialized financing companies, companies that specialize in car rental business have also entered into the automotive leasing market intensifying the competition. 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 channels via both online (e.g., general agent and home shopping channels) and offline 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 Kia 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 50% applies to houses in regulated areas, 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 loan 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 14 Sejong-daero, Jung-gu, 04527, Seoul, Korea.

As of September 30, 2023, the Company had a nationwide network of 48 online and offline automotive financing and automotive leasing branches. The Company also has an early warning center in Seoul and 18 collection centers nationwide. In addition, the Company operated 8 online and offline personal loan branches as of such date.

Employees

The Company had 1,666 regular (or full-time) employees and 460 contract and commissioned employees as of June 30, 2023. The Company believes that it has a good relationship with its employees. 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. 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 mortgage 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, 2020, 2021, 2022 and September 30, 2023, the present value of defined benefit obligations was ₩109.9 billion, ₩108.1 billion, ₩111.5 billion and ₩126.6 billion, respectively, and the fair value of plan assets, which were deposited with insurance companies and banks, was ₩113.2 billion, ₩121.8 billion, ₩148.9 billion and ₩148.6 billion, respectively. Under Korean law, the Company may not terminate full-time employees except under limited circumstances.

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 Jin Won Mok.

Under the Company's articles of incorporation ("**Articles of Incorporation**"), the Board must consist of at least four directors but no more than 12 directors, of which the majority must be composed of minimum of three 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 matters pertaining to potential conflicts, whether direct or indirect, between the company and an interested director are subject to special resolution by the affirmative vote of at least two-thirds of total directors, but the interested director may not cast a vote. If the non-interested directors are less than two-thirds of the total directors, such resolution shall be adopted by the affirmative unanimous vote of the non-interested directors.

The Articles of Incorporation also require that the Board must elect, from its members, at least 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 the date of this Offering Circular, the Board was comprised of the following members.

Name	Title	Date of Birth
Jin Won Mok	Representative Director, CEO, Chairman of the Board	March 1970
Hyeong-Seok Lee	Director, CFO	August 1972
Sang-Tae Jun	Non-standing Director	September 1967
Ki-Dong Kim	Outside Director	December 1964
Yun-Jung Kim	Outside Director	February 1975
Jong-Ryn Mo	Outside Director	June 1961
Jeong-Ho Seo	Outside Director	August 1969
In-Tae Hwang	Outside Director	August 1957

Jin Won Mok has been Representative Director since March 2021 and served as the Senior Vice President at the Company before holding his current position. He worked at Doosan Heavy Industries & Construction Co., Ltd. as Vice President prior to joining the Company in 2020. Mr. Mok received a B.A. in business administration from Yonsei University.

Hyeong-Seok Lee has served as Director since October 2021. Prior to joining the Company in 2021, Mr. Lee worked at Hyundai Card. Mr. Lee earned his M.B.A. from the University of Western Ontario.

Sang-Tae Jun has served as Director since June 2020. Mr. Jun is currently an Executive Vice President at HMC. Mr. Jun received a Master's degree in business administration from Seoul National University and an M.B.A., from Massachusetts Institute of Technology.

Ki-Dong Kim has served as Outside Director since August 2022. Mr. Kim is currently the managing partner of LawVax. He received a bachelor's degree in law from Seoul National University.

Yun-Jung Kim has served as Outside Director since March 2022. Ms. Kim is currently a professor at Sogang University. Ms. Kim received her Ph.D. in economics from the University of Michigan.

Jong-Ryn Mo has served as Outside Director since March 2022. Mr. Mo is currently a professor at the Graduate School of International Studies of Yonsei University. Mr. Mo earned his Ph.D. in business administration from Stanford University.

Jeong-Ho Seo has served as Outside Director since March 2022. Mr. Seo is currently a partner of Wiz Law Group. Mr. Seo received a bachelor's degree in business administration from Seoul National University.

In-Tae Hwang has served as Outside Director since March 2020. Mr. Hwang is currently a professor at Chung-Ang University. Mr. Hwang received his Ph.D. in business administration from State University of New York.

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 and Executives Recommendation Committee, which must consist of at least three directors of the Board. The members of the committees shall be appointed by the Board.

Board Committees

Under the Articles of Incorporation, the Board is required to have Steering Committee, Executives Recommendation Committee, Remuneration Committee, Risk Management Committee, and Audit Committee. The majority of the members of each of the Executives Recommendation Committee, Remuneration Committee and Risk Management Committee must be Outside Directors, and at least two-thirds of the members of the Audit Committee must be Outside Directors.

Outside Director Committee

The primary function of the Outside Director Committee is to review and discuss matters prior to any Board meeting as an independent body. It does not pass a vote on any matter on its own. The Outside Director Committee currently consists of five members, Mr. Ki-Dong Kim, Ms. Yun-Jung Kim, Mr. Jong-Ryn Mo, Mr. Jeong-Ho Seo and Mr. In-Tae Hwang.

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 and execution of MOU or other contracts worth more than ₩20 billion relating to joint venture and strategic partnership, and approval of amendment of certain major terms and conditions of contracts already approved by the Board;
- approval of lending or guaranteeing of funds more than ₩20 billion (excluding matters previously approved by the Board or the Steering Committee);
- approval of creating securities with secured claim worth more than ₩20 billion on the Company's assets;
- approval of creating leasehold rights with deposit worth more than ₩20 billion on the Company's properties;
- approval of the payment in substitutes worth more than ₩20 billion;
- 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. Hyeong-Seok Lee and Ms. Yun-Jung Kim.

Executives Recommendation Committee

The responsibility of the Executives Recommendation 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. Jong-Ryn Mo, Mr. Ki-Dong Kim and Ms. Yun-Jung Kim.

Remuneration Committee

The responsibility of the Remuneration 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. Jong-Ryn Mo, Mr. Hyeong-Seok Lee and Mr. Jeong-Ho Seo.

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 monitor and evaluate 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. In-Tae Hwang, Ms. Yun-Jung Kim and Mr. Jin Won Mok.

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. In-Tae Hwang, Mr. Ki-Dong Kim and Mr. Jeong-Ho Seo.

Special Committees

The Company may establish special committees, such as an Executive Finance Committee or a Compliance Review Board. The role and composition of such committee shall be prescribed by the regulations of the respective committee by a resolution of the Board of Directors. As of this Offering Circular, the Company has an Executive Finance Committee and Compliance Review Board.

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 the date of this Offering Circular.

Name	Title	Area of Duty
Jin Won Mok	Executive Vice President	CEO, Corporate Strategy Division
Ross Williams	Executive Vice President	Global Business Division
Jang Soo Shim	Senior Vice President	Auto Division
Dong Chan An	Vice President	Finance Business Division
Yeon Woong Baek	Senior Vice President	Risk Division
Dae Young Han	Vice President	Business Support Division
Hyung Seok Lee	Senior Vice President	Finance Division (CFO)
Heung Mog You	Vice President	Corporate Service Representative Division
Bo Sung Jun	Vice President	IT Representative Division

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.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Company from time to time engages in transactions with its affiliates, including HMC and Kia which as of the date of this Offering Circular hold 59.68% and 40.10% of the Company's outstanding common shares, respectively. 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 Kia vehicles. The Company continues to operate as the primary automotive financing arm of HMC and HMC's affiliate, Kia, with the predominant share of the Company's business comprised of the financing and leasing of new vehicles manufactured by HMC and Kia. The Company has close business ties with, and receives financial, managerial and operational support from, HMC and Kia.

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 Kia had a combined domestic market share of 83.2%, 87.6%. 88.2% and 90.7% based on units of new vehicles sold (excluding imported units) in 2020, 2021, 2022 and the nine months ended September 30, 2023, 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 June 30, 2023, consisted of the following:

- 12 listed companies: HMC, Kia, Hyundai Mobis, Hyundai Steel, Hyundai BNG Steel Co., Ltd., Hyundai Glovis, Hyundai Motor Securities Co., Ltd., Hyundai WIA, Hyundai Engineering & Construction Co., Ltd., Hyundai-Rotem Co., Innocean Worldwide Inc., and Hyundai Autoever Corporation; and

- 48 unlisted companies: the Company, Hyundai Card, Hyundai Commercial, Haevichi Hotels & Resort Co., Ltd., Haevichi Country Club Co., Ltd., HYUNDAI KEFICO, Hyundai Integrated Forging Co., Ltd., H Green Power Inc., Green Air Co., Ltd., Kia Tigers Co., Ltd., Jeonbuk Hyundai Motors Football Club Co., Ltd., Hyundai IHL Corporation, HYUNDAI MSEAT, PARTECS COMPANY. Ltd., Hyundai NGV, SEORIM DEVELOPMENT CORPORATION, SEORIM ENVIRONMENT TECHNOLOGY Co., Ltd., Seoul PMC Co., WIAMAGNA POWERTRAIN Co., Ltd., Maintrans Company, Hyundai Engineering Co., Ltd., Hyundai Transys Inc., Hyundai Engineering & Steel Industries Co., Ltd, Songdo Landmark City LLC., Hyundai City Corporation, Ltd., Hyundai Farmland & Development Co., Ltd, HYUNDAI MATERIALS CORPORATION, Hyundai Special Steel Co., Ltd., HYUNDAI WIA TURBO CORPORATION, The 2nd Yulchon Industrial Complex Development, Global Information Technology Co., Ltd., Hyundai Advanced Materials, HYUNDAI ECOENERGY, G-Marine Service Co., Ltd., Dongbuk LRT, MOCEAN Co., Ltd., Korea Electric Vehicle Charging Service, Bluewalnut Co., Ltd., Hyundai Enterprise Co., Ltd., Rotem SRS Co., Ltd., HYUNDAI ITC, Hyundaiisc, and HYUNDAI IMC CO. LTD., K square Yongsan PFV, KCNC CORPORATION, MOTRAS, UNITUS, TRANIX.

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 Kia 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 Kia vehicles for the periods indicated.

	As of December 31			As of September 30
	2020	2021	2022	2023
HMC	48.9%	50.5%	49.4%	51.6%
Kia	34.3%	37.1%	38.8%	39.1%
Total	**83.2%**	**87.6%**	**88.2%**	**90.7%**

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.

Settlement Interest Agreements

The Company entered into a Settlement Interest Agreement with each of HMC and Kia in November 2003, which has been amended from time to time. Under these Settlement Interest Agreements, each of HMC and Kia 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 AA0 and (ii) a benchmark commercial paper with a six-month maturity. The Settlement Interest Agreements have 10-year terms and can be renewed for one-year terms thereafter if HMC and Kia 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 AA0 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 Kia, 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 Kia, 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 Kia, as the case may be, an amount equal to the difference between the installment interest and the settlement interest. The Settlement Interest Agreements have been successfully renewed as of June 2022. If any of the Settlement Interest Agreements 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. In February 2017, GECC agreed to sell all of its shareholding in Hyundai Card to Hyundai Commercial, Affinity Equity Partners, GIC and Alpinvest, to each, of its 19.01%, 9.99%, 9% and 5% shareholding, respectively. In January 2006, the Company entered into an agreement with Hyundai Card pursuant to which the Company agreed to purchase all future delinquent and written-off receivables from Hyundai Card. Under this agreement, the Company purchased 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 was partially terminated as of December 2020 and completely as of December 2021 as the FSC issued a recommendation in early 2020 to refrain from selling off unsecured delinquent individual receivables. In 2020, the aggregate value of delinquent and written-off receivables the Company purchased from Hyundai Card was ₩145.7 billion, and the consideration paid by the Company for such receivables was ₩48.2 billion. No receivables were purchased in 2021.

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. Although the FSC has issued a recommendation to refrain from selling off delinquent individual receivables, the impact of such recommendation on the arrangement with Hyundai Commercial is expected to be minimal since such recommendation is applicable to unsecured products only while the majority of delinquent receivables held by Hyundai Commercial are secured products. 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 ₩58.3 billion, ₩19.8 billion, ₩15.3 billion and ₩9.9 billion in 2020,

2021, 2022 and the nine months ended September 30, 2023, respectively. The consideration paid by the Company for such receivables was ₩32.7 billion, ₩11.8 billion, ₩8.7 billion and ₩4.8 billion, respectively.

Other Related Party Transactions

For a description of other related party transactions, see Note 31 to the Company's audited consolidated financial statements and Note 28 to the Company's unaudited consolidated interim financial statements, each 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 under the STTCL. Foreign currency denominated bonds 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 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% (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 payment for 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 or resided in Korea for at least 183 days immediately prior to his death 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 value of the property and 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 and capital gains 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" 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 and the schedule of beneficial owners 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. However, starting from January 1, 2020, if such OIV is deemed as a beneficial owner pursuant to the Corporate Income Tax Law of Korea, the OIV is required to submit an OIV report including a schedule of investors in each country, together with the aforementioned BO Application, to the purchaser or the withholding agent prior to the payment date 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 if the Notes are foreign currency denominated bonds issued outside Korea under 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

Except where otherwise stated, the following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Registered Notes by a U.S. Holder that acquired such Registered Notes at initial issuance, that will hold the Registered Notes as capital assets, and whose functional currency is the U.S. dollar. The discussion does not cover all aspects of U.S. federal income taxation that may be

relevant to the acquisition, ownership or disposition of Registered Notes by particular investors. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks and other financial institutions, tax-exempt organizations, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, persons who have ceased to be U.S. citizens or to be taxed as U.S. lawful permanent residents and investors that will hold the Registered Notes as part of straddles, hedging or conversion transactions, or as part of a synthetic security for U.S. federal income tax purposes).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Registered Notes that is, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation, created or organized in or under the laws of the United States, the District of Columbia, or any State thereof; (iii) an estate, the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership (or any other entity treated as fiscally transparent for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Notes.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

INVESTORS SHOULD CONSULT THEIR TAX ADVISERS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF REGISTERED NOTES, INCLUDING THE APPLICATION TO THEIR PARTICULAR SITUATION OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW, AS WELL AS THE APPLICATION OF THE ALTERNATIVE MINIMUM TAX AND ANY STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS.

The Issuer generally intends to treat Notes issued under the Program as debt. Certain Notes, however, may be treated as equity or some other type of instrument or interest for U.S. federal income tax purposes. The tax treatment of Notes to which a treatment other than debt may apply may be discussed in a supplement to the Offering Circular. This summary does not discuss Notes with a maturity of greater than 30 years, the impact of redenomination of a Note, Notes that by their terms may be retired for an amount less than their principal amount and Notes subject to special rules. The terms and U.S. federal income tax treatment of certain Notes that the Issuer and the relevant Dealers may agree to issue under the Program may be set out in a Pricing Supplement (if applicable).

Special Rules Applicable to Certain Accrual Method Taxpayers

Pursuant to recent legislation (which, in the case of debt instruments issued with original issue discount for U.S. federal income tax purposes, applies for taxable years beginning after December 31, 2018), an accrual method taxpayer that reports revenues on an "applicable financial statement" generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in the applicable financial statements. This rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to Notes prior to the time such income otherwise would be recognized pursuant to the rules described below. U.S. Holders should consult their tax advisors regarding the potential applicability of these rules to their investment in Notes.

Payment of Interest

Interest on a Note, whether payable in U.S. dollars or a currency other than U.S. dollars ("**foreign currency**" interest on a "**Foreign Currency Note**"), other than interest on a Discount Note that is not "qualified stated interest" (each as defined below under "*Original Issue Discount — General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("**OID**"), if any, accrued with respect to the Notes (as described below under "*Original Issue Discount — General*") generally will

constitute income from sources outside the United States for the purposes of the rules regarding the foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of any foreign taxes with respect to the Notes (if applicable).

Original Issue Discount

General

A Note that only provides for the payment of amounts that are qualified stated interest before maturity, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's stated redemption price at maturity over its issue price is equal to or more than a *de minimis* amount (0.25 percent of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**installment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or more than 0.25 percent of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of qualified stated interest. A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described under "— *Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note (qualified stated interest). Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the U.S. Holder makes the election described under "— *Election to Treat All Interest as Original Issue Discount*". A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or the portion of the taxable year in which the U.S. Holder holds the Discount 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. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Notes as long as: (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of: (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's 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 (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The adjusted issue price of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by: (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described under "— *Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of

OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described under "— *General*", with certain modifications. For the purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium (described under "— *Notes Purchased at a Premium*") or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant yield method is applied the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the United States Internal Revenue Service ("**IRS**"). However, if the Note has amortizable bond premium, the U.S. Holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium (other than debt instruments, the interest on which is excludible from gross income) held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note (as defined below under "— *Market Discount*"), the electing U.S. Holder will be treated as having made the election discussed under "— *Market Discount*" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the advisability and consequences of making this election.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For the purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market Discount

A Note, other than a Short-Term Note, that is not acquired at its original issue generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's revised issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes *de minimis* market discount. For this purpose, the revised issue price of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognized on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This constant yield election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount (or, for a Discount Note, the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest) may elect to treat the excess as amortizable bond premium, in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortize bond premium shall apply to all bonds (other than bonds, the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Please see also "*— Election to Treat All Interest as Original Issue Discount*". A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will generally recognize a capital loss when the Note matures.

Purchase, Sale and Retirement of Notes

A U.S. Holder's tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by: (i) the amount of any payments that are not qualified stated interest payments; and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note.

A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. Amounts realized on the sale or retirement of a Note are taxable as interest income to the extent of accrued but unpaid interest not previously included in income. Except to the extent described under "*Original Issue Discount — Market Discount*", "*Original Issue Discount — Short-Term Notes*" or "*Contingent Payment Notes*" or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Contingent Payment Notes

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including Notes with a variable rate or rates that do not qualify as "variable rate debt instruments" for purposes of the original issue discount rules) they generally will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the Note and the Note's "projected payment schedule" as described below. The comparable yield is determined by the Issuer at the time of issuance of the Notes. The comparable yield may be greater than or less than the stated

interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments, unless the U.S. Holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of the U.S. Holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment debt instrument (as set forth below).

A U.S. Holder will be required to recognize interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a U.S. Holder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
    - the amount of all previous interest inclusions under the contingent payment debt instrument over
    - the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the limitations imposed on miscellaneous deductions (which generally cannot be deducted in taxable years beginning prior to January 1, 2026 and are subject to a 2% floor limitation for subsequent taxable years). Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realized on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the Holder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any noncontingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a U.S. Holder recognizes loss above certain thresholds, the U.S. Holder may be required to file a disclosure statement with the IRS.

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument equal to the fair market value of the property, determined at the time of retirement. The U.S. Holder's holding period for the property will commence on the day immediately following its receipt. Special rules apply to contingent payment debt instruments that are denominated, or provide for payments, in a currency other than the U.S. dollar ("**Foreign Currency Contingent Payment Notes**"). Very generally, these Notes are accounted for like a contingent payment debt instrument, as described above, but in the currency of the Foreign Currency Contingent Payment Notes. The relevant amounts must then be translated into U.S. dollars. The rules applicable to Foreign Currency Contingent Payment Notes are complex and U.S. Holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of such Notes.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods.

Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "— *Interest*". Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency.

On the date bond premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder.

Purchase, Sale and Retirement of Notes

A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Foreign Currency Note will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note: (i) on the date of sale or retirement; and (ii) on the date on which the U.S. Holder acquired the Note. Any exchange rate gain or loss recognized on the sale or retirement of a Note (including any exchange rate gain or loss with respect to the receipt of accrued but unpaid interest and OID in the transaction) shall be realized only to the extent of the total gain or loss realized on the transaction.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

Payments of interest and accrued OID on, and the proceeds of a sale, exchange, redemption or other disposition of, Notes, payable to a U.S. Holder by a paying agent or other intermediary, may be subject to information reporting to the IRS. In addition, certain U.S. Holders may be subject to backup withholding tax in respect of such payments if they do not provide an accurate taxpayer identification number or certification of exempt status to a paying agent or other intermediary or otherwise comply with the applicable backup withholding requirements.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS in the manner required. Certain U.S. Holders (including, among others, corporations) are not subject to information reporting or backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from information reporting and/or backup withholding.

U.S. Holders should consult their own tax advisers regarding any filing or reporting requirements that may apply to their acquisition, ownership and disposition of Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

BOOK-ENTRY CLEARANCE SYSTEMS

*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.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for such offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each offering of Securities under the Program.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Securities. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Dealers accordingly.

CMIs are informed that, unless otherwise specified in the applicable Pricing Supplement, the marketing and investor targeting strategy for such offering may include institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Securities (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Securities. CMIs are informed that a private bank rebate may be payable as stated above and as notified to prospective investors on or prior to the launch of an offering of Securities under the Program.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Securities, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the Dealers to apply the "proprietary orders" of the SFC Code to such order and will require the Dealers to apply the "rebates" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- the unique identification number of each investor;
- whether an underlying investor has any "associations" (as used in the SFC Code);
- whether any underlying investor order is a "proprietary order" (as used in the SFC Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each

CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the SFC Code, including to the Issuers, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for such offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in such offering. The Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

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 EXPIRATION 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 US$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 US$100,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, US$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 US$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, US$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 US$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

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors" or otherwise specifies "Prohibition of Sales to EEA Retail Investors" as "Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in the EU Prospectus Regulation. Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

If the applicable Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each a "**Member State**"), 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 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 Member State except that it may make an offer of such Notes to the public in that Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) 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 1(4) of the EU Prospectus Regulation,

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 EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes in any 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 for the Notes and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

United Kingdom

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors" or otherwise specifies "Prohibition of Sales to UK Retail Investors" as "Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer

within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a "qualified investor" as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the domestic law of the UK by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

If the applicable Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", 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 made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(i) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation; or

(ii) at any time to fewer than 150 persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom 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 section 86 of the FSMA,

provided that no such offer of Notes referred to in in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes 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 and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other UK regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

(b) *Financial promotion*: 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

(c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any 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 (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Dealer has represented and agreed that 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 or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

Unless the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", 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, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant 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 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

If the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", 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, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant 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 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 and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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) (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) 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 (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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 the SFO.

Korea

The Notes have not been and will not be registered under 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 Transactions 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, or for the account or benefit of, 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 not issued as convertible bonds, bonds with warrants or exchangeable bonds and are issued relying on the exemption as set out in Article 2-2-2, Paragraph 2, Item 3 of the Regulation on Securities Issuance and Disclosure, 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, provided that (x) the Notes are registered with the KOFIA by the Issuer and (y) the qualified institutional investors are registered with the KOFIA in advance, and further provided that all of the following requirements are satisfied: (1) the Notes shall be issued in a currency other than Korean Won and the principal and interest shall be paid in a currency other than Korean Won, (2) at least 80 percent of the Notes shall be allocated to non-residents of Korea (which applies only to the Notes acquired from the Issuer or any underwriter at the time of issuance), (3) the Notes shall be those listed on a major overseas securities market specified by the governor of the Financial Supervisory Services, those registered with or reported to a foreign financial investment supervisory agency of the country in which a major overseas market is established, or those for which any other procedure that may be deemed a public offering is completed in the country in which a major overseas market is established, (4) measures shall be taken to state the condition that the Notes shall not be transferred to any Korean resident other than qualified institutional investors at the time of issuance or within one year from the issuance date on the face of such Notes (limited to cases where any physical instrument is issued), the underwriting agreement, subscription agreement and offering document and (5) the Issuer and the relevant Dealers shall take measures under foregoing items (1) through (4) and the Issuer and the relevant Dealers shall severally or jointly preserve evidential documents in relation thereto; 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.

Republic of Italy

No offering of any Notes issued under this Program has been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation. Each Dealer has represented,

warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that any offer, sale or delivery of any Notes or distribution of copies of this Offering Circular and any pricing supplement or any other document relating to any Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation and accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Circular or any other offering circular, prospectus, form of application, advertisement, other offering material or other information or document relating to the Issuer, or the Notes be issued, distributed or published in Italy, either on the primary or on the secondary market, except: (i) to qualified investors (*investitori qualificati*), as defined by Article 2, paragraph (e) of the EU Prospectus Regulation and any applicable provision of the Italian laws and regulations (including Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended from time to time (the "**Italian Financial Services Act**")); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of the Italian Financial Services Act, Article 34-*ter* of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("**Regulation No. 11971**"), and any other applicable Italian laws and regulations.

Any such offer, sale or delivery of any Notes or distribution of copies of this Offering Circular and any pricing supplement or any other document relating to any Notes in the Republic of Italy under (i) or (ii) of the immediately-preceding paragraph must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of February 24, 1998, CONSOB Regulation No. 20307 of February 15, 2018 and Legislative Decree No. 385 of September 1, 1993 (in each case as amended from time to time);

(ii) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to supervision by any Swiss regulatory authority (e.g. the Swiss Financial Markets Supervisory Authority ("**FINMA**")), and investors in the Notes will not benefit from protection or supervision by such authority.

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 advisors 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.

GENERAL INFORMATION

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 in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to 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 for listing and quotation on 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, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies).

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 most recently published English version of audited consolidated annual financial statements of the Issuer and the most recently published English version of unaudited condensed consolidated interim financial statements of the Issuer;

(iii) 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;

(iv) a copy of this Offering Circular;

(v) 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

(vi) 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 December 31, 2020 and 2021 and for each of the years in the two-year period ended December 31, 2021, included in this Offering Circular, have been audited by KPMG Samjong Accounting Corp., independent auditors, as stated in their report appearing herein.

The consolidated financial statements of the Company as of and for the year ended December 31, 2022, included in this Offering Circular, have been audited by Deloitte Anjin LLC, independent auditors, as stated in their report appearing herein.

The condensed consolidated interim financial statements of the Company as of September 30, 2023 and for each of the nine-month periods ended September 30, 2022 and 2023, included in this Offering Circular, have been reviewed by Deloitte Anjin LLC, independent auditors, as stated in their report appearing herein. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable Deloitte Anjin LLC to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, Deloitte Anjin LLC does not express an audit opinion.

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Deloitte Anjin LLC
9F., One IFC,
10, Gukjegeumyung-ro,
Youngdeungpo-gu, Seoul
07326, Korea

Tel: +82 (2) 6676 1000
Fax: +82 (2) 6674 2114
www.deloitteanjin.co.kr

INDEPENDENT AUDITOR'S REVIEW REPORT

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and the Board of Directors of
Hyundai Capital Services, Inc.:

November 10, 2023

Report on the Reviewed Condensed Consolidated Interim Financial Statements

We have reviewed the accompanying condensed consolidated interim financial statements of Hyundai Capital Services, Inc. and subsidiaries (the "Group"). These condensed consolidated interim financial statements consist of the condensed consolidated interim statement of financial position as of September 30, 2023, and the related condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022, and the condensed consolidated interim statements of changes in equity and condensed consolidated interim statement of cash flows for the nine-month periods ended September 30, 2023 and 2022, all expressed in Korean won, and a summary of material accounting policies and other explanatory information.

Management's Responsibility for the Condensed Consolidated Interim Financial Statements

The Group's management is responsible for the preparation and fair presentation of the accompanying condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") 1034, Interim Financial Reporting, and for such internal control as management determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Independent Accountants' Responsibility

Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the standards for review of condensed consolidated interim financial statements in the Republic of Korea. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Review Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Group are not presented fairly, in all material respects, in accordance with K-IFRS 1034, Interim Financial Reporting.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see http://www.deloitte.com/about to learn more.

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Deloitte.

Others

The consolidated statement of financial position as of December 31, 2022, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been audited by Deloitte Anjin Accounting Corporation, in accordance with the auditing standards generally accepted in the Republic of Korea (not presented herein), whose report dated March 7, 2023, expressed an unqualified opinion. The accompanying condensed consolidated interim statement of financial position as of December 31, 2022, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

Deloitte Anjin LLC

Seoul, Korea
November 10, 2023

Notice to Readers

This report is effective as of November 10, 2023, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Condensed Consolidated Interim Financial Statements (Attachment)

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

As of September 30, 2023

"We, Hyundai Capital Services, Inc., provided the condensed consolidated interim financial statements attached."

Representative Director Mok Jin-Won

Headquarters: Sejongdae-ro 14, Jung-gu, Seoul, Korea

Phone: 1588-2114

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

As of September 30, 2023, and December 31, 2022

HYUNDAI CAPITAL SERVICES INC. AND SUBSIDIARIES (Unit: Korean won)

Account	Notes	September 30, 2023		December 31, 2022	
Assets					
I. Cash and due from other financial institutions			1,230,971,760,023		1,973,256,007,010
1. Cash and cash equivalents	4,27,31	936,490,294,230		1,747,627,400,546	
2. Due from banks	4	294,481,465,793		225,628,606,464	
II. Securities			3,549,455,422,966		2,742,985,762,994
1. Investments in associates and joint ventures	7	1,858,946,564,084		1,603,253,639,209	
2. Measured at fair value through profit or loss (“FVTPL”)	5,31	1,649,046,782,626		1,076,891,975,303	
3. Measured at fair value through other comprehensive income (“FVOCI”)	6,31	41,462,076,256		62,840,148,482	
III. Loans receivable	8,30,31		9,055,404,197,717		9,942,936,560,239
1. Loans receivable		9,395,573,164,129		10,349,558,596,471	
Allowance for loan losses		(340,168,966,412)		(406,622,036,232)	
IV. Installment financial assets	8,30,31		15,931,467,658,622		14,720,775,655,919
1. Automobile installment financing receivables		16,131,047,031,542		14,896,414,361,932	
Allowance for doubtful accounts		(199,638,925,260)		(175,718,794,545)	
2. Durable goods installment financing receivables		-		851,220	
Allowance for doubtful accounts		-		(851,220)	
3. Mortgage installment financing receivables		73,832,793		95,560,101	
Allowance for doubtful accounts		(14,280,453)		(15,471,569)	
V. Lease receivables	8,31		2,007,134,438,544		2,044,891,135,936
1. Finance lease receivables		2,042,284,275,770		2,082,226,283,687	
Allowance for doubtful accounts		(37,406,130,057)		(39,304,772,727)	
2. Canceled lease receivables		7,000,271,665		20,761,887,403	
Allowance for doubtful accounts		(4,743,978,834)		(18,792,262,427)	
VI. Leased assets	9		5,857,845,521,551		5,538,085,730,243
1. Operating lease assets		8,030,345,172,060		7,397,072,179,332	
Accumulated depreciation		(2,147,346,607,678)		(1,827,987,709,713)	
Accumulated impairment losses		(31,758,794,535)		(39,183,318,678)	
2. Canceled lease assets		9,535,652,638		11,110,144,804	
Accumulated impairment losses		(2,929,900,934)		(2,925,565,502)	
Ⅶ. Property and equipment	11		197,160,936,363		209,331,200,159
1. Land		79,121,040,878		79,121,040,878	
2. Building		112,009,551,682		112,009,551,682	
Accumulated depreciation		(29,170,736,605)		(27,055,862,803)	
3. Vehicles		5,675,344,742		5,827,810,016	
Accumulated depreciation		(3,665,652,597)		(3,334,502,561)	
4. Fixture and furniture		178,986,130,284		194,801,004,574	
Accumulated depreciation		(150,401,593,063)		(153,643,254,523)	
5. Other tangible asset		1,003,789,514		1,003,789,514	
6. Construction in progress		3,603,061,528		601,623,382	

(Continued)

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

As of September 30, 2023, and December 31, 2022

HYUNDAI CAPITAL SERVICES INC. AND SUBSIDIARIES (Unit: Korean won)

Account	No	September 30, 2023		December 31, 2022	
VIII. Right-of-use assets	10		56,311,818,092		68,535,878,392
1. Right-of-use assets		82,541,168,929		84,076,416,357	
Accumulated depreciation		(26,229,350,837)		(15,540,537,965)	
IX. Other assets			1,440,637,371,380		1,406,656,543,694
1. Non-trade receivables	31	132,757,041,436		118,150,975,711	
Allowance for doubtful account	8	(10,886,645,291)		(12,304,363,578)	
2. Accrued revenues	31	224,913,525,110		212,693,624,941	
Allowance for doubtful account	8	(15,437,446,155)		(18,230,453,666)	
3. Advance payments		141,419,586,998		97,029,925,485	
4. Prepaid expenses		102,567,662,646		100,854,628,813	
5. Intangible assets	12	112,532,435,987		113,843,321,599	
6. Derivative assets	16,30	702,541,590,711		729,859,529,931	
7. Leasehold deposits	31	28,230,703,864		27,415,016,828	
8. Net defined benefit assets	14	21,998,916,074		37,344,337,630	
Total assets			39,326,389,125,258		38,647,454,474,586
Liabilities					
Ⅰ. Borrowed funds	13,31		31,673,309,196,740		31,399,156,390,686
1. Borrowings		3,217,517,997,350		3,034,898,660,480	
2. Bonds issued		28,455,791,199,390		28,364,257,730,206	
Ⅱ. Other liabilities			1,704,093,235,175		1,618,627,054,676
1. Non-trade payables	31	462,978,233,402		484,879,935,121	
2. Accrued expenses	31	169,721,152,088		152,810,096,860	
3. Unearned revenue		45,499,407,120		35,522,346,709	
4. Withholdings	31	280,707,530,136		212,740,488,327	
5. Derivative liabilities	16,30	49,119,802,118		52,521,697,742	
6. Lease liabilities	10	55,661,246,462		64,268,569,924	
7. Current tax liabilities		28,918,764,743		47,134,385,532	
8. Employee benefit liabilities	14	11,309,445,338		10,661,154,601	
9. Deposits received	31	273,829,004,573		246,258,081,825	
10. Deferred income tax liabilities		241,040,580,356		233,987,028,902	
11. Provisions	15	85,296,233,261		77,816,974,753	
12. Other liabilities		11,835,578		26,294,380	
Total liabilities			33,377,402,431,915		33,017,783,445,362
Equity					
I. Equity attributable to the owners of the Company			5,948,986,693,343		5,629,671,029,224
1. Issued capital		496,537,175,000		496,537,175,000	
2. Capital surplus		388,612,881,398		388,612,881,398	
3. Capital adjustment		(3,684,679,351)		-	
4. Accumulated other comprehensive income	25	85,942,217,716		78,615,610,511	
5. Retained earnings	17	4,981,579,098,580		4,665,905,362,315	
II. Non-controlling interests			-		-
Total equity			5,948,986,693,343		5,629,671,029,224
Total liabilities and equity			39,326,389,125,258		38,647,454,474,586

(Concluded)

"See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Comprehensive Income (Unaudited)

For the Three-Month and Nine-Month Periods Ended September 30, 2023 and 2022

HYUNDAI CAPITAL SERVICES INC. AND SUBSIDIARIES (Unit: Korean won)

Account	Notes	September 30, 2023				September 30, 2022			
		Three months		Accumulated		Three months		Accumulated	
I. Operating revenue			1,256,429,608,031		3,776,314,172,468		1,602,926,721,534		3,825,558,334,046
1. Interest income	18	39,783,920,487		92,593,862,861		10,193,189,564		22,508,803,025	
2. Gain on valuation and sale of securities		(10,494,358,444)		14,285,815,700		(33,879,689)		775,619,589	
3. Income on loans	18,19	211,666,664,783		666,516,158,477		238,816,628,184		671,660,756,864	
4. Income on installment financial assets	18,19	221,079,996,217		616,250,888,062		157,788,763,821		458,095,068,037	
5. Income on leases	18,19,20	631,664,713,859		1,794,414,290,464		415,461,920,608		1,188,163,463,157	
6. Gain on sale of loans		19,634,075,354		51,810,224,747		(548,528,982)		23,925,505,570	
7. Gain on foreign currency transactions		(6,882,052,731)		33,711,975,653		(1,839,939,332)		9,080,319,099	
8. Dividend income		-		706,958,300		-		635,114,400	
9. Other operating income	21	149,976,648,506		506,023,998,204		783,088,567,360		1,450,713,684,305	
II. Operating expenses			1,134,651,512,772		3,421,504,651,082		1,484,883,623,537		3,438,461,496,333
1. Interest expense	18	273,891,552,906		792,889,422,127		184,656,267,628		492,207,377,034	
2. Lease expense	19,20	500,029,791,265		1,440,561,283,853		320,420,563,751		907,866,437,370	
3. Loss on valuation and sale of securities		-		-		3,435,856,363		4,215,748,931	
4. Expenses of allowance for doubtful accounts	8	66,640,153,316		179,376,671,502		40,719,493,616		125,890,577,169	
5. Loss on sale of loans		347,277,266		1,516,615,284		-		2,258,657,109	
6. Loss on foreign currency transactions		122,530,640,285		427,150,948,643		746,714,632,164		1,345,163,122,170	
7. General and administrative expenses	22	164,898,038,042		498,578,389,467		174,582,471,651		497,095,023,635	
8. Other operating expenses	21	6,314,059,692		81,431,320,206		14,354,338,364		63,764,552,915	
III. Operating income			121,778,095,259		354,809,521,386		118,043,097,997		387,096,837,713
IV. Non-operating income			29,629,533,924		75,683,813,178		29,846,425,648		90,453,288,428
1. Share in net income of associates and joint ventures using the equity method	7	27,169,298,006		68,688,180,790		28,613,544,169		85,007,538,381	
2. Gain on sale of property and equipment		387,833,578		465,739,624		184,556,051		207,987,640	
3. Gain on sale of intangible assets		170,000,000		170,000,000		44,000		220,739,600	
4. Other		1,902,402,340		6,359,892,764		1,048,281,428		5,017,022,807	
V. Non-operating expenses			(5,642,456,458)		27,417,579,482		2,206,969,864		6,306,389,631
1. Share in net loss of associates and joint ventures using the equity method	7	(5,753,892,335)		27,233,556,657		2,036,220,751		5,839,688,955	

(Continued)

Condensed Consolidated Interim Statements of Comprehensive Income (Unaudited)

For the Three-Month and Nine-Month Periods Ended September 30, 2023 and 2022

HYUNDAI CAPITAL SERVICES INC. AND SUBSIDIARIES (Unit: Korean won)

Account	Notes	September 30, 2023				September 30, 2022			
		Three months		Accumulated		Three months		Accumulated	
2. Loss on sale of property and equipment		949,038		1,359,982		22,849,253		112,172,840	
3. Loss on sale of intangible assets		-		18,480,000		-		75,660,000	
4. Donation		62,064,794		113,422,348		37,119,046		166,540,371	
5. Other		48,422,045		50,760,495		110,780,814		112,327,465	
VI. Profit before income taxes			157,050,085,641		403,075,755,082		145,682,553,781		471,243,736,510
VII. Income taxes	23		29,722,731,589		87,402,018,817		34,020,569,188		114,997,680,416
VIII. Profit for the period			127,327,354,052		315,673,736,265		111,661,984,593		356,246,056,094
IX. Other comprehensive income, net of income taxes	25		27,973,493,060		7,326,607,205		43,276,844,354		105,603,639,686
1. Items that will never be reclassified to profit or loss									
(1) Remeasurements of defined benefit plans		1,583,326,424		(5,793,661,348)		4,945,269,225		(1,528,558,343)	
(2) Net change in unrealized gains and losses on equity securities measured at FVOCI		68,263,510		(4,300,282,264)		(1,998,617,842)		(3,541,823,978)	
2. Items that are or may be reclassified subsequently to profit or loss									
(1) Share in other comprehensive income of associates and joint ventures using the equity method		22,020,523,494		63,964,529,921		49,232,986,456		78,952,049,537	
(2) Net change in effective portion of cash flow hedges		4,741,419,368		(44,267,096,450)		(8,942,861,955)		22,940,427,278	
(3) Overseas project conversion profit or loss		(430,035,279)		(2,633,336,363)		436,019,245		9,668,649,296	
(4) Net change in unrealized gains and losses on debt securities measured at FVOCI		(10,004,457)		356,453,709		(395,950,775)		(887,104,104)	
X. Total comprehensive income for the period			155,300,847,112		323,000,343,470		154,938,828,947		461,849,695,780
1. Profit attributable to:			127,327,354,052		315,673,736,265		111,661,984,593		356,246,056,094
(1) Equity attributable to the owners of the Company		127,327,354,052		315,673,736,265		111,661,984,593		356,246,056,094	
(2) Non-controlling interests		-		-		-		-	
2. Attributed comprehensive net profit of the period			155,300,847,112		323,000,343,470		154,938,828,947		461,849,695,780
(1) Equity attributable to the owners of the Company		155,300,847,112		323,000,343,470		154,938,828,947		461,849,695,780	
(2) Non-controlling interests		-		-		-		-	
XI. Equity attributable to the earnings of the owners of the Company per share	24								
1. Basic and diluted earnings per share ("EPS")			1,282		3,179		1,124		3,587

(Concluded)

"See accompanying notes to condensed consolidated interim financial statements."

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

For the Nine-Month Periods Ended September 30, 2023 and 2022

HYUNDAI CAPITAL SERVICES INC. AND SUBSIDIARIES (Unit: Korean won)

Account	Equity attributable to the owners of the Company						Total equity
	Issued capital	Capital surplus		Capital Adjustment	Accumulated other comprehensive income (loss)	Retained earnings	
		Additional paid-in capital	Other capital surplus				
Balance as of January 1, 2022	496,537,175,000	369,339,066,885	19,273,814,513	-	92,761,963,177	4,228,818,740,222	5,206,730,759,797
Total comprehensive income (expense):							
1. Profit for the period	-	-	-	-	-	356,246,056,094	356,246,056,094
2. Other comprehensive income (loss), net of income							-
(1) Share in other comprehensive income (loss) of associates and joint ventures using the equity method	-	-	-	-	78,952,049,537	-	78,952,049,537
(2) Net change in effective portion of cash flow hedges	-	-	-	-	22,940,427,278	-	22,940,427,278
(3) Overseas project conversion profit or loss	-	-	-	-	9,668,649,296	-	9,668,649,296
(4) Remeasurements of defined benefit plans	-	-	-	-	(1,528,558,343)	-	(1,528,558,343)
(5) Net change in unrealized gains and losses on equity securities measured at FVOCI	-	-	-	-	(3,541,823,978)	-	(3,541,823,978)
(6) Net change in unrealized valuation gains and losses on debt securities measured at FVOCI	-	-	-	-	(887,104,104)	-	(887,104,104)
Total	-	-	-	-	105,603,639,686	356,246,056,094	461,849,695,780
Transaction with owners of the Group:							
1. Annual dividends	-	-	-	-	-	-	-
September 30, 2022	496,537,175,000	369,339,066,885	19,273,814,513	-	198,365,602,863	4,585,064,796,316	5,668,580,455,577
Balance as of January 1, 2023	496,537,175,000	369,339,066,885	19,273,814,513	-	78,615,610,511	4,665,905,362,315	5,629,671,029,224
Total comprehensive income (loss):							
1. Profit for the period	-	-	-	-	-	315,673,736,265	315,673,736,265
2. Other comprehensive income (loss), net of income							
(1) Share in other comprehensive income (loss) of associates and joint ventures using the equity method	-	-	-	-	63,964,529,921	-	63,964,529,921
(2) Net change in effective portion of cash flow hedges	-	-	-	-	(44,267,096,450)	-	(44,267,096,450)
(3) Overseas project conversion profit or loss	-	-	-	-	(2,633,336,363)	-	(2,633,336,363)
(4) Remeasurements of defined benefit plans	-	-	-	-	(5,793,661,348)	-	(5,793,661,348)
(5) Net change in unrealized gains and losses on equity securities measured at FVOCI	-	-	-	-	(4,300,282,264)	-	(4,300,282,264)
(6) Net change in unrealized valuation gains and losses on debt securities measured at FVOCI	-	-	-	-	356,453,709	-	356,453,709
Total	-	-	-	-	7,326,607,205	315,673,736,265	323,000,343,470
Transaction with owners of the Group:	-	-	-	-	-	-	-
1. Purchase of treasury stock	-	-	-	(3,684,679,351)	-	-	(3,684,679,351)
September 30, 20232	496,537,175,000	369,339,066,885	19,273,814,513	(3,684,679,351)	85,942,217,716	4,981,579,098,580	5,948,986,693,343

"See accompanying notes to condensed consolidated interim financial statements." (Concluded)

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

For the Nine-Month Periods Ended September 30, 2023 and 2022

HYUNDAI CAPITAL SERVICES INC. AND SUBSIDIARIES (Unit: Korean won)

Account	Notes	September 30, 2023		September 30, 2022	
I. Cash flows from operating activities			(868,033,342,817)		(955,162,527,861)
Cash generated from operations	26	(170,576,571,508)		(369,590,693,514)	
Interest received		87,570,433,168		21,413,028,188	
Interest paid		(733,265,316,987)		(474,650,730,576)	
Dividends received		50,082,017,800		635,114,400	
Income taxes paid		(101,843,905,290)		(132,969,246,359)	
II. Cash flows from investing activities			(232,997,343,933)		(204,588,692,138)
Acquisition of investments in associates and joint ventures		(179,571,122,263)		(75,190,865,003)	
Acquisition of securities measured at FVTPL		(32,123,077,037)		(61,335,110,100)	
Disposal of securities measured at FVTPL		6,335,365,893		3,370,770,360	
Acquisition of securities measured at FVOCI		-		(25,100,000,000)	
Disposal of securities measured at FVOCI		16,627,731,092		-	
Acquisition of property and equipment		(23,129,747,208)		(15,401,882,504)	
Disposal of property and equipment		1,590,412,012		377,272,044	
Acquisition of intangible assets		(31,444,904,900)		(30,626,911,587)	
Disposal of intangible assets		1,620,000,000		5,791,045,000	
Increase in leasehold deposits		(2,302,753,726)		(13,379,097,135)	
Decrease in leasehold deposits		1,905,572,204		6,906,086,787	
Cash inflows from other investing activities		7,495,180,000		-	
III. Cash flows from financing activities	26		289,893,580,434		1,472,634,199,593
Proceeds from borrowings		2,184,998,006,589		2,158,242,413,250	
Repayments of borrowings		(2,017,558,420,000)		(2,244,275,030,000)	
Proceeds from bonds issued		6,868,538,352,598		7,784,946,382,713	
Repayments of bonds issued		(7,089,189,893,899)		(6,278,328,961,052)	
Increase in derivatives as hedging instruments		360,721,905,208		62,358,215,889	
Repayments of lease liabilities		(13,931,690,711)		(10,308,821,207)	
Purchase of treasury stock		(3,684,679,351)		-	
IV. Cash changed from foreign currency conversion			-		-
IV. Net increase in cash and cash equivalents (I+II+III+IV)			(811,137,106,316)		312,882,979,594
VI. Cash and cash equivalents at beginning of the period	26		1,747,627,400,546		509,170,276,567
VII. Cash and cash equivalents at the end of the period	26		936,490,294,230		822,053,256,161

(Concluded)

"See accompanying notes to condensed consolidated interim financial statements"

1. THE PARENT 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 September 30, 2023, the Company's operations are headquartered at Sejongdae-ro 14, Jung-gu, Seoul, Korea. Its major shareholders are Hyundai Motor Company and Kia Corporation with 59.68% and 40.10% ownership, respectively.

The condensed consolidated interim financial statements are prepared in accordance with K-IFRS 1110, and include the Company and its subsidiaries, including Autopia 65th Asset-Backed Securitization ("ABS") Special-Purpose Company ("SPC") with trust for the securitization and other subsidiaries as summarized below (hereinafter, the "Group"). Investments in Beijing Hyundai Auto Finance Co., Ltd. and eight other associates and joint ventures are accounted for using the equity method.

(1) The Group’s subsidiaries

Subsidiaries as of September 30, 2023 and 2022, are as follows:

Classification	Business place	Industry	Ownership (%)	September 30, 2023	December 31, 2022
SPCs(*1)	Korea	Asset securitization vehicles	0.50	Autopia 65th SPCs, Autopia 66th SPCs, Autopia 67th SPCs, Autopia 68th SPCs, Autopia 69th SPCs, Autopia 70th SPCs Autopia 71st SPCs, Autopia 72nd SPCs Autopia 73rd SPCs Autopia 74th SPCs Autopia 75th SPCs Autopia 76th SPCs Autopia 77th SPCs	Autopia 65th SPCs, Autopia 66th SPCs, Autopia 67th SPCs, Autopia 68th SPCs, Autopia 69th SPCs, Autopia 70th SPCs, Autopia 71st SPCs, Autopia 72nd SPCs Autopia 73rd SPCs Autopia 74th SPCs Autopia 75th SPCs
Structured Entity(*2)	Korea	Other financial services	-	Zavurov First Co., Ltd.	Zavurov First Co., Ltd.
Limited liability companies(*3)	Germany	Management consultancy	100.00	Hyundai Capital Europe GmbH	Hyundai Capital Europe GmbH
Limited liability companies	India	Management consultancy activities	100.00	Hyundai Capital India Private Limited	Hyundai Capital India Private Limited
Limited liability companies	Brazil	Management consultancy activities	100.00	Hyundai Capital Brasil LTDA	Hyundai Capital Brasil LTDA
Joint stock company	Australia	Management consultancy activities	100.00	Hyundai Capital Australia Pty Limited	Hyundai Capital Australia Pty Limited
Limited liability companies(*4)	Indonesia	Management consultancy	100.00	PT. Hyundai Capital Indonesia	PT. Hyundai Capital Indonesia
Investments trusts	Korea	Investments trusts	100.00	Specified money trusts (nine trusts) (16 cases)	Specified money trusts (nine trusts) (21 cases)

(*1) Although the Company owns less than 50% of the shares of subsidiaries, ABS SPCs, established for asset securitization purposes, is considered to be under the Company's control. This is because they are significantly exposed to the variable returns on the performances of the investee companies and the Company has the influence over the determination of those returns through the Company's power over the investee companies.

(*2) Although the Company owns less than 50% of the shares of the subsidiary, it is an established structured company for investing in real estate PF (Project Financing), considered to be under the Company’s control. This is because it is significantly exposed to the variable returns on the performances of the investee companies, and the Company has the influence over the determination of those returns through its power over the investee company.

(*3) Hyundai Capital Europe GmbH holds 100% ownership interests of Hyundai Capital Services Limited Liability Company in Russia.

(*4) The Company owns directly 99.50% shares; however, it was written 100% by adding the portions indirectly owned through the president of the subsidiary according to the local laws.

(2) Changes in subsidiaries

No subsidiaries were excluded from the Group's condensed consolidated interim financial statements, except for changes in specified money trust accounts in which the Group invests, during the period ended September 30, 2023, and the subsidiaries newly included into the condensed consolidated interim financial statements are as follows:

1) Subsidiaries newly included in the condensed consolidated interim financial statements during the period ended on September 30, 2023:

Subsidiaries	Reason
Autopia 76th SPCs Autopia 77th SPCs	SPC (Investments trusts) established during the period in relation to new asset securitization

2) Subsidiaries excluded in the condensed consolidated interim financial statements during the period ended on September 30, 2023:

Subsidiaries	Reason
-	-

(3) Key financial information of subsidiaries as of September 30, 2023, is summarized as follows:

(Unit: M Korean won)

Company	Asset	Liability	Equity	Operating revenue (expense)	Net income (loss)	Total comprehensive income (expense)
Hyundai Capital Europe GmbH	21,272	1,143	20,129	4,166	(975)	(3,830)
Hyundai Capital India Private Limited	940	170	770	1,026	36	75
Hyundai Capital Brasil LTDA	486	-	486	(125)	(147)	98
Hyundai Capital Australia Pty Limited	14,923	145	14,778	1,155	(1,113)	(1,198)
PT. Hyundai Capital Indonesia	1,063	44	1,019	726	74	71
Autopia ABS SPCs	4,849,073	4,838,454	10,619	168,779	2,216	(10,381)
Zavurov First Co., Ltd	3,637	3,637	-	253	-	-
Specified money trusts(16 trusts)	665,837	-	665,837	2,037	2,037	2,037

(4) Nature of risks related to structured entities consolidated into the Group

As of September 30, 2023, the Company provides guarantees to the counterparties of currency swaps in relation to asset-backed securitized notes issued by Autopia 68th ,69th and 76th ABS SPCs, structured entities that the Group consolidates. 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.

2. BASIS OF PREPARATION:

(1) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS 1034, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as of and for the year ended December 31, 2022.

(2) Estimates and Judgments

1) Management's Judgment and Uncertainties in Assumptions and Estimates

K-IFRS requires, in the preparation of condensed consolidated interim financial statements, the use of estimates and assumptions based on management's best judgment regarding the application of accounting policies and the reporting amounts of assets, liabilities, revenues and expenses at the end of the interim reporting period. If the estimates and assumptions based on management's best judgment differ from the actual circumstances, the reported results may differ from the actual results.

The Group, taking into account the potential credit risk arising from uncertain external and internal financial environments, as well as rapid economic depression, recalculated forward-looking information and incorporated these factors into the calculation of the expected allowance for doubtful accounts. The Group has been closely monitoring the impact of these uncertainties on the global economy, its business and its financial position.

In preparing these condensed consolidated interim financial statements, the judgments made by the management in applying the Group's accounting policies and estimates were the same as those that were applied to the consolidated financial statements as of and for the year ended December 31, 2022, except for the changes described in Note 3. (1).

2) Measurement of fair value

The Group is establishing fair value assessment policies and procedures. These policies and procedures include the operation of the assessment department responsible for reviewing all significant fair value measurements, including fair value classified as Level 3 of the fair value hierarchy, and the results are reported directly to the financial executive.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used in measuring fair values, then the Group assesses whether evaluations based on information obtained from the third parties include level categorization of fair value hierarchy and whether the evaluations meet the requirements of K-IFRSs.

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 accessible for identical assets or liabilities at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

If the inputs used in measuring 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 31.

3. MATERIAL ACCOUNTING POLICIES:

The Group applies the same accounting policies used to make the annual financial statements on the fiscal year ended on December 31, 2022, except for the points described hereunder. The changes on the accounting policies described below will be reflected in the annual financial statements ended on December 31, 2023.

(1) Changes in accounting policies

The Group newly applied the established amendments and interpretation standards to be applied on January 1, 2023, and the application of the standards does not make significant influence on the financial statements.

- K-IFRS 1001 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' - Disclosure of Accounting Policies (Amendments)

The amendments change the requirements of K-IFRS 1001 concerning the disclosure of accounting policies, replacing the term 'significant accounting policies' with 'Material accounting policy information.' Information on accounting policies is material if expected as reasonable for the main users of financial statements to general purpose to make an influence on decisions made on the basis of those financial statements when other information included thereto is taken into account together.

The paragraphs on K-IFRS 1001 are amended to clarify that immaterial transactions, other events or situations and related accounting policies are not material and not required to be disclosed. The accounting policies may be material even though the amount is immaterial due to the nature of the trades, other events or situations related. All information on the accounting policies related to the trades, other events or situations is not material as they are.

- K-IFRS 1001 'Presentation of Financial Statements' (Amendments): Disclosure of assessed profit or loss on financial liabilities with strings of execution price adjustment

The amendments define the issuer to disclose the assessed profit or loss (limited to the case included into profit and loss of the period) incurred from its conversion right or bond with a warrant (or financial liabilities inclusive of them) during the period when entire or a part of financial products with such strings dependent on stock price fluctuation is categorized into financial liabilities according to paragraph (2) in definition on financial liabilities in paragraph 11 on K-IFRS 1032, 'Financial Instruments: Presentation.'

- K-IFRS 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' (Amendments)- Definition of Accounting Estimates.

The amendments replace the definition on changes of accounting estimates with the definition of accounting estimates. According to the new definition, accounting estimates are "Currency amounts in financial statements influenced with measurement uncertainty."

Definition of changes in accounting estimates was deleted, but the concept of changes in accounting estimates was retained by clarifying the following in K-IFRSs.

· A change in accounting estimate that results from new information or new developments is not the correction of an error.

· The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior-period errors.

- K-IFRS 1012, Income Taxes (Amendments) - Deferred Income Tax related to Assets and Liabilities arising from a Single Transaction

The amendments reduce the scope of the initial recognition exception. Under the amendment, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and a liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendment to K-IFRS 1012, an entity is required to recognize the related deferred income tax asset and liability, with the recognition of any deferred income tax asset being subject to the recoverability criteria in K-IFRS 1012.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period, an entity recognizes:

・ A deferred income tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred income tax liability for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities

- Decommissioning, restoration and similar liabilities and the corresponding

amounts recognized as part of the cost of the related asset

・ The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

(2) New accounting standards issued, but not yet effective

A number of new standards and amendments are issued as of September 30, 2023, but not yet effective from the annual period beginning after January 1, 2023, and earlier adoption is allowed. The following are the newly required standards and amendments that the Group decided not to early adopt in preparation of these condensed consolidated interim financial statements.

- K-IFRS 1001 ‘Presentation of Financial Statements’ (Amendments): Classification on the current liabilities and non-current liabilities

The amendments clarify that the classification of the current liabilities and non-current liabilities is based on the enterprises’ rights existing at the end of the period and emphasizes that it is regardless of expecting the execution of the right to defer paying for the liabilities. Also, it describes the existence of the said right when the borrowing commitments are complied at the end of the period and clarifies the definition on the payment to transfer the cash, share products, other assets or services to the trading partners.

The amendments define that only the specific conditions (‘Covenants’) under the contract to be complied with before the end of the report makes influence on the corporate’s rights to defer the payment on liabilities 12 months, plus after the reporting terms. The covenants make an impact on the survival of the rights at the end of the report status quo, even though the compliance with the covenants is assessed only after the ending of the report.

It defines that the covenants to be complied with only after the ending of the report do not make influence on the rights of deferment of payment. However, the risks of redemption within 12 months after ending of the report shall be disclosed for the users of financial statements to recognize them when the corporate’s rights of deferring the payment are varied dependently on the covenants to be complied with within 12 months after ending of the report. Such information shall include the information on the covenants (nature of covenants, and the timing of compliance of covenants), book value of related liabilities and facts and situations those explicit the difficulties in covenants’ compliance.

The retrospective and early adoption of amendments is allowed from the fiscal year beginning first since January 1, 2024.

We consider that the amendments will not make material influence on the condensed consolidated interim financial statements.

4. DUE FROM BANKS:

Restricted accounts in due from banks as of September 30, 2023, and December 31, 2022 are as follows:

(Unit: M Korean won)

Financial institution	September 30, 2023	December 31, 2022	Restrictions
Nonghyup Bank and one other	15,700	15,700	Loans secured by saving accounts
Hana Bank and one other	10	10	Key money deposits for checking account received
Citi Bank and seven others(*1)	250,874	162,657	Deposits in trust of ABS SPCs
Total	266,584	178,367	

(*1) The trust deposits of SPCs include ₩ 122,874 million and ₩ 153,257 million Korean won categorized into cash and cash equivalent asset as of September 30, 2023, and December 31, 2022.

5. SECURITIES MEASURED AT FVTPL:

Securities measured at FVTPL as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Short-term financial investments(*1)		
Commercial paper	603,604	511,071
Bank debenture	75,274	60,855
Government and public bonds	851,656	413 , 712
Subtotal	1,530,534	985,638
Other securities measured at fair value through profit or loss (“FVTPL”)(*2)		
Multi-Asset KDB Ocean Value-Up Private Fund Special Asset Trust 8 (*4)	-	3,890
KB Capital Auto 3rd asset-backed securities (“ABS”) special-purpose company (“SPC”) (Subordinate tranche) (*3)	3,000	3,000
KB Capital Auto 4th asset-backed securities (“ABS”) special-purpose company (“SPC”) (Subordinate tranche) (Equity tranche) (*3)	1,800	1,800
JB Woori Capital Auto 23rd ABS SPC (Subordinate tranche) (*3)	1,800	1,800
Mirae Asset NPL Special Investment Type Private Collective Real Estate Trust 8 (*4)	2,995	1,253
VIP Power Plus-S two-year General Private Collective Investment Trust 5 (*4)	1,943	1,762
Yujin SS&D Opportunity General Private Collective Investment Trust 1-1	18,759	12,509
Preferred stock of 57 of Korea Corporate Restructuring Real Estate Fund	10,625	10,441
Auto Edition non-guaranteed 3rd Private Collective Investment 1-1	11,127	11,059
Woori Card Auto 2nd Book-off ABS (Mezzanine tranche)	12,907	12,765
Woori Card Auto 2nd Book-off ABS (Subordinate tranche)	16,344	16,650

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Auto Edition non-guaranteed 4th Private Collective Investment 1-1	7,948	8,010
Genesis Environment Energy Enterprise 5th General Private Collective Company (*4)	3,944	4,723
Hana KAMCO Main Industry Supportive General Private Collective Investment Trust 1	7,257	1,592
Hills Spring Investment Cooperative 1 (*4)	1,200	-
Shinhan M&A-ESG Investment Cooperative 1 (*4)	102	-
Maston MPIP General Private Collective Real Estate Investment Trust 1 (*4)	463	-
Hana Alternative Investment PCBO General Private Collective Investment Trust 1	6,467	-
IGIS Yongsan Office General Private Collective Real Estate Investment Trust 518	9,832	-
Subtotal	118,513	91,254
Total	1,649,047	1,076,892

(*1) The Group possesses the reserve fund exceeding immediate requirement for stable management of the liquidity. Such reserve fund is invested to the short term money market product with high liquidity in high investment grade, and it provides the liquidity to the short term funding needs and flexibility in the use of other funding sources.

(*2) The fair values of Other Securities measured at fair value through profit or loss are quoted from an independent valuation service provider, using the valuation technique based on the net asset value ("NAV") approach or the dividend discount model or the option evaluation model as of September 30, 2023, and December 31, 2022.

(*3) It is measured at acquisition cost as the information is not enough for fair value measurement.

(*4) Fair value was not estimated in quarterly and half-year statement because its acquisition price, which is less than ₩5 billion, does not make important influence on the condensed consolidated interim financial statements.

6. SECURITIES MEASURED AT FVOCI:

(1) Securities measured at FVOCI as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Equity securities (*1)		
Listed equity securities	19,887	23,006
Unlisted equity securities	15,098	17,651
Subtotal	34,985	40,657
Debt securities		
Government and public bonds	1,225	778
Corporate bonds	5,252	21,405
Subtotal	6,477	22,183
Total	41,462	62,840

(*1) The equity securities held by the Group for the purposes of strategic alliance and others are designated as securities measured at FVOCI.

(2) Equity securities measured as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	Number of shares (in shares)	Ownership (%)	September 30, 2023	December 31, 2022
Listed equity securities				
NICE Information Service Co., Ltd.	1,365,930	2.25	13,495	16,664
NICE Holdings Co., Ltd.	491,620	1.30	6,392	6,342
Subtotal	1,857,550		19,887	23,006
Unlisted equity securities(*1)				
HYUNDAI M Partners Co., Ltd.(*1)	1,700,000	9.29	14,598	17,151
Korea Credit Service(*2, 3)	100,000	3.57	500	500
Subtotal	1,800,000		15,098	17,651
Total	3,657,550		34,985	40,657

(*1) The fair value of unlisted equity securities is estimated at the appraisal value quoted from an independent valuation service provider.

(*2) It is measured at an acquisition price as the information is not enough for fair value measurement.

(*3) Data-based Medium Interest Rate Market Innovation Preparatory Corporation has changed its name to Korea Credit Service.

(3) Debt securities measured as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	Issuer	September 30, 2023	December 31, 2022
Government and public bonds(*1)	Urban railway bonds and local development bonds	1,225	778
Corporate bonds(*2)	KB Capital Auto 3rd ABS SPC (Mezzanine tranche)(*3)	1,073	1,376
	KB Capital Auto 4th ABS SPC (Mezzanine tranche)(*3)	2,786	2,696
	JB Woori Capital Auto 23rd ABS SPC (Mezzanine tranche)(*3)	1,393	1,348
	Deutsche Financial Auto 5th ABS	-	1,205
	K-Car Capital Auto 2nd ABS	-	14,780
Subtotal		5,252	21,405
Total		6,477	22,183

(*1) The fair values of urban railway bonds and local development bonds were calculated based on trading prices provided by securities companies as of the end of reporting period.

(*2) The fair values of KB Capital Auto 3rd ABS SPC (Mezzanine tranche), KB Capital Auto 4th ABS SPC (Mezzanine tranche) and JB Woori Capital Auto 23rd ABS SPC (Mezzanine tranche) are quoted from an independent valuation service provider.

(*3) Fair value was not estimated in quarterly and half-year statement because its acquisition price, which is less than ₩5 billion, does not make important influence on the condensed consolidated financial statements.

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

Details of investments in subsidiaries, associates and joint ventures as of September 30, 2023, and December 31, 2022, are as follows:

(1) The ownership percentages and other details of investee companies

1) September 30, 2023

Company	Ownership (%)	Business place	Date of financial statements	Industry
Korea Credit Bureau(*1)	7.00	Korea	2023.09.30	Credit information service
Hyundai Capital Services UK Ltd.	29.99	UK	2023.09.30	Credit finance business
Beijing Hyundai Auto Finance Co., Ltd. (*3)	46.00	China	2023.09.30	Credit finance business
Hyundai Capital Canada Inc.	20.00	Canada	2023.09.30	Credit finance business
BANCO HYUNDAI CAPITAL BRASIL S.A.(*2)	50.00	Brazil	2023.09.30	Credit finance business
Hyundai Corretora de Seguros LTDA (*2,3)	50.00	Brazil	2023.09.30	Insurance brokerage
Hyundai Capital Bank Europe GmbH	49.00	Germany	2023.09.30	Credit finance business
BAIC Hyundai Leasing Co. Ltd.(*3)	40.00	China	2023.09.30	Lease
Hyundai Capital France(*3)	50.00	France	2023.09.30	Credit finance business

(*1) While the Group holds less than 20% of the voting rights, the equity security method is used to assess because it exercises the significant influence through representation on the board of directors or equivalent governing body of the investee company.

(*2) Both the Group and the other participants have rights to purchase or sell all shares held by the parties in the cases of termination of the joint venture agreement, violation of any Brazilian Law or others. The Group judged that the rights are not substantive as of September 30, 2023.

(*3) It corresponds to the joint ventures.

2) December 31, 2022

Company	Ownership (%)	Business place	Date of financial statements	Industry
Korea Credit Bureau(*1)	7.00	Korea	2022.12.31	Credit information service
Hyundai Capital Services UK Ltd.	29.99	UK	2022.12.31	Credit finance business
Beijing Hyundai Auto Finance Co., Ltd. (*3)	46.00	China	2022.12.31	Credit finance business
Hyundai Capital Canada Inc.	20.00	Canada	2022.12.31	Credit finance business
BANCO HYUNDAI CAPITAL BRASIL S.A.(*2)	50.00	Brazil	2022.12.31	Credit finance business
Hyundai Corretora de Seguros LTDA(*2,3)	50.00	Brazil	2022.12.31	Insurance brokerage
Hyundai Capital Bank Europe GmbH	49.00	Germany	2022.12.31	Credit finance business
BAIC Hyundai Leasing Co. Ltd.(*3)	40.00	China	2022.12.31	Lease
Hyundai Capital France(*3,4)	50.00	France	2022.12.31	Credit finance business

(*1) While the Group holds less than 20% of the voting rights, the equity security method is used to assess because it exercises significant influence through representation on the board of directors or equivalent governing body of the investee company.
(*2) Both the Group and the other participants have rights to purchase or sell all shares held by the parties in the cases of termination of the joint venture agreement, violation of any Brazilian Law or others. The Group judged that the rights are not substantive as of December 31, 2022.
(*3) It corresponds to the joint ventures.
(*4) Newly acquisitioned the share of the French corporate (Hyundai Capital France) during the prior period. The subscription price was ₩75,191 million for 50% of share.

Company	Ownership (%)	Business place	Date of financial statements	Industry
Korea Credit Bureau(*1)	7.00	Korea	2022.12.31	Credit information service
Hyundai Capital Services UK Ltd.	29.99	UK	2022.12.31	Credit finance business
Beijing Hyundai Auto Finance Co., Ltd. (*3)	46.00	China	2022.12.31	Credit finance business
Hyundai Capital Canada Inc.	20.00	Canada	2022.12.31	Credit finance business
BANCO HYUNDAI CAPITAL BRASIL S.A.(*2)	50.00	Brazil	2022.12.31	Credit finance business
Hyundai Corretora de Seguros LTDA(*2,3)	50.00	Brazil	2022.12.31	Insurance brokerage
Hyundai Capital Bank Europe GmbH	49.00	Germany	2022.12.31	Credit finance business
BAIC Hyundai Leasing Co. Ltd.(*3)	40.00	China	2022.12.31	Lease
Hyundai Capital France(*3,4)	50.00	France	2022.12.31	Credit finance business

(*1) While the Group holds less than 20% of the voting rights, the equity security method is used to assess because it exercises significant influence through representation on the board of directors or equivalent governing body of the investee company.
(*2) Both the Group and the other participants have rights to purchase or sell all shares held by the parties in the cases of termination of the joint venture agreement, violation of any Brazilian Law or others. The Group judged that the rights are not substantive as of December 31, 2022.
(*3) It corresponds to the joint ventures.
(*4) Newly acquisitioned the share of the French corporate (Hyundai Capital France) during the prior period. The subscription price was ₩75,191 million for 50% of share.

(2) Condensed financial information on main associates and joint ventures and adjustment to book value on the investments in associates and joint ventures

1) September 30, 2023, and for the nine-month period ended September 30, 2023

(Unit: M Korean won)

Company	September 30, 2023						
	Asset	Liability	Capital stock	Total equity	Net asset share amount	Goodwill	Book value
Korea Credit Bureau	129,211	54,274	10,000	74,937	5,246	1,037	6,283
Hyundai Capital Services UK Ltd.	6,165,825	5,596,860	96,055	568,965	170,633	-	170,633
Beijing Hyundai Auto Finance Co.,	3,152,159	1,659,335	708,965	1,492,824	686,699	-	686,699
Hyundai Capital Canada Inc.	8,192,927	7,584,386	346,758	608,541	121,708	2,557	124,265
BANCO HYUNDAI CAPITAL	1,428,544	1,280,755	91,529	147,789	73,895	-	73,895
Hyundai Corretora de Seguros LTDA	2,068	2,249	617	(181)	-	-	-
Hyundai Capital Bank Europe GmbH	13,133,761	11,779,650	14,282	1,354,111	655,218	10,737	665,955
BAIC Hyundai Leasing Co. Ltd.	86,334	65,052	50,603	21,282	8,513	-	8,513
Hyundai Capital France	3,058,694	2,814,451	219,666	244,243	122,119	585	122,704

(Unit: M Korean won)

Company	Nine-month period ended September 30, 2023						
	Operating revenue	Interest income	Interest expense	Net income(loss)	Other comprehensive income (loss)	Total comprehen-sive income (expense)	Dividends paid
Korea Credit Bureau	120,454	492	-	20,541	-	20,541	1,000
Hyundai Capital Services UK Ltd.	280,138	273,615	175,581	85,306	45,169	130,475	165,551
Beijing Hyundai Auto Finance Co.,	183,969	182,024	48,100	37,049	22,255	59,304	-
Hyundai Capital Canada Inc.	679,235	663,407	572,884	45,161	28,782	73,943	-
BANCO HYUNDAI CAPITAL	167,322	167,322	97,130	22,247	14,827	37,074	-
Hyundai Corretora de Seguros LTDA	637	-	-	(61)	(81)	(142)	-
Hyundai Capital Bank Europe GmbH	941,183	179,014	127,836	30,362	87,041	117,403	-
BAIC Hyundai Leasing Co. Ltd.	3,721	138	-	(3,285)	386	(2,899)	-
Hyundai Capital France	116,788	85,731	47,071	8,795	6,231	15,026	-

2) December 31, 2022, and nine-month ended on September 30, 2022

(Unit: M Korean won)

Company	December 31, 2022						
	Asset	Liability	Capital stock	Total equity	Net asset share amount	Goodwill	Book value
Korea Credit Bureau	155,165	100,065	10,000	55,100	3,857	1,037	4,894
Hyundai Capital Services UK Ltd.	6,315,709	5,711,668	96,055	604,041	181,152	-	181,152
Beijing Hyundai Auto Finance Co., Ltd.	4,044,066	2,610,546	708,965	1,433,520	659,419	-	659,419
Hyundai Capital Canada Inc.	6,087,398	5,552,800	346,758	534,598	106,920	2,404	109,324
BANCO HYUNDAI CAPITAL BRASIL S.A.	1,159,664	1,048,948	91,529	110,716	55,358	-	55,358
Hyundai Corretora de Seguros LTDA	1,408	1,514	617	(106)	-	-	-
Hyundai Capital Bank Europe GmbH	9,448,406	8,405,237	14,282	1,043,169	497,892	10,218	508,110
BAIC Hyundai Leasing Co. Ltd.	95,666	71,485	50,603	24,181	9,672	-	9,672
Hyundai Capital France	1,956,470	1,801,224	140,666	155,246	77,621	(2,298)	75,323

(Unit: M Korean won)

Company	Nine-month ended on September 30, 2022						
	Operating revenue	Interest income	Interest expense	Net income(loss)	Other comprehensive income (loss)	Total comprehen-sive income (expense)	Dividends paid
Korea Credit Bureau	105,259	139	-	14,991	-	14,991	-
Hyundai Capital Services UK Ltd.	162,277	156,676	52,910	70,112	(318)	69,794	-
Beijing Hyundai Auto Finance Co., Ltd.	287,611	285,583	108,217	63,990	102,609	166,599	-
Hyundai Capital Canada Inc.	557,325	547,466	450,077	69,348	75,739	145,087	-
BANCO HYUNDAI CAPITAL BRASIL S.A.	127,866	127,866	70,546	19,669	20,768	40,437	-
Hyundai Corretora de Seguros LTDA	349	-	-	(31)	(18)	(49)	-
Hyundai Capital Bank Europe GmbH	699,010	80,492	19,624	20,878	55,729	76,607	-
BAIC Hyundai Leasing Co. Ltd.	6,888	146	-	(14,599)	2,456	(12,143)	-
Hyundai Capital France	15,922	15,922	1,840	1,705	4,729	6,434	-

(3) Details on the equity method of the investee companies

1) The nine-month period ended September 30, 2023

(Unit: M Korean won)

Company	Opening balance	Addition	Gain(losses) on valuation using equity method	Unrealized gain(losses) on equity securities under equity method	Dividends received	Closing balance
Korea Credit Bureau	4,894	-	1,459	-	(70)	6,283
Hyundai Capital Services UK Ltd.	181,152	-	25,584	13,546	(49,649)	170,633
Beijing Hyundai Auto Finance Co., Ltd.	659,419	-	17,043	10,237	-	686,699
Hyundai Capital Canada Inc.	109,324	-	9,032	5,909	-	124,265
BANCO HYUNDAI CAPITAL BRASIL S.A.	55,358	-	11,123	7,414	-	73,895
Hyundai Corretora de Seguros LTDA.	-	-	-	-	-	-
Hyundai Capital Bank Europe GmbH	508,110	140,581	(25,920)	43,184	-	665,955
BAIC Hyundai Leasing Co. Ltd.	9,672	-	(1,314)	155	-	8,513
Hyundai Capital France	75,323	38,990	4,449	3,942	-	122,704
Total	1,603,252	179,571	41,456	84,387	(49,719)	1,858,947

2) The nine-month period ended September 30, 2022

(Unit: M Korean won)

Company	Opening balance	Addition	Share in net income	Share in other comprehensive income	Dividends	Closing balance
Korea Credit Bureau	4,876	-	101	-	-	4,977
Hyundai Capital Services UK Ltd.	162,061	-	21,026	(95)	-	182,992
Beijing Hyundai Auto Finance Co., Ltd.	639,404	-	29,436	47,199	-	716,039
Hyundai Capital Canada Inc.	90,794	-	13,870	15,451	-	120,115
BANCO HYUNDAI CAPITAL BRASIL S.A.	38,781	-	9,847	10,384	-	59,012
Hyundai Corretora de Seguros LTDA.	-	-	-	-	-	-
Hyundai Capital Bank Europe GmbH	484,718	-	9,876	27,811	-	522,405
BAIC Hyundai Leasing Co. Ltd.	16,961	-	(5,840)	982	-	12,103
Hyundai Capital France	-	75,191	852	2,425	-	78,468
Total	1,437,595	75,191	79,168	104,157	-	1,696,111

(4) Suspension on recognition of loss in equity security method

The accumulated unreflected equity security changes not recognized due to the suspension of the equity security method on September 30, 2023, and December 31, 2022, status quo as follows.

1) September 30, 2023, and nine-month period ended September 30, 2023

(Unit: M Korean won)

Classification	Unreflected loss of equity method for nine-month period ended September 30, 2023	Accumulated unreflected loss of equity method as of September 30, 2023
Hyundai Corretora de Seguros LTDA	(38)	(91)

2) December 31, 2022, and nine-month period ended September 30, 2022

(Unit: M Korean won)

Classification	Unreflected loss of equity method for nine-month period ended September 30, 2022	Accumulated unreflected loss of equity method as of December 31, 2022
Hyundai Corretora de Seguros LTDA	(25)	(53)

8. FINANCIAL RECEIVABLES:

(1) Financial receivables (except for other assets) measured at amortized costs as of September 30, 2023, and December 31, 2022, are as follows:

1) September 30, 2023

(Unit: M Korean won)

Classification	Bonds principal balance	Deferred loan fees and costs (Initial direct fees deferred by the lessor)	Present value discounts	Allowance for doubtful accounts	Carrying amount
Loans receivable:					
Loans	9,362,160	35,340	(1,926)	(340,170)	9,055,404
Installment financial assets:					
Automobile	16,498,930	(367,883)	-	(199,639)	15,931,408
Durable goods	-	-	-	-	-
Mortgage	73	1	-	(14)	60
Subtotal	16,499,003	(367,882)	-	(199,653)	15,931,468
Lease receivables:					
Finance lease receivables:	2,042,656	(372)	-	(37,406)	2,004,878
Canceled lease receivables:	7,000	-	-	(4,744)	2,256
Subtotal	2,049,656	(372)	-	(42,150)	2,007,134
Total	27,910,819	(332,914)	(1,926)	(581,973)	26,994,006

2) December 31, 2022

(Unit: M Korean won)

Classification	Bonds principal balance	Deferred loan fees and costs (Initial direct fees deferred by the lessor)	Present value discounts	Allowance for doubtful accounts	Carrying amount
Loans receivable:					
Loans	10,322,399	28,605	(1,445)	(406,622)	9,942,937
Installment financial assets:					
Automobile	15,311,921	(415,506)	-	(175,719)	14,720,696
Durable goods	1	-	-	(1)	-
Mortgage	95	-	-	(15)	80
Subtotal	15,312,017	(415,506)	-	(175,735)	14,720,776
Lease receivables:					
Finance lease receivables:	2,082,530	(304)	-	(39,305)	2,042,921
Canceled lease receivables:	20,762	-	-	(18,792)	1,970
Subtotal	2,103,292	(304)	-	(58,097)	2,044,891
Total	27,737,708	(387,205)	(1,445)	(640,454)	26,708,604

(2) The following tables present a reconciliation of changes in allowance for doubtful accounts, including ECL allowance for doubtful accounts for other assets, for the nine-month periods ended September 30, 2023 and 2022:

1) The nine-month period ended September 30, 2023

(Unit: M Korean won)

Classification	Loans receivable:				Installment financial assets:			Lease receivables:			Other assets	Total
		Lifetime ECLs				Lifetime ECLs			Lifetime ECLs			
	12-month ECL	Not credit impaired	Credit impaired	Purchased or originated credit-impaired financial assets	12-month ECL	Not credit impaired	Credit impaired	12-month ECL	Not credit impaired	Credit impaired		
Opening balance	77,265	143,906	174,901	10,550	70,625	57,998	47,112	13,333	8,975	35,789	30,535	670,989
Movements between the three stages:												
Transferred to 12-month ECLs	41,212	(38,540)	(2,672)	-	31,025	(29,727)	(1,298)	4,586	(3,043)	(1,543)	-	-
Transferred to lifetime ECLs	(10,398)	12,588	(2,190)	-	(4,635)	6,326	(1,691)	(1,315)	1,678	(363)	-	-
Transferred to credit impaired financial assets	(1,796)	(8,196)	9,992	-	(571)	(1,835)	2,406	(133)	(398)	531	-	-
Disposals	-	-	(42,758)	(1,634)	-	-	(6,204)	-	-	-	-	(50,596)
Charge-offs	-	-	(160,480)	(4,467)	-	-	(50,433)	-	-	(15,656)	(3,040)	(234,076)
Recoveries	-	-	31,605	12,231	-	-	9,668	-	-	269	996	54,769
Unwinding of discounts	-	-	(11,333)	(50)	-	-	(621)	-	-	(162)	-	(12,166)
Provision (Reversal) of doubtful accounts	(27,515)	(12,027)	159,805	(9,829)	11,567	5,279	54,662	(2,319)	225	1,696	(2,168)	179,376
Closing balance	78,768	97,731	156,870	6,801	108,011	38,041	53,601	14,152	7,437	20,561	26,323	608,296

The Group is collecting receivables that were previously charged off as of September 30, 2023, but have not lost their claim to debt-related persons due to incomplete extinctive prescription under related laws or non-recovery of bonds after charged off of debt or other reasons. The contractual amount of such receivables written off, but not yet collected, as of September 30, 2023, was ₩388,588 million.

2) The nine-month period ended September 30, 2022

(Unit: M Korean won)

Classification	Loans receivable:				Installment financial assets:			Lease receivables:			Other assets	Total
		Lifetime ECLs		Purchased or originated credit-impaired financial assets		Lifetime ECLs			Lifetime ECLs			
	12-month ECL	Not credit impaired	Credit impaired		12-month ECL	Not credit impaired	Credit impaired	12-month ECL	Not credit impaired	Credit impaired		
Opening balance	99,276	115,532	146,611	14,587	59,191	50,488	41,640	14,298	8,119	46,202	28,620	624,564
Movements between the three stages:												
Transferred to 12-month	24,011	(21,794)	(2,217)	-	12,180	(11,418)	(762)	3,750	(1,739)	(2,011)	-	-
Transferred to lifetime ECLs	(16,169)	18,544	(2,375)	-	(7,724)	9,366	(1,642)	(1,451)	1,810	(359)	-	-
Transferred to credit impaired financial assets	(1,414)	(4,797)	6,211	-	(240)	(1,370)	1,610	(79)	(198)	277	-	-
Disposals	-	-	(2,403)	(771)	-	-	(223)	-	-	-	-	(3,397)
Charge-offs	-	-	(112,918)	(5,010)	-	-	(36,763)	-	-	(16,014)	(805)	(171,510)
Recoveries	-	-	31,313	17,077	-	-	9,630	-	-	9	1,042	59,071
Unwinding of discounts	-	-	(10,766)	(131)	-	-	(455)	-	-	(146)	-	(11,498)
Provision(Reversal) of doubtful accounts	(12,292)	14,636	94,179	(15,227)	4,476	8,017	27,278	(3,014)	479	7,982	(623)	125,891
Closing balance	93,412	122,121	147,635	10,525	67,883	55,083	40,313	13,504	8,471	35,940	28,234	623,121

The Group is collecting receivables that were previously charged off as of September 30, 2022, but have not lost their claim to debt-related persons due to incomplete extinctive prescription under related laws or non-recovery of bonds after charged off of debt or other reasons. The contractual amount of such receivables written off, but not yet collected, as of September 30, 2022, was ₩316,191 million.

9. LEASED ASSETS:

(1) Detailed composition of leased assets

Detailed composition of leased assets as of September 30, 2023, and December 31, 2022, is as follows:

(Unit: M Korean won)

Classification	September 30, 2023				December 31, 2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Operating leased assets	8,030,345	(2,147,346)	(31,759)	5,851,240	7,397,072	(1,827,988)	(39,183)	5,529,901
Canceled leased assets	9,536	-	(2,930)	6,606	11,110	-	(2,926)	8,184
Total	8,039,881	(2,147,346)	(34,689)	5,857,846	7,408,182	(1,827,988)	(42,109)	5,538,085

(2) Reconciliation of changes in leased assets

The following tables present a reconciliation of changes in the carrying amounts of operating leased assets on September 30, 2023 and 2022:

1) The nine-month period ended September 30, 2023

(Unit: M Korean won)

Classification	Opening balance	Addition	Disposal	Depreciation	Reversal of impairment	Closing balance
Vehicles	5,529,901	1,528,318	(409,973)	(804,431)	7,425	5,851,240

2) The nine-month period ended September 30, 2022

(Unit: M Korean won)

Classification	Opening balance	Addition	Disposal	Depreciation	Reversal of impairment	Closing balance
Vehicles	4,547,755	1,734,323	(244,831)	(676,950)	4,894	5,365,191

10. LESSEE:

(1) Detailed composition of leases

Amounts recognized for leases in the condensed consolidated interim financial statements as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Right-of-use assets:		
Building	53,076	64,781
Vehicles	-	17
Fixture and furniture	3,236	3,738
Total	56,312	68,536
Lease liabilities		
Lease liabilities(*1)	55,661	64,269

(*1) The weighted-average incremental borrowing rate of the Group used when recognizing and measuring the lease liabilities as of September 30, 2023, was 4.35%.

(2) Reconciliation of changes in right-of-use assets

The following tables present a reconciliation of changes in the carrying amount of the right-of-use assets for the nine-month periods ended September 30, 2023 and 2022:

1) The nine-month period ended September 30, 2023

(Unit: M Korean won)

Classification	Opening balance	Addition	Depreciation	Cancellation or termination	Closing balance
Building	64,781	4,405	(15,421)	(689)	53,076
Vehicles	17	-	(17)	-	-
Fixture and furniture	3,738	-	(502)	-	3,236
Total	68,536	4,405	(15,940)	(689)	56,312

2) The nine-month period ended September 30, 2022

(Unit: M Korean won)

Classification	Opening balance	Addition	Depreciation	Cancellation or termination	Closing balance
Building	13,474	57,638	(11,006)	(345)	59,761
Vehicles	157	(9)	(104)	(4)	40
Fixture and furniture	725	4,015	(836)	-	3,904
Total	14,356	61,644	(11,946)	(349)	63,705

(3) Expenses on lease

The following table presents expenses on lease liabilities recognized in the condensed consolidated interim statements of comprehensive income for the nine-month periods ended September 30, 2023 and 2022:

(Unit: M Korean won)

Classification	September 30, 2023 (*1)		September 30, 2022(*1)	
	Three months	Accumulated	Three months	Accumulated
Interest expense from lease liabilities (belongs to interest expense)	628	1,976	430	588
Lease payment for leases of low-value items (belongs to general and administrative expenses)	53	265	93	247

(*1) The Group had no income from variable lease payment or subleasing right-of-use assets for the nine-month periods ended September 30, 2023 and 2022.

(4) Total cash outflows for lease liabilities

Total cash outflows for lease liabilities for the nine-month periods ended September 30, 2023 and 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Total cash outflows for lease liabilities	14,197	10,556

11. PROPERTY AND EQUIPMENT:

The following tables present a reconciliation of changes in the carrying amounts of property and equipment for the nine-month periods ended September 30, 2023 and 2022:

(1) The nine-month period ended September 30, 2023

(Unit: M Korean won)

Classification	Opening balance	Addition	Transfer	Disposal	Depreciation	Others	Translation difference	Closing balance
Land	79,121	-	-	-	-	-	-	79,121
Building	84,953	-	-	-	(2,115)	-	-	82,838
Vehicles	2,493	144	-	(141)	(486)	-	-	2,010
Fixture and furniture	41,159	4,169	1,088	(985)	(9,377)	(7,495)	27	28,586
Other tangible	1,004	-	-	-	-	-	-	1,004
Construction in progress	601	4,089	(1,088)	-	-	-	-	3,602
Total	209,331	8,402	-	(1,126)	(11,978)	(7,495)	27	197,161

(2) The nine-month period ended September 30, 2022

(Unit: M Korean won)

Classification	Opening balance	Addition	Transfer	Disposal	Depreciation	Translation difference	Closing balance
Land	79,121	-	-	-	-	-	79,121
Building	88,318	-	-	-	(2,128)	-	86,190
Vehicles	3,226	246	-	(267)	(539)	-	2,666
Fixture and furniture	21,933	5,213	4,022	(15)	(7,311)	21	23,863
Other tangible	1,004	-	-	-	-	-	1,004
Construction in progress	3,187	10,094	(4,022)	-	-	-	9,259
Total	196,789	15,553	-	(282)	(9,978)	21	202,103

12. INTANGIBLE ASSETS:

The following tables present a reconciliation of changes in the carrying amounts of intangible assets for the nine-month periods ended September 30, 2023 and 2022:

(1) The nine-month period ended September 30, 2023

(Unit: M Korean won)

Classification	Opening balance	Addition	Transfer	Disposal	Amortization	Translation difference	Closing balance
Software development costs	70,386	82	8,979	-	(19,202)	-	60,245
Memberships	22,834	14	-	(1,468)	-	(25)	21,355
Other intangible assets	11,854	1,917	211	-	(2,770)	(17)	11,195
Intangible assets under construction	8,769	20,158	(9,190)	-	-	-	19,737
Total	113,843	22,171	-	(1,468)	(21,972)	(42)	112,532

(2) The nine-month period ended September 30, 2022

(Unit: M Korean won)

Classification	Opening balance	Addition	Transfer	Disposal	Amortization	Translation difference	Closing balance
Software development costs	61,584	272	14,347	-	(18,006)	-	58,197
Memberships	24,165	4,878	-	(5,646)	-	(5)	23,392
Other intangible assets	12,933	290	160	-	(2,811)	1	10,573
Intangible assets under construction	9,759	19,096	(14,507)	-	-	-	14,348
Total	108,441	24,536	-	(5,646)	(20,817)	(4)	106,510

13. BORROWED FUNDS:

Borrowings as of September 30, 2023, and December 31, 2022, are as follows:

(1) Borrowings

(Unit: M Korean won)

Classification	Lender	Annual interest rate (%)	Maturity	September 30, 2023	December 31, 2022
Short-term borrowings:					
Commercial paper	Shinhan Bank and two others	4.36 ~4.68	2023.10.18–2023.12.08	250,000	280,000
General loans	SC Bank and three others	3.76 - 4.85	2023.12.08–2024.08.30	305,000	356,000
Subtotal				555,000	636,000
Current portion of long-term borrowings:					
Commercial paper	High Investment Securities Co., Ltd. and two others	1.58 - 4.27	2023.10.25–2024.09.13	170,000	530,000
General loans	Industrial Bank and seven others	2.06 - 5.94	2024.01.26–2024.09.13	774,896	451,552
Subtotal				944,896	981,552
Borrowings (long term):					
Commercial paper	High Investment Securities Co., Ltd. and two others	-	-	-	20,000
General loans	Woori Bank and twelve others	2.50 ~5.93	2024.10.10–2029.08.01	1,717,622	1,397,347
Subtotal				1,717,622	1,417,347
Total				3,217,518	3,034,899

(2) Bonds issued

(Unit: M Korean won)

Classification	Annual interest rate (%)	Maturity	September 30, 2023	December 31, 2022
Bonds issued (short term):				
Short-term bond issued	4.06 - 6.09	2023.11.07–2024.08.09	500,000	450,000
Less: Discount on bonds			(1,431)	(613)
Subtotal			498,569	449,387
Current portion of bonds issued:				
Bonds issued	1.08 - 5.81	2023.10.05–2024.09.30	9,014,676	8,370,422
Less: Discount on bonds			(2,311)	(2,412)
Subtotal			9,012,365	8,368,010
Bonds issued (long term):				
Bonds issued	1.00 - 6.39	2024.10.07–2032.03.29	18,974,560	19,578,411
Less: Discount on bonds			(29,703)	(31,550)
Subtotal			18,944,857	19,546,861
Total			28,455,791	28,364,258

14. EMPLOYEE BENEFIT LIABILITIES:

(1) Defined contribution plans

The Group recognized ₩1,779 million and ₩1,656 million in the condensed consolidated interim statements of comprehensive income for retirement benefits based on the defined contribution plan for the nine-month periods ended September 30, 2023 and 2022, respectively.

(2) Defined benefit plans

1) Characteristics of the defined benefit plan

The Group operates a defined benefit plan on a final wage basis. The plan assets are mainly composed of interest rate guaranteed-type instruments and, therefore, are exposed to the risk of declining interest rates.

2) Reconciliation of changes in the present value of defined benefit obligations

The following table presents a reconciliation of changes in the present value of defined benefit obligations for the nine-month periods ended September 30, 2023 and 2022:

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Opening balance	111,526	108,110
Current service costs	8,990	9,073
Interest expense	4,447	2,811
Actuarial losses (gains):		
Experienced adjustment	6,447	23,544
Changes in economic assumptions	(156)	(23,064)
Transfer from associates	66	282
Benefits paid	(4,749)	(9,031)
Closing balance	126,571	111,725

3) Reconciliation of changes in the fair value of plan assets

The following tables present a reconciliation of changes in the fair value of plan assets for the nine-month periods ended September 30, 2023 and 2022:

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Opening balance	148,871	121,833
Expected return on plan assets	5,731	3,005
Actuarial losses (gains)	(1,353)	(1,537)
Transfer from (to) associates	66	263
Benefits paid	(4,745)	(9,004)
Closing balance	148,570	114,560

(3) Other long-term employee benefit plans

The following table presents a reconciliation of changes in the other long-term benefit liability on September 30, 2023 and 2022:

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Opening balance	10,661	10,072
Current service costs	540	546
Interest expense	374	241
Actuarial losses (gains)	598	1,339
Benefits paid	(864)	(1,453)
Closing balance	11,309	10,745

15. PROVISIONS:

The following tables present a reconciliation of changes in the provisions for the nine-month periods ended September 30, 2023 and 2022:

(Unit: M Korean won)

Classification	September 30, 2023					September 30, 2022				
	Unused loan commitments (*1)	Residual value guarantees (*2)	Asset retirement obligations ("AROs") (*3)	Litigations	Total	Unused loan commitments (*1)	Residual value guarantees (*2)	Asset retirement obligations ("AROs") (*3)	Litigations	Total
Opening balance	2,644	67,674	7,499	-	77,817	211	59,543	5,921	21	65,696
Provision (reversal) of liability provisions	398	7,508	(964)	-	6,942	1,748	10,359	(1,469)	(11)	10,627
Provisions made for AROs and capitalized to related asset	-	-	184	-	184	-	-	2,393	-	2,393
Unwinding of interests	-	-	353	-	353	-	-	122	-	122
Closing balance	3,042	75,182	7,072	-	85,296	1,959	69,902	6,967	10	78,838

(*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 Company guarantees for consumers with residual value of used automobiles. The Group also contracts with a third-party guarantor to guarantee residual value of automobiles returned by consumers. Provision is made for estimated expected losses arising from these residual value guarantees.

(*3) The Group recognizes provisions for 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. In order to estimate expected restoration expense, the average actual costs incurred for the past three years and five-year average inflation rate are used.

16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING:

(1) Trading derivatives

The following table presents the trading derivatives of the Group as of September 30, 2023 and December 31, 2022:

① September 30, 2023

(Unit: M Korean won)

Classification	Unpaid commitments	Carrying amount		Account
		Asset	Liability	
Interest rate swap	160,000	67	424	Derivative liability

② December 31, 2022

(Unit: M Korean won)

Classification	Unpaid commitments	Carrying amount		Account
		Asset	Liability	
Interest rate swap	200,000	-	1,518	Derivative liability

(2) Derivatives designated and qualifying as hedging instruments for cash flow hedges

The Group enters into derivative contracts to manage its exposures to changes in future cash flows and fair value arising from volatilities in interest rate and foreign currency exchange rates with its borrowings, bonds issued and loans. There was no change in overall hedge strategy of the Group.

The hedging relationship regarding cash flow and fair value hedge accounting applied by the Group is affected by interest rate regarding interest rate benchmark reform. The Group entered into an interest rate swap contract and designated it as a hedging instrument for cash flow hedge accounting to avoid the volatility in cash flows of borrowings and bonds issued due to changes of the interest rate benchmark, the three-month USD London InterBank Offered Rate ("LIBOR"). The USD LIBOR interest rate was replaced by the Secured Overnight Financing Rate ("SOFR") based on actual transactions for specific periods (1M, 3M, 6M and 12M) from July 2023.

There are no financial instruments related to LIBOR those which have not been converted to alternative interest rate benchmarks as of September 30, 2023.

1) Details of hedged items as of September 30, 2023, and December 31, 2022, are as follows:

① September 30, 2023

(Unit: M Korean won)

Classification	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge	Accumulated other comprehensive income (loss)
	Asset	Liability			
Cash flow risk hedging:					
Interest rate risk	-	3,220,000	Borrowings and bonds issued	(77,091)	58,541
Foreign currency translation risk	128,808	8,553,041	Loan, borrowings and bonds issued	(603,010)	(65,144)
Total	128,808	11,773,041		(680,101)	(6,603)

(Unit: M Korean won)

Classification	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge	Accumulated fair value risk hedging adjustment
	Asset	Liability			
Fair value risk hedging					
Fair value risk	-	300,000	Borrowings and bonds issued	(7,653)	3,402

② December 31, 2022

(Unit: M Korean won)

Classification	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge	Accumulated other comprehensive income (loss)
	Asset	Liability			
Cash flow risk hedging:					
Interest rate risk	-	3,740,000	Borrowings and bonds issued	(107,125)	75,197
Foreign currency translation risk	29,726	8,357,902	Loan, borrowings and bonds issued	(602,076)	(37,533)
Total	29,726	12,097,902		(709,201)	37,664

(Unit: M Korean won)

Classification	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge	Accumulated fair value risk hedging adjustment
	Asset	Liability			
Fair value risk hedging					
Fair value risk	-	445,000	Borrowings and bonds issued	11,953	11,953

2) Details of derivatives for hedge as of September 30, 2023, and December 31, 2022, are as follows:

① September 30, 2023

(Unit: M Korean won)

Classification	Unpaid commitments (*1)	Carrying amount		Account	Changes in fair value to recognize ineffective portion of risk hedge
		Asset	Liability		
Cash flow risk hedging:					
Interest rate swap	3,220,000	74,408	94	Derivative assets (liabilities)	78,050
Currency swap	8,681,849	628,067	43,928		606,851
Total	11,901,849	702,475	44,022		684,901

(Unit: M Korean won)

Classification	Unpaid Commitments (*1)	Carrying amount		Account	Changes in fair value to recognize ineffective portion of risk hedge
		Asset	Liability		
Fair value risk hedging					
Interest rate swap	300,000	-	4,674	Derivative liabilities	3,476

(*1) Notional principal amount represents Korean won equivalent amounts of foreign currencies for Korean 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.

② December 31, 2022

(Unit: M Korean won)

Classification	Unpaid commitments (*1)	Carrying amount		Account	Changes in fair value to recognize ineffective portion of risk hedge
		Asset	Liability		
Cash flow risk hedging:					
Interest rate swap	3,740,000	103,714	387	Derivative assets (liabilities)	110,750
Currency swap	8,387,628	626,146	42,466		619,783
Total	12,127,628	729,860	42,853		730,533

(Unit: M Korean won)

Classification	Unpaid commitments (*1)	Carrying amount		Account	Changes in fair value to recognize ineffective portion of risk hedge
		Asset	Liability		
Fair value risk hedging					
Interest rate swap	445,000	-	8,150	Derivative liabilities	(8,150)

(*1) Notional principal amount represents Korean won equivalent amounts of foreign currencies for Korean 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.

3) Changes in effective portion recognized in other comprehensive income related to derivatives for hedges for the nine-month periods ended September 30, 2023 and 2022, are as follows:

① The nine-month period ended September 30, 2023

(Unit: M Korean won)

Classification	Opening balance	Changes in fair value	Reclassified to profit or loss	Closing balance
Before tax	49,690	332,842	(391,242)	(8,710)
Income tax effects	(12,026)			2,107
After tax	37,664			(6,603)

② The nine-month period ended September 30, 2022

(Unit: M Korean won)

Classification	Opening balance	Changes in fair value	Reclassified to profit or loss	Closing balance
Before tax	50,437	1,381,083	(1,350,819)	80,701
Income tax effects	(12,207)			(19,531)
After tax	38,230			61,170

The Group is expected to be exposed to the variability in future cash flows and fair value arising from hedged items designated as cash flow and fair value hedges, until March 29, 2032. There was no hedge discontinued on September 30, 2023 and 2022.

The ineffective portions recognized in profit (loss) related to cash flow hedge for the nine-month periods ended September 30, 2023 and 2022, are ₩3,523 ₩12,760 million, respectively. The profit (loss) recognized on the fair value hedge is ₩(4,177) million and ₩(1,432) million on September 30, 2023 and 2022, respectively.

17. EQUITY:

(1) Bad Debt Reserve

According to Article 11 of the Regulation on Supervision of Credit-Specialized Financial Business, the Group makes bad debt reserve if there is a shortfall in allowance for doubtful accounts prepared in accordance with K-IFRSs. The amount required by the regulation is 130% of the minimum amount specified in the Credit-Specialized Financial Business, but less than the total outstanding amount of the loans.

The bad debt reserve is a discretionary reserve and any excess amount beyond legally required reserve can be reversed. If there is an accumulated deficit, the reserve is made only after when there is no accumulated deficit balance.

Details of bad debt reserve as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Appropriated bad debt reserve	225,291	193,208
Expected bad debt reserve	49,629	32,083
Balance of Bad debt reserve (*1)	274,920	225,291

(*1) Balance of bad debt reserve is the balance reflecting appropriated bad debt reserve and expected bad debt reserve.

(2) Provision for bad debt reserve and profit for the period adjusted with provision for bad debt reserve

The provision for bad debt reserve and profit for the period adjusted with provision for bad debt reserve for the nine-month periods ended September 30, 2023 and 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Profit for the period	315,674	356,246
Deduction: Provision for bad debt reserve (*1)	49,629	46,700
Profit for the period adjusted with provision for bad debt reserve (*2)	266,045	309,546
Basic and diluted earnings per share adjusted with provision for bad debt reserve (in Korean won)	2,679	3,117

(*1) Provision for bad debt reserve represents excessive reserves expected to be made for the nine-month periods ended September 30, 2023 and 2022.
(*2) Profit for the period adjusted with provision for bad debt reserve is not the data according to K-IFRSs, and the information is estimated by assuming the case of reflecting the bad debt reserve before considering the income tax effect to the net income of the period.

(3) Retained earnings

Retained earnings as of September 30, 2023, and December 31, 2022 are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Legal reserves:		
Earned surplus reserve	176,286	176,286
Discretionary reserves:		
Bad debt reserve	225,291	193,208
Reserve for electronic financial transactions	100	100
Reserve for business rationalization	74	74
Subtotal	225,465	193,382
Retained earnings before appropriation	4,579,828	4,296,237
Total	4,981,579	4,665,905

18. NET INTEREST INCOME:

Net interest income for the nine-month periods ended September 30, 2023 and 2022, is as follows:

(Unit: M Korean won)

Classification	September 30, 2023		September 30, 2022	
	Three months	Accumulated	Three months	Accumulated
Interest income:				
Interest income recognized using the effective interest method:				
Due from other financial institutions and	39,409	91,074	9,449	20,844
Securities measured at FVOCI	73	503	360	571
Loans receivable	207,329	654,688	234,915	659,408
Installment financial assets	215,862	601,038	153,047	443,575
Lease receivables (*1)	38,535	109,191	31,902	94,206
Other (*2)	302	1,017	384	1,094
Subtotal	501,510	1,457,511	430,057	1,219,698
Interest expense				
Borrowings	33,917	99,306	20,698	50,681
Bonds issued	236,387	683,457	161,753	436,270
Other (*2)	3,587	10,126	2,207	5,256
Subtotal	273,891	792,889	184,658	492,207
Net interest income	227,619	664,622	245,399	727,491

(*1) Including amortization of unearned revenue for security deposits received for leases under the effective interest method

(*2) Including amortization of present value discounts using the effective interest method

19. NET FEE INCOME:

Net fee income for the three-month and nine-month periods ended September 30, 2023 and 2022, is as follows:

(Unit: M Korean won)

Classification	September 30, 2023		September 30, 2022	
	Three months	Accumulated	Three months	Accumulated
Fee income:				
Loans receivable	4,338	11,828	3,901	12,252
Installment financial assets	5,218	15,213	4,741	14,520
Lease receivables	31,296	93,266	30,966	93,109
Subtotal	40,852	120,307	39,608	119,881
Fee expenses:				
Lease expense	44,713	135,273	46,342	131,373
Net fee expenses	(3,861)	(14,966)	(6,734)	(11,492)

20. NET LEASE INCOME:

Net lease income for the three-month and nine-month periods ended September 30, 2023 and 2022, is as follows:

(Unit: M Korean won)

Classification	September 30, 2023		September 30, 2022	
	Three months	Accumulated	Three months	Accumulated
Income on leases(*1):				
Income on operating leases	346,526	993,596	287,343	812,260
Gain on sale of lease assets	155,349	425,431	11,761	34,675
Fee income on operating leases	59,958	172,930	53,490	153,913
Subtotal	561,833	1,591,957	352,594	1,000,848
Lease expense(*1):				
Lease asset depreciation	274,044	804,431	239,286	676,950
Loss on sale of lease assets	150,268	411,114	5,926	17,382
Reversal of impairment losses on lease	(1,805)	(7,420)	(823)	(5,088)
Fee expenses on operating leases	30,625	89,886	27,294	80,592
Other expenses	2,185	7,277	2,396	6,658
Subtotal	455,317	1,305,288	274,079	776,494
Net lease income	106,516	286,669	78,515	224,354

(*1) Excluding net interest income and net fee income regarding lease

21. OTHER OPERATING INCOME AND EXPENSES:

Other operating income and expenses for the three-month and nine-month periods ended September 30, 2023 and 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023		September 30, 2022	
	Three months	Accumulated	Three months	Accumulated
Other operating income:				
Gain on valuation of derivatives	87,141	333,936	627,811	1,187,215
Gain on derivative transactions	40,147	101,827	120,874	171,005
Gain on purchased loan	365	3,731	2,217	7,048
Shared services income	284	1,122	6,680	9,072
Other fee and commission	4,525	13,462	6,556	16,656
Advisory fee	13,175	39,570	12,629	39,032
Reversal of liability provisions	27	1,360	420	1,469
Others	4,312	11,016	5,901	19,217
Total	149,976	506,024	783,088	1,450,714
Other operating expenses:				
Loss on valuation of derivatives	(10,050)	33,735	(639)	18,143
Loss on derivatives transactions	4,745	6,822	1,643	3,049
Shared services expense	294	1,160	812	2,814
Indirect financing cost	2,919	8,704	2,609	7,668
Provision of liability provisions	2,295	8,301	3,997	12,096
Others	6,110	22,709	5,932	19,996
Total	6,313	81,431	14,354	63,766

22. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three-month and nine-month periods ended September 30, 2023 and 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023		September 30, 2022	
	Three months	Accumulated	Three months	Accumulated
Salaries	58,834	174,630	55,894	174,995
Severance and retirement benefits	3,448	9,493	17,450	24,766
Employee benefits	10,416	33,923	7,665	28,875
Advertising	6,324	18,718	8,793	25,867
Sales promotion	22,408	68,297	21,458	59,965
Rents	5,436	16,310	5,974	15,269
Utilities	2,260	6,578	1,935	5,608
Communication	2,851	8,176	3,336	9,114
Travel and transportation	1,351	3,913	1,184	3,138
Professional and other service fees	12,401	35,087	13,276	37,522
Outsourcing service charges	8,949	26,371	7,393	21,393
Commissions and charges	4,494	14,393	4,382	14,570
Depreciation	9,126	27,918	7,788	21,925
Amortization	7,287	21,972	6,856	20,817
Other	9,311	32,799	11,198	33,271
Total	164,896	498,578	174,582	497,095

23. INCOME TAXES:

Income tax expenses are calculated by adjusting the adjustments recognized in the nine-month period ended September 30, 2023, related to the previous income tax burden, the amount of deferred income tax changes due to temporary differences occurring and extinguishing and the income tax expenses related to items other than profit or loss. The average effective tax rate for the nine-month periods ended September 30, 2023 and 2022 (income taxes expenses/income before income taxes expenses), is 21.7% and 24.4%, respectively.

24. EARNINGS PER SHARE:

(1) Basic earnings per share

Basic earnings per share attributable to common stock of equity holders for the three-month and nine-month periods ended September 30, 2023 and 2022, are as follows:

(Unit: Korean won, share)

Classification	September 30, 2023		September 30, 2022	
	Three months	Accumulated	Three months	Accumulated
Profit for the period attributable to common stock (in Korean won)(A)	127,327,354,052	315,673,736,265	111,661,984,593	356,246,056,094
Weighted-average number of outstanding common stocks (B)	99,304,249	99,306,361	99,307,435	99,307,435
Basic earnings per share (in Korean won)(A/B)	1,282	3,179	1,124	3,587

(2) Diluted earnings per share

There are no potential common stocks as of September 30, 2023 and 2022. Therefore, the diluted earnings per share is equal to basic earnings per share.

25. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Changes in accumulated other comprehensive income for the nine-month periods ended September 30, 2023 and 2022, are as follows:

(1) September 30, 2023

(Unit: M Korean won)

Classification	Opening balance	Changes		Income tax effects	Closing balance
		Reclassified to profit or loss adjustment	Other changes		
Net change in unrealized gains and losses on equity securities measured at FVOCI	17,788	-	(5,673)	1,372	13,487
Net change in unrealized gains and losses on valuation of debt securities measured at FVOCI	(601)	(34)	504	(113)	(244)
Share on other comprehensive profit of associates and joint ventures	44,743	-	84,386	(20,422)	108,707
Net change in gains and losses on derivatives for cash flow hedges	37,664	(391,242)	332,842	14,133	(6,603)
Overseas project conversion profit or loss	(5,151)	-	(2,634)	-	(7,785)
Remeasurements of defined benefit plans	(15,827)	-	(7,643)	1,850	(21,620)
Total	78,616	(391,276)	401,782	(3,180)	85,942

(2) September 30, 2022

(Unit: M Korean won)

Classification	Opening balance	Changes		Income tax effects	Closing balance
		Reclassified to profit or loss adjustment	Other changes		
Net change in unrealized gains and losses on equity securities measured at FVOCI	22,524	-	(4,673)	1,131	18,982
Net change in unrealized gains and losses on valuation of debt securities measured at FVOCI	(24)	(57)	(1,113)	283	(911)
Share on other comprehensive profit of associates and joint ventures	54,866	-	104,158	(25,206)	133,818
Net change in gains and losses on derivatives for cash flow hedges	38,230	(1,350,819)	1,381,083	(7,324)	61,170
Overseas project conversion profit or loss	(6,205)	-	9,669	-	3,464
Remeasurements of defined benefit plans	(16,629)	-	(2,017)	488	(18,158)
Total	92,762	(1,350,876)	1,487,107	(30,628)	198,365

26. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash and cash equivalents

Details of cash and cash equivalents as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Ordinary deposits (*1)	166,863	185,741
Checking deposits	1,799	3,104
Other cash equivalents (*2)	767,828	1,558,782
Total	936,490	1,747,627

(*1) Related to the asset securitization trades, ordinary deposits include the deposits limited for use in ₩122,874 million and ₩153,257 million at the suspended accounts of Autopia SPCs as of September 30, 2023, and December 31, 2022, respectively.

(*2) Other cash equivalents include demand deposits, as well as money market deposit account ("MMDA"), money market wrap ("MMW"), money market trust ("MMT") and time deposits with maturities of three months or less from the acquisition date that are readily convertible to known amounts of cash, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(2) Cash generated from operations

Cash generated from operations for the nine-month periods ended September 30, 2023 and 2022, is as follows:

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Profit for the period	315,674	356,246
Adjustments:		
Gain on valuation of short-term financial investments	(12,239)	-
Loss on valuation of short-term financial investments	-	3,735
Gain on assessment of securities measured at FVTPL	(1,390)	-
Gain on disposal of securities measured at FVTPL	(81)	-
Gain on disposal of securities measured at FVOCI	(554)	(766)
Gain on loans receivable (deferred loan withholding profit or loss and cash discount difference depreciation)	20,287	25,558
Gain on installment finance (deferred loan withholding profit or loss depreciation)	71,558	69,002
Income on leases (deferred loan withholding profit or loss depreciation)	18,874	16,837
Gain on foreign currency conversion	(30,932)	(6,705)
Dividend income	(707)	(635)
Gain on valuation of derivatives	(333,936)	(1,187,215)
Gain on trade of derivatives	(101,827)	-
Gain on investments in associates and joint ventures	(68,688)	(85,008)
Gain on tangible asset disposal	(466)	(208)
Gain on intangible asset disposal	(170)	(221)

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Impairment loss on debt securities measured at FVOCI	-	41
Net interest expense	700,296	469,699
Lease expense	797,011	671,861
Expenses of allowance for doubtful accounts	179,377	125,891
Loss on foreign currency conversion	325,574	1,174,158
Severance and retirement benefits	9,474	10,473
Loss on assessment of securities measured at FVTPL	-	439
Reversal of impairment loss on debt securities measured at FVOCI	(22)	(10)
Other long-term employee benefits	1,512	2,126
Depreciation	27,918	21,925
Amortization	21,972	20,817
Loss on valuation of derivatives	33,735	18,143
Loss on trade of derivatives	6,822	-
Loss on investments in associates and joint ventures	27,234	5,840
Provision of liability provision	6,941	10,627
Loss on tangible asset disposal	1	112
Loss on intangible asset disposal	18	76
Gain on repayments of bonds issued	(1,030)	-
Loss on repayments of bonds issued	638	-
Loss on lease cancellation	345	1,277
Income taxes	87,402	114,998
Loss on fair value risk hedge	7,877	-
Gain on fair value risk hedge	-	(12,704)
Subtotal	1,792,824	1,470,163
Changes in assets and liabilities from operating activities:		
Increase in due from other financial institutions	(68,853)	(10,224)
Decrease(increase) in short-term financial investments	(532,657)	159,587
Decrease(increase) in securities measured at FVOCI	123	(4)
Decrease (increase) in loans receivable	758,568	(636,580)
Increase in installment financial assets	(1,353,758)	(412,988)
Increase in finance lease receivables	(193,480)	(190,297)
Decrease in canceled lease receivables	11,616	9,379
Increase in operating lease assets	(1,118,345)	(1,489,492)
Decrease in canceled lease assets	202,719	196,595

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Decrease (increase) in non-trade receivables	(15,380)	4,250
Increase in accrued revenues	(8,142)	(10,450)
Increase in advance payments	(44,390)	(30,193)
Increase in prepaid expenses	(11,621)	(13,560)
Increase in non-trade payables	318	137,273
Increase (decrease) in accrued expenses	(2,643)	9,805
Increase (decrease) in unearned revenue	(6,877)	1,699
Increase in withholdings	67,967	69,867
Increase in deposits received	36,628	10,794
Payments of retirement allowance	(4)	(27)
Transfer of retirement allowance from (to) associates	-	19
Decrease in other long-term employee benefits	(864)	(1,453)
Subtotal	(2,279,075)	(2,196,000)
Total	(170,577)	(369,591)

(3) Changes in liabilities arising from financing activities

Changes in liabilities and related assets arising from financing activities for the nine-month periods ended September 30, 2023 and 2022, are as follows:

1) September 30, 2023

(Unit: M Korean won)

Classification	Opening balance	Net cash flows	Non-cash changes			Closing balance
			Changes in foreign exchange rates	Changes in fair value	Other changes	
Borrowings	3,034,899	167,440	7,140	4,603	3,436	3,217,518
Bonds issued	28,364,258	(220,652)	290,185	3,274	18,726	28,455,791
Net derivative liabilities (assets) held to hedge borrowings and bonds issued	(678,386)	360,722	(302,541)	56,818	(95,005)	(658,392)
Lease liabilities	64,269	(13,932)	-	-	5,324	55,661
Total liabilities on financing activities	30,785,040	293,578	(5,216)	64,695	(67,519)	31,070,578

2) September 30, 2022

(Unit: M Korean won)

Classification	Opening balance	Net cash flows	Non-cash changes			Closing balance
			Changes in foreign exchange rates	Changes in fair value	Other changes	
Borrowings	3,288,512	(86,033)	26,295	(4,030)	326	3,225,070
Bonds issued	25,230,568	1,506,617	1,146,346	(8,674)	13,769	27,888,626
Net derivative liabilities (asset) held to hedge borrowings and bonds issued	(395,922)	62,358	(1,170,527)	(29,899)	-	(1,533,990)
Lease liabilities	13,239	(10,309)	-	-	57,414	60,344
Total liabilities on financing activities	28,136,397	1,472,633	2,114	(42,603)	71,509	29,640,050

27. COMMITMENTS AND CONTINGENCIES:

(1) Line of credit commitments

As of September 30, 2023, the Group has line of credit commitments from Shinhan Bank and other banks with up to ₩48,500 million in the aggregate. The Group also has revolving credit facility agreements up to USD 320 million, JPY 89,000 million, EUR 600 million and ₩2,555,000 million with Kookmin Bank and other financial institutions.

The Group is exposed to interest rate benchmarks (USD 3M LIBOR and Korean won Certificate of Deposit ("CD") interest rate) subject to interest rate benchmarks reform. Among the Group's contracts, the limit related to USD 3M LIBOR and Korean won CD rate is ₩1,855,000 million. The USD LIBOR interest rate was replaced by the Secured Overnight Financing Rate ("SOFR") based on actual transactions from July 2023. The Group added the clause for the provisions to the current commitments for the USD LIBOR discontinued in calculation. For the CD interest rate, the calculation discontinuation is not planned and the transfer clause was not added as the transfer was not forced differently from the USD LIBOR.

The Group offers line of credit commitments to a number of customers. The unused amounts of line of credit are ₩697,700 million as of September 30, 2023.

(2) Guarantees provided

Details of guarantees provided to the Group as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Guarantor	Details	September 30, 2023	December 31, 2022
Seoul Guarantee Insurance Co., Ltd.	Guarantee for debt collection deposit and others	52,054	38,549

The Group has residual value guarantee insurance policies with DB INSURANCE CO., LTD. and other insurance carrier, which cover losses resulting from automobile lease and mortgage. Loans and leases insured by the policies and residual value guaranteed by the insurance policies as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Loans and leases insured	338,629	433,731
Residual value guaranteed by the insurance policies	80,193	111,571

(3) Pending litigations

Pending litigations include 41 cases on September 30, 2023, status quo with aggregated claim amounts of ₩33,958 million where the Group is the defendant, 38 cases with aggregated claim amount of ₩4,214 million where the Group is the plaintiff, and litigations against a number of debtors to collect receivables. The Group concluded that the pending cases will not have a significant influence on the condensed consolidated interim financial statements.

(4) Receivables transfer agreement

The Group entered into an agreement with Hyundai Commercial Co., Ltd to purchase and sell delinquent receivables and written-off receivables on an amount by agreed receivable sale rate.

(5) Borrowed funds agreement

As of September 30, 2023, the Group has agreements, including trigger clauses, regarding borrowed funds and related credit commitments of W583,300 million for creditors' credit enhancement. When the Group's credibility declines below certain level, the Group is required for advanced redemption or agreements with creditors can be invalid or canceled.

(6) Agreement related to asset securitization

The Group needs to maintain a certain ratio of securitized assets to securities and provides additional assets for any shortfalls. The asset-backed securitization ("ABS") contract includes triggering clauses requiring early redemptions. It provides credit enhancement to the ABS and, therefore, limits the investor's risk in case of changes in the asset quality. When triggering events occur, the Group has to redeem the securities for its ABS SPC. As of September 30, 2023, when Autopia 68th, 69th and 76th ABS SPCs default on settlement of derivative contracts in relation to ABS, the Company has an obligation to compensate counterparties for any losses.

28. RELATED-PARTY TRANSACTIONS:

(1) Relationships between parents and subsidiaries

The parent company of the Group is Hyundai Motor Company Co., Ltd. Related parties include subsidiaries, joint ventures, associates, members of key management personnel and related families, and entities which the Group controls directly or indirectly, have joint control or significant influence over.

(2) Related parties

The related parties that have transactions, and receivables and payables with the Group as of September 30, 2023, are as follows:

Classification	Company
The Parent	Hyundai Motor Company Co., Ltd
Associates and joint ventures	Korea Credit Bureau Hyundai Capital Bank Europe GmbH Hyundai Capital Canada Inc. Hyundai Capital France
Other related parties	Kia Corp. Hyundai Card Co., Ltd. Hyundai Commercial Inc. Hyundai Glovis Co., Ltd. Hyundai Autoever Corp. Hyundai Capital America Hyundai Engineering Co., Ltd. Hyundai Construction & Engineering Co., Ltd. Hyundai Mobis Co., Ltd. Hyundai Steel Co., Ltd. and 71 others

(3) Transactions with related parties

1) Significant transactions that occurred with related companies for the nine-month periods ended September 30, 2023 and 2022, are as follows:

① September 30, 2023

(Unit: M Korean won)

Classification	Company	Operating revenue	Operating expenses (*1)	Non-operating income	Disposal of leased assets	Purchase of leased assets	Purchase of loans and receivables	Disposal of other assets	Purchase of other assets
The parent	Hyundai Motor Company Co., Ltd	109,175	1,035	-	-	1,178,515	-	-	-
Associates and joint ventures	Korea Credit Bureau	-	2,641	-	-	-	-	-	-
	Hyundai Capital Bank Europe GmbH	3,562	907	-	-	-	-	-	-
	Hyundai Capital Canada Inc.	2,198	(1)	-	-	-	-	-	-
	Subtotal	5,760	3,547	-	-	-	-	-	-
Other related parties	Kia Corp.	62,736	242	-	-	566,639	-	-	-
	Hyundai Card Co., Ltd.	34,283	1,205	1,867	-	-	-	-	-
	Hyundai Commercial Inc.	260	96	2,056	-	-	9,914	-	-
	Hyundai Glovis Co., Ltd.	292	2,493	-	26,444	-	-	-	-
	Hyundai Autoever Corp.	236	25,633	-	-	-	-	-	16,376
	Hyundai Capital America	31,344	(42)	-	-	-	-	-	-
	Hyundai Engineering Co., Ltd.	1,126	5,018	-	-	-	-	-	-
	Hyundai Construction & Engineering Co., Ltd.	1,245	-	-	-	-	-	-	-
	Hyundai Mobis Co., Ltd.	1,280	-	-	-	-	-	-	-
	Hyundai Steel Co., Ltd.	2,001	-	-	-	-	-	-	-
	Other	10,819	5,852	132	-	-	-	-	-
	Subtotal	145,622	40,497	4,055	26,444	566,639	9,914	-	16,376
Total		260,557	45,079	4,055	26,444	1,745,154	9,914	-	16,376

(*1) Including expenses (reversal) of allowance for doubtful accounts

② September 30, 2022

(Unit: M Korean won)

Classification	Company	Operating revenue	Operating expenses (*1)	Non-operating income	Disposal of leased assets	Purchase of leased assets	Purchase of loans and receivables	Disposal of other assets	Purchase of other assets
The parent	Hyundai Motor Company Co., Ltd	102,199	747	-	-	1,262,670	-	-	-
Associates and joint ventures	Korea Credit Bureau	-	2,653	-	-	-	-	-	5
	Hyundai Capital Bank Europe GmbH	885	666	-	-	-	-	-	-
	Hyundai Capital Canada Inc.	3,655	19	-	-	-	-	-	-
	Subtotal	4,540	3,338	-	-	-	-	-	5
Other related parties	Kia Corp.	70,542	435	-	-	564,008	-	-	-
	Hyundai Card Co., Ltd.	37,533	4,994	1,069	-	-	-	1,066	-
	Hyundai Commercial Inc.	2,010	205	57	-	-	12,751	-	-
	Hyundai Glovis Co., Ltd.	271	2,766	-	31,081	-	-	-	-
	Hyundai Autoever Corp.	202	24,522	-	-	-	-	2,050	17,472
	Hyundai Capital America	27,660	(28)	-	-	-	-	-	-
	Hyundai Engineering Co., Ltd.	934	4,673	-	-	-	-	-	-
	Hyundai Construction & Engineering Co., Ltd.	1,266	-	-	-	-	-	-	-
	Hyundai Mobis Co., Ltd.	1,208	-	-	-	-	-	-	-
	Hyundai Steel Co., Ltd.	1,977	(1)	-	-	-	-	-	-
	Other	7,221	667	-	-	1	-	1,200	-
	Subtotal	150,824	38,233	1,126	31,081	564,009	12,751	4,316	17,472
Total		257,563	42,318	1,126	31,081	1,826,679	12,751	4,316	17,477

(*1) Including expenses (reversal) of allowance for doubtful accounts

2) Receivables and payables with related parties as of September 30, 2023, and December 31, 2022, are as follows:

① September 30, 2023

(Unit: M Korean won)

Classification	Company	Installment financial assets	Allowance for doubtful accounts	Other assets	Allowance for doubtful accounts	Borrowed funds
The parent	Hyundai Motor Company Co., Ltd	316,696	-	33	-	91,026
Associates and joint ventures	Hyundai Capital Bank Europe GmbH	128,808	(328)	2,301	-	-
	Hyundai Capital Canada Inc.	-	-	2,262	(23)	-
	Subtotal	128,808	(328)	4,563	(23)	-
Other related parties	Kia Corp.	151,588	-	-	-	36,516
	Hyundai Card Co., Ltd.	70	-	2,802	(28)	108,286
	Hyundai Commercial Inc	10	-	5	-	2,752
	Hyundai Glovis Co., Ltd.	576	(2)	2,705	(13)	-
	Hyundai Autoever Corp.	14	-	10	-	26
	Hyundai Capital America	-	-	32,223	(322)	-
	Hyundai Engineering Co., Ltd.	1,016	(1)	-	-	-
	Hyundai Construction & Engineering Co., Ltd.	1,076	(1)	-	-	-
	Hyundai Mobis Co., Ltd.	2,708	(4)	56	-	-
	Hyundai Steel Co., Ltd.	7,866	(9)	247	-	-
	Other	4,529	(75)	688	-	410
	Subtotal	169,453	(92)	38,736	(363)	147,990
Total		614,957	(420)	43,332	(386)	239,016

(*1) The lease payments that the Group made related to the lease liabilities included in other liabilities were ₩113 million for the nine-month period ended September 30, 2023.

② December 31, 2022

(Unit: M Korean won)

Classification	Company	Installment financial assets	Allowance for doubtful accounts	Other assets	Allowance for doubtful accounts	Other liabilities (*1)
The Parent	Hyundai Motor Company Co., Ltd.	345,235	-	695	(7)	107,536
Associates and joint ventures	Hyundai Capital Bank Europe GmbH	29,726	(76)	1,184	-	-
	Hyundai Capital Canada Inc.	-	-	2,327	(23)	-
	Subtotal	29,726	(76)	3,511	(23)	-
Other related parties	Kia Corp.	170,803	-	-	-	26,809
	Hyundai Card Co., Ltd.	120	-	3,982	(40)	129,464
	Hyundai Commercial Inc.	15	-	5	-	5,632
	Hyundai Glovis Co., Ltd.	613	(2)	3,201	(16)	-
	Hyundai Autoever Corp.	146	-	11	-	34
	Hyundai Capital America	-	-	36,374	(364)	-
	Hyundai Engineering Co., Ltd.	1,338	(1)	-	-	-
	Hyundai Construction & Engineering Co., Ltd.	1,623	(1)	-	-	-
	Hyundai Mobis Co., Ltd.	2,604	(4)	51	-	-
	Hyundai Steel Co., Ltd.	7,298	(9)	268	-	-
	Other	4,095	(32)	511	-	401
	Subtotal	188,655	(49)	44,403	(420)	162,340
Total		563,616	(125)	48,609	(450)	269,876

(*1) The lease payments that the Group made related to the lease liabilities included in other liabilities were ₩1,633 million for the year ended December 31, 2022.

3) Transactions of lending with related parties for the nine-month periods ended September 30, 2023 and 2022, are as follows:

① September 30, 2023

(Unit: M Korean won)

Classification	Company	Opening balance	Increase	Decrease	Other(*1)	Closing balance
Transactions of lending:						
Associate	Hyundai Capital Bank Europe GmbH	29,726	97,325	-	1,757	128,808
Transactions of borrowing:						
Other related parties	Hyundai Commercial Inc	4,160	-	(2,880)	-	1,280

(*1) Including effects of changes in exchange rate and others

② September 30, 2022

(Unit: M Korean won)

Classification	Company	Opening balance	Increase	Decrease	Other (*1)	Closing balance
Transactions of lending:						
Associate	Hyundai Capital Bank Europe GmbH	29,531	-	-	1,463	30,994
Transactions of borrowing:						
Other related parties	Hyundai Commercial Inc	8,400	-	(2,200)	-	6,200

(*1) Including effects of changes in exchange rate and others

4) Contribution in cash and redemption with related parties for the nine-month periods ended September 30, 2023 and 2022, are as follows:

① September 30, 2023

(Unit: M Korean won)

Classification	Company	Contribution in cash	Redemption
Associates	Hyundai Capital France	38,990	-
	Hyundai Capital Bank Europe GmbH	140,581	-

② September 30, 2022

(Unit: M Korean won)

Classification	Company	Contribution in cash	Redemption
Associate	Hyundai Capital France	75,191	-

5) Hyundai Motor Securities did not acquire corporate bonds issued by the Group for the nine-month periods ended September 30, 2023 and 2022.

(4) Key management compensation

Compensation to key management for the nine-month periods ended September 30, 2023 and 2022, is as follows:

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Short-term employee benefits	11,068	10,518
Severance and retirement benefits	1,103	8,660
Other long-term employee benefits	20	12

The key management above consists of directors (including outside directors), who have significant authority and responsibilities for planning, operating and controlling the Group.

29. TRANSFER OF FINANCIAL ASSETS:

The Group issued securitized bonds based on the loan receivables and installment financial assets. The related securitized corporate bonds have only claiming rights on corresponding basic assets.

Details of financial assets transferred that are not derecognized as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	Financial receivables measured at amortized cost	
	September 30, 2023	December 31, 2022
Carrying amount of assets:		
Loans receivable	1,386	3,662
Installment financial assets	7,059,799	7,686,403
Subtotal	7,061,185	7,690,065
Carrying amount of associated liabilities(*1)	(4,828,444)	(5,297,074)
Liabilities that have recourse right only to the transferred assets:		
Fair value of assets	7,149,645	7,597,066
Fair value of associated liabilities(*1)	(4,781,708)	(5,177,451)
Net position	2,367,937	2,419,615

(*1) The derivative products were not included. Using the currency swap, the Group hedges the risk from the future cash flow changes on the foreign currency market securitization bonds to be hedged against the market interest rate fluctuation or changes in foreign exchange rates.

30. 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 condensed consolidated interim statements of financial position. This is because the Group does not have any current 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 tables set out the carrying amounts of recognized financial instruments that are subject to the above agreements as of September 30, 2023, and December 31, 2022:

(1) September 30, 2023

(Unit: M Korean won)

Classification	Gross amounts of recognized financial assets/liabilities	Gross amounts of offsetting financial assets/liabilities	Gross amounts of financial assets/liabilities represented in the condensed consolidated interim statement of financial position	Related amounts not offset in the condensed consolidated interim statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Derivative assets	698,917	-	698,917	38,456	-	660,461
Financial liabilities						
Derivative liabilities	47,754	-	47,754	38,456	-	9,298

(2) December 31, 2022

(Unit: M Korean won)

Classification	Gross amounts of recognized financial assets/liabilities	Gross amounts of financial assets/liabilities offset	Gross amounts of financial assets/liabilities represented in the condensed consolidated interim statement of financial position	Related amounts not offset in the condensed consolidated interim statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Derivative assets	729,860	-	729,860	46,199	-	683,661
Financial liabilities						
Derivative liabilities	52,522	-	52,522	46,199	-	6,323

31. 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 condensed consolidated interim statements of financial position, as of September 30, 2023, and December 31, 2022 are as follows:

(Unit: M Korean won)

Classification	September 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and due from other financial institutions	1,230,972	1,233,050	1,973,256	1,973,256
Securities measured at FVTPL	1,649,047	1,649,047	1,076,892	1,076,892
Securities measured at FVOCI	41,462	41,462	62,840	62,840
Loans receivable	9,055,404	8,950,615	9,942,937	9,256,009
Installment financial assets	15,931,468	15,922,792	14,720,776	14,386,615
Lease receivables	2,007,134	2,028,225	2,044,891	2,035,596
Derivative assets	702,542	702,542	729,860	729,860
Non-trade receivables	121,870	121,870	105,847	105,847
Accrued revenues	209,476	209,476	194,463	194,463
Leasehold deposits	28,231	25,299	27,415	23,340
Total	30,977,606	30,884,378	30,879,177	29,844,718
Financial liabilities				
Borrowings	3,217,518	3,238,075	3,034,899	3,209,315
Bonds issued	28,455,791	27,909,189	28,364,258	27,505,375
Derivative liabilities	49,120	49,120	52,522	52,522
Non-trade payables (*1)	424,110	424,110	450,666	450,666
Accrued expenses	169,721	169,721	152,810	152,810
Withholdings (*1)	223,157	223,157	164,160	164,160
Deposits received	273,829	238,540	246,258	212,290
Other liabilities	12	12	26	26
Total	32,813,258	32,251,924	32,465,599	31,747,164

(*1) Excluding liabilities for taxes and dues

The methods and assumptions used for estimation of the fair value of each class of financial instruments were the same as those that were applied to the consolidated financial statements as of and for the year ended December 31, 2022.

(2) Fair value hierarchy

1-1) The fair value hierarchy of financial assets and liabilities measured at fair value in the condensed consolidated interim statements of financial position as of September 30, 2023, and December 31, 2022, is as follows:

① September 30, 2023

(Unit: M Korean won)

Classification	Carrying amount	Fair value	Fair value rank system level		
			Level 1	Level 2	Level 3
Financial assets measured at fair value					
Securities measured at FVTPL	1,649,047	1,649,047	-	1,530,534	118,513
Securities measured at FVOCI	41,462	41,462	19,886	1,226	20,350
Derivative assets	702,542	702,542	-	702,542	-
Total	2,393,051	2,393,051	19,886	2,234,302	138,863
Financial liabilities measured at fair value					
Derivative liabilities	49,120	49,120	–	46,785	2,335
Borrowings					
Borrowings designated as hedged items	129,926	129,926	-	129,926	-
Bonds issued					
Bonds issued designated as hedged items	166,527	166,527	-	138,747	27,780
Total	345,573	345,573	-	315,458	30,115

② December 31, 2022

(Unit: M Korean won)

Classification	Carrying amount	Fair value	Fair value rank system level		
			Level 1	Level 2	Level 3
Financial assets measured at fair value					
Securities measured at FVTPL	1,076,892	1,076,892	-	985,638	91,254
Securities measured at FVOCI	62,840	62,840	23,006	778	39,056
Derivative assets	729,860	729,860	-	729,860	-
Total	1,869,592	1,869,592	23,006	1,716,276	130,310
Financial liabilities measured at fair value					
Derivative liabilities	52,522	52,522	-	50,588	1,934
Borrowings:					
Borrowings designated as hedged	201,437	201,437	-	201,437	-
Bonds issued					
Bonds issued designated as hedged items	231,387	231,387	-	204,148	27,239
Total	485,346	485,346	-	456,173	29,173

1-2) The valuation techniques and inputs for measuring the fair value of financial assets and liabilities measured at fair value in the condensed consolidated interim statements of financial position and classified as Level 2 as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	Fair value		Valuation technique	Inputs
	September 30, 2023	December 31, 2022		
Financial assets measured at fair value:				
Securities measured at FVTPL	1,530,534	985,638	Discounted cash flow ("DCF") model	Discount rate, forward interest rate and others
Securities measured at FVOCI	1,226	778	DCF model	Discount rate
Derivative assets	702,542	729,860	DCF model	Discount rate, forward interest rate, foreign exchange rate and others
Total	2,234,302	1,716,276		
Financial liabilities measured at fair value:				
Derivative liabilities	46,785	50,588	DCF model	Discount rate, forward interest rate, foreign exchange rate and others
Borrowings				
Borrowings designated as hedged items	129,926	201,437	DCF model	Discount rate, forward interest rate and others
Bonds issued				
Bonds issued designated as hedged items	138,747	204,148	DCF model	Discount rate, forward interest rate and others
Total	315,458	456,173		

1-3) The following tables present a reconciliation of changes in the fair value of Level 3 instruments for the nine-month periods ended on September 30, 2023 and 2022:

(Unit: M Korean won)

Classification	September 30, 2023				September 30, 2022			
	Securities measured at FVTPL	Securities measured at FVOCI	Bonds issued	Derivative liabilities	Securities measured at FVTPL	Securities measured at FVOCI	Bonds issued	Derivative liabilities
Opening balance	91,254	39,056	27,239	1,934	14,517	19,859	-	-
Acquisition	32,123	-	-	-	61,335	500	29,884	-
Gains (losses) recognized as profit (loss)	1,471	-	541	401	(439)	-	(2,131)	2,516
Gains (losses) recognized as other comprehensive income (loss)	-	(2,078)	-	-	-	26,833	-	-
Redemption of principal	(6,335)	(16,628)	-	-	(3,370)	-	-	-
Closing balance	118,513	20,350	27,780	2,335	72,043	47,192	27,753	2,516

1-4) The valuation techniques and quantitative information of significant unobserved inputs for financial assets and liabilities measured at fair value in the condensed consolidated interim statements of financial position and classified as Level 3 as of September 30, 2023, and December 31, 2022, are as follows:

① September 30, 2023

(Unit: M Korean won)

Classification		Fair value	Valuation technique	Unobservable inputs	Estimated range of unobservable inputs	Impacts between inputs
Financial assets measured at fair value:						
Securities measured at FVTPL	Debt securities	111,913	NAV model/ Option evaluation model/ Dividend	Discount rate	7.10-9.09%	Fair value is likely to increase while discount rate decreases.
		6,600	Cost method	-	-	-
Securities measured at FVOCI	Equity securities	14,598	Asset-based value model /Profit-based model /Market-based model	Price to Book Ratio (“PBR”)	1.43–1.76%	Fair value is likely to increase while PBR increases.
				Weighted-Average Cost of Capital (“WACC”)	15.41–15.67%	Fair value is likely to increase while WACC decreases.
		500	Cost method	-	-	
	Debt securities	5,252	DCF model	Discount rate	6.09–6.42%	Fair value is likely to increase while discount rate decreases.
Total		138,863				
Financial liabilities measured at fair value:						
Derivative liabilities		2,335	Hull-White One Factor	Correlation coefficient	0.23–0.97	Changes in fair value is likely to increase while WACC increases
Bonds issued		27,780	Hull-White One Factor	Correlation coefficient	0.23–0.97	Changes in fair value is likely to increase while WACC increases
Total		30,115				

② December 31, 2022

(Unit: M Korean won)

Classification		Fair value	Valuation technique	Unobservable inputs	Estimated range of unobservable	Impacts between inputs
Financial assets measured at fair value:						
Securities measured at FVTPL	Debt securities	84,654	NAV model/Option evaluation model/Dividend discount model	Discount rate	5.03–7.11%	Fair value is likely to increase while discount rate decreases.
		6,600	Cost method	-	-	-
Securities measured at FVOCI	Equity securities	17,151	Asset-based value model/Profit-based value model/Market-based value model	PBR	0.92	Fair value is likely to increase while PBR increases.
				WACC	13.31–17.86%	Fair value is likely to increase while WACC decreases.
		500	Cost method	-	-	-
	Debt securities	21,405	DCF model	Discount rate	4.00–5.32%	Fair value is likely to increase while discount rate decreases.
Total		130,310				
Financial liabilities measured at fair value:						
Derivative liabilities		1,934	Hull-White One Factor	Correlation coefficient	0.47–0.96	Changes in fair value are likely to increase, while correlation coefficient increases.
Bonds issued		27,239	Hull-White One Factor	Correlation coefficient	0.47–0.96	Changes in fair value are likely to increase, while correlation coefficient increases.
Total		29,173				

2) The fair value hierarchy of financial assets and liabilities measured at amortized cost in the condensed consolidated interim statements of financial position as of September 30, 2023, and December 31, 2022, is as follows:

① September 30, 2023

(Unit: M Korean won)

Classification	Carrying amount	Fair value	Fair value rank system level		
			Level 1	Level 2	Level 3
Financial assets measured at amortized cost:					
Cash and cash equivalents	936,490	936,490	-	936,490	-
Due from other financial institutions	294,481	296,560	-	296,560	-
Loans receivable	9,055,404	8,950,615	-	-	8,950,615
Installment financial assets	15,931,468	15,922,792	-	-	15,922,792
Lease receivables	2,007,134	2,028,225	-	-	2,028,225
Non-trade receivables	121,870	121,870	-	-	121,870
Accrued revenues	209,476	209,476	-	-	209,476
Leasehold deposits	28,231	25,299	-	25,299	-
Total	28,584,554	28,491,327	-	1,258,349	27,232,978
Financial liabilities measured at amortized cost:					
Borrowings	3,087,592	3,108,149	-	3,108,149	-
Bonds issued	28,289,264	27,742,662	-	27,742,662	-
Non-trade payables (*1)	424,110	424,110	-	-	424,110
Accrued expenses	169,721	169,721	-	-	169,721
Withholdings (*1)	223,157	223,157	-	-	223,157
Deposits received	273,829	238,540	-	238,540	-
Other liabilities	12	12	-	-	12
Total	32,467,685	31,906,351	-	31,089,351	817,000

(*1) Excluding liabilities for taxes and dues

② December 31, 2022

(Unit: M Korean won)

Classification	Carrying amount	Fair value	Fair value rank system level		
			Level 1	Level 2	Level 3
Financial assets measured at amortized cost:					
Cash and cash equivalents	1,747,627	1,747,627	-	1,747,627	-
Due from other financial institutions	225,629	225,629	-	225,629	-
Loans receivable	9,942,937	9,256,009	-	-	9,256,009
Installment financial assets	14,720,776	14,386,615	-	-	14,386,615
Lease receivables	2,044,891	2,035,596	-	-	2,035,596
Non-trade receivables	105,847	105,847	-	-	105,847
Accrued revenues	194,463	194,463	-	-	194,463
Leasehold deposits	27,415	23,340	-	23,340	-
Total	29,009,585	27,975,126	-	1,996,596	25,978,530
Financial liabilities measured at amortized cost:					
Borrowings	2,833,462	3,007,878	-	3,007,878	-
Bonds issued	28,132,871	27,273,988	-	27,273,988	-
Non-trade payables (*1)	450,666	450,666	-	-	450,666
Accrued expenses	152,810	152,810	-	-	152,810
Withholdings (*1)	164,160	164,160	-	-	164,160
Deposits received	246,258	212,290	-	212,290	-
Other liabilities	26	26	-	-	26
Total	31,980,253	31,261,818	-	30,494,156	767,662

(*1) Excluding liabilities for taxes and dues

(3) Gain (loss) assessed at transaction date

At the assessment on the fair value of the unlisted derivatives using the input parameters not based on the observable market data, the fair value of the financial products is recognized in the trading price when the fair value calculated by assessment technique is differed with trading price.

At this time, the difference between the fair value calculated by the assessment technique and the trading price is not recognized as immediate gain or loss, but recognized as deferment. The said difference is amortized in a straight-line method during transaction terms. The deferring balances are all recognized as gain or loss when the factors of assessment technique become observable in the market.

In relation to this, the difference amount and fluctuation details that are being deferred for the nine-month periods ended September 30, 2023 and 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	September 30, 2022
Gain (loss) from recognized assessment adjustment in the beginning	3,374	-
Gain (loss) from recognized assessment adjustment in the newly occurred trading date	-	3,655
Changes on recognized assessment adjustment in the trading date during the period	(272)	(190)
Recognized assessment adjustment in the ending trade date	3,102	3,465

32. 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.

There was no material change in the Group's risk management operations and policies subsequent to December 31, 2022.

33. 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 Article 8 of the 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 equity divided by adjusted total assets based on the Group's financial position in the condensed consolidated interim financial statements.

Adjusted capital adequacy ratios of the Company as of September 30, 2023, and December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	September 30, 2023	December 31, 2022
Adjusted total assets (A)	38,253,886	37,016,317
Adjusted equity (B)	5,611,311	5,366,042
Adjusted capital adequacy ratio (B/A)(*1)	14.67%	14.50%

(*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 parent company of the Group, the Company, should maintain an adjusted capital adequacy ratio of 7% or above in accordance with the Regulation.

Deloitte Anjin LLC
9F., One IFC,
10, Gukjegeumyung-ro,
Youngdeungpo-gu, Seoul
07326, Korea

Tel: +82 (2) 6676 1000
Fax: +82 (2) 6674 2114
www.deloitteanjin.co.kr

Independent Auditors' Report

(English Translation of Independent Auditors' Report Originally Issued in Korean on March 7, 2023)

To the Board of Directors and Shareholders of
Hyundai Capital Services, Inc.:

Report on the Audited Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Hyundai Capital Services, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2022; and the consolidated statements of comprehensive income, changes in equity and cash flows, for the year then ended, and including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in the Republic of Korea as required by prevailing audit regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Deloitte Touche Tohmatsu Limited is a private company limited by guarantee incorporated in England & Wales under company number 07271800, and its registered office is Hill House, 1 Little New Street, London, EC4a, 3TR, United Kingdom.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

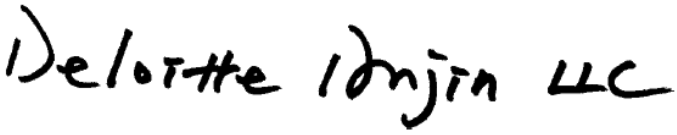
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidences related to financial information and activities of the Group to express opinion the consolidated financial statements. We are responsible for the directionn, supervision and performance of the Group audit. We are solely responsible for out audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte.

Other Matter

KPMG Samjung Accounting Corporation audited the consolidated statement of financial position on December 31, 2021, status quo, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows ending on the said date according to K-IFRS. Unqualified opinion was expressed on the audit report dated on March 18, 2022.



March 7, 2023

This report is effective as of March 7, 2023, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.

Consolidated Financial Statements (Attachment)

HYUNDAI CAPITAL SERVICES, INC.
AND SUBSIDIARIES

As of December 31, 2022

"We, Hyundai Capital Services, Inc. provided the
consolidated financial statements attached."

Representative Director Mok Jin-Won

Headquarters: Sejongdae-ro 14, Jung-gu, Seoul City, Korea

Phone: 1544-2114

Consolidated Statements of Financial Position

As of December 31, 2022 and 2021

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

(Unit: Korean won)

Account	Notes	December 31, 2022		December 31, 2021	
Assets					
I. Cash and due from other financial institutions:			2,958,893,560,226		1,673,883,755,470
1. Cash and cash equivalents	4, 29	1,747,627,400,546		509,170,276,567	
2. Due from banks	4	225,628,606,464		15,930,576,326	
3. Short-term financial investments	5	985,637,553,216		1,148,782,902,577	
II. Securities:			1,757,348,209,778		1,505,653,711,975
1. Investments in subsidiaries, associates and joint ventures	8	1,603,253,639,209		1,437,594,428,180	
2. Measured at fair value through profit or loss ("FVTPL")	6, 9	91,254,422,087		14,517,282,926	
3. Measured at fair value through other comprehensive income ("FVOCI")	7, 9	62,840,148,482		53,542,000,869	
III. Loans receivable:	9, 10		9,942,936,560,239		10,117,989,267,752
1. Loans receivable		10,349,558,596,471		10,493,995,590,123	
Allowance for loan losses		(406,622,036,232)		(376,006,322,371)	
IV. Installment financial assets:	10, 32		14,720,775,655,919		13,752,115,472,889
1. Automobile installment financing receivables		14,896,414,361,932		13,903,329,735,943	
Allowance for loan losses		(175,718,794,545)		(151,301,045,976)	
2. Durable goods installment financing receivables		851,220		1,041,903	
Allowance for loan losses		(851,220)		(989,314)	
3. Mortgage installment financing receivables		95,560,101		103,850,131	
Allowance for loan losses		(15,471,569)		(17,119,798)	
V. Lease receivables:	10, 11		2,044,891,135,936		2,108,313,898,542
1. Finance lease receivables		2,082,226,283,687		2,141,639,560,797	
Allowance for loan losses		(39,304,772,727)		(42,155,630,382)	
2. Canceled lease receivables		20,761,887,403		35,292,792,917	
Allowance for loan losses		(18,792,262,427)		(26,462,824,790)	
VI. Leased assets:	12		5,538,085,730,243		4,559,020,458,787
1. Operating lease assets		7,397,072,179,332		5,998,525,127,938	
Accumulated depreciation		(1,827,987,709,713)		(1,411,525,790,424)	
Accumulated impairment losses		(39,183,318,678)		(39,244,635,590)	
2. Canceled lease assets		11,110,144,804		17,932,458,942	
Accumulated impairment losses		(2,925,565,502)		(6,666,702,079)	
VII. Property and equipment:	14		209,331,200,159		196,788,938,299
1. Land		79,121,040,878		79,121,040,878	
2. Building		112,009,551,682		112,721,826,682	
Accumulated depreciation		(27,055,862,803)		(24,403,263,878)	
3. Vehicles		5,827,810,016		6,141,809,837	
Accumulated depreciation		(3,334,502,561)		(2,915,325,732)	
4. Fixture and furniture		194,801,004,574		176,791,425,514	
Accumulated depreciation		(153,643,254,523)		(154,859,501,966)	
5. Other tangible asset		1,003,789,514		1,003,789,514	
6. Construction in progress		601,623,382		3,187,137,450	

(Continued)

Account	Notes	December 31, 2022		December 31, 2021	
VIII. Right-of-use assets:	13		68,535,878,392		14,356,199,889
1. Right-of-use assets		84,076,416,357		30,176,037,924	
Accumulated depreciation		(15,540,537,965)		(15,819,838,035)	
IX. Other assets:			1,406,656,543,694		988,949,397,323
1. Non-trade receivables		118,150,975,711		108,162,734,414	
Allowance for loan losses	10	(12,304,363,578)		(12,413,200,788)	
2. Accrued revenues		212,693,624,941		172,247,505,129	
Allowance for loan losses	10	(18,230,453,666)		(16,207,479,732)	
3. Advance payments		97,029,925,485		72,425,256,669	
4. Prepaid expenses		100,854,628,813		102,222,523,392	
5. Intangible assets	15	113,843,321,599		108,440,850,762	
6. Derivative assets	19, 33	729,859,529,931		417,396,376,572	
7. Leasehold deposits		27,415,016,828		22,952,054,101	
8. Net defined benefit assets	17	37,344,337,630		13,722,776,804	
Total assets			38,647,454,474,586		34,917,071,100,926
Liabilities					
I. Borrowed funds:	16		31,399,156,390,686		28,519,080,143,454
1. Borrowings		3,034,898,660,480		3,288,512,361,857	
2. Bonds issued		28,364,257,730,206		25,230,567,781,597	
II. Other liabilities:			1,618,627,054,676		1,191,260,197,675
1. Non-trade payables		484,879,935,121		325,863,217,390	
2. Accrued expenses		152,810,096,860		108,056,045,568	
3. Unearned revenue		35,522,346,709		17,671,649,049	
4. Withholdings		212,740,488,327		120,346,510,476	
5. Derivative liabilities	19, 33	52,521,697,742		22,809,636,698	
6. Lease liabilities	13	64,268,569,924		13,238,676,349	
7. Current tax liabilities		47,134,385,532		77,862,485,162	
8. Employee benefit liabilities	17	10,661,154,601		10,072,403,100	
9. Deposits received		246,258,081,825		233,438,604,294	
10. Deferred income tax liabilities	26	233,987,028,902		196,191,399,085	
11. Provisions	18	77,816,974,753		65,696,574,464	
12. Other liabilities		26,294,380		12,996,040	
Total liabilities			33,017,783,445,362		29,710,340,341,129
Equity					
I. Equity attributable to the owners of the Company:			5,629,671,029,224		5,206,730,759,797
1. Issued capital	20	496,537,175,000		496,537,175,000	
2. Capital surplus		388,612,881,398		388,612,881,398	
3. Accumulated other comprehensive income	28	78,615,610,511		92,761,963,177	
4. Retained earnings	20	4,665,905,362,315		4,228,818,740,222	
II. Non-controlling interests			-		-
Total equity			5,629,671,029,224		5,206,730,759,797
Total liabilities and equity			38,647,454,474,586		34,917,071,100,926

See accompanying notes to consolidated financial statements. (Concluded)

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

(Unit: Korean won)

Account	Notes	2022		2021	
I. Operating revenue:			4,436,121,672,685		3,485,601,277,649
1. Interest income	21	41,594,453,050		11,552,045,874	
2. Gain on valuation and sale of securities		995,840,314		663,850,044	
3. Income on loans	21, 22	919,999,406,304		792,566,212,507	
4. Income on installment financial assets	21, 22	629,171,396,370		609,880,872,791	
5. Income on leases	21, 22, 23	2,051,433,136,428		1,359,738,427,154	
6. Gain on sale of loans		24,262,560,009		7,900,710,235	
7. Gain on foreign currency transactions		46,767,137,199		4,816,827,317	
8. Dividend income		635,117,229		518,914,037	
9. Other operating income	24	721,262,625,782		697,963,417,690	
II. Operating expenses:			3,961,628,557,567		2,999,537,652,237
1. Interest expense	21	711,830,054,952		557,742,502,205	
2. Lease expense	22, 23	1,669,992,657,241		1,066,863,154,739	
3. Loss on valuation and sale of securities		1,953,255,338		508,015,962	
4. Provision for loan losses	10	198,292,789,503		139,549,299,864	
5. Loss on sale of loans		2,655,703,950		-	
6. Loss on foreign currency transactions		588,142,809,621		527,253,630,980	
7. General and administrative expenses	25	676,035,918,756		620,189,174,014	
8. Other operating expenses	24	112,725,368,206		87,431,874,473	
III. Operating income			474,493,115,118		486,063,625,412
IV. Non-operating income:			118,623,980,793		109,362,426,211
1. Share in net income of associates and joint ventures under the equity method	8	111,056,060,260		89,844,098,198	
2.Gain on sale of property and equipment		249,506,587		396,192,725	
3. Gain on sale of intangible assets		220,739,600		13,250	
4.Gain on sale of non-current assets held for sale		-		292,695,420	
5. Other		7,097,674,346		18,829,426,618	
V. Non-operating expenses:			9,786,069,129		20,203,479,437
1. Share in net loss of associates and joint ventures under the equity method	8	7,232,381,043		5,031,243,714	
2. Impairment loss on investments in associates and joint venture	8	-		13,331,969,615	
3. Loss on sale of property and equipment		645,980,674		639,887,224	
4. Loss on sale of intangible assets		75,660,000		68,000,000	
5. Impairment loss on intangible assets		924,725,780		-	
6. Donation		766,177,405		1,040,861,905	
7. Other		141,144,227		91,516,979	
VI. Profit before income taxes			583,331,026,782		575,222,572,186
VII. Income taxes	26		146,244,404,689		143,167,737,754
VIII. Profit from continuing operations			437,086,622,093		432,054,834,432
IX. Profit from discontinued operations, net of tax	38		-		545,124,502
X. Profit for the year			437,086,622,093		432,599,958,934
XI. Other comprehensive income (loss), net of income taxes:	28		(14,146,352,666)		133,768,182,688
1. Items that will never be reclassified to profit or loss:			(3,933,970,508)		(12,304,133,663)
(1) Remeasurements of defined benefit plans		802,556,220		(1,890,416,609)	

(Continued)

Account	Notes	2022		2021	
(2) Net change in unrealized gains and losses on equity securities measured at FVOCI		(4,736,526,728)		(10,413,717,054)	
2. Items that are or may be reclassified subsequently to profit or loss:			(10,212,382,158)		146,072,316,351
(1) Share in other comprehensive income(loss) of associates and joint ventures under the equity method		(10,123,342,559)		64,641,415,622	
(2) Net change in effective portion of cash flow hedges		(566,043,941)		80,359,303,364	
(3) Overseas project conversion profit or loss		1,053,336,186		1,167,347,794	
(4) Net change in unrealized gains and losses on debt securities measured at FVOCI		(576,331,844)		(95,750,429)	
XII. Total comprehensive income for the period:			422,940,269,427		566,368,141,622
1. Profit attributable to:			437,086,622,093		432,599,958,934
(1) Equity attributable to the owners of the Company		437,086,622,093		432,599,958,934	
A. Continuing operations profit for the period		437,086,622,093		432,054,834,432	
B. Discontinued operations profit for the period		-		545,124,502	
(2) Non-controlling interests		-		-	
2. Total comprehensive income attributed to:			422,940,269,427		566,368,141,622
(1) Equity attributable to the owners of the Company		422,940,269,427		566,368,141,622	
(2) Non-controlling interests		-		-	
XIII. Equity attributable to the earnings of the owners of the Company per share:	27				
1. Basic and diluted earnings per share (EPS) of continuing operations (in Korean won)			4,401		4,351
2. Basic and diluted EPS of discontinued operations (in Korean won)			-		5

See accompanying notes to consolidated financial statements. (Concluded)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

(Unit: M Korean won)

Account	Equity attributable to the owners of the Company					Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus		Accumulated other comprehensive income (loss)	Retained earnings			
		Additional paid-in capital	Other capital surplus					
Balance as of January 1, 2021	496,537,175,000	369,339,066,885	19,273,814,513	(41,006,219,511)	3,887,978,851,228	4,732,122,688,115	-	4,732,122,688,115
Total comprehensive income (loss):								
1. Profit for the period	-	-	-	-	432,599,958,934	432,599,958,934	-	432,599,958,934
2. Other comprehensive income (loss), net of income taxes								
(1) Share in other comprehensive income(loss) of associates and joint ventures under the equity method	-	-	-	64,641,415,622	-	64,641,415,622	-	64,641,415,622
(2) Net change in effective portion of cash flow hedges	-	-	-	80,359,303,364	-	80,359,303,364	-	80,359,303,364
(3) Overseas project conversion profit or loss	-	-	-	1,167,347,794	-	1,167,347,794	-	1,167,347,794
(4) Remeasurements of defined benefit plans	-	-	-	(1,890,416,609)	-	(1,890,416,609)	-	(1,890,416,609)
(5) Net change in unrealized gains and losses on equity securities measured at FVOCI	-	-	-	(10,413,717,054)	-	(10,413,717,054)	-	(10,413,717,054)
(6) Net change in unrealized valuation gains and losses on debt securities measured at FVOCI	-	-	-	(95,750,429)	-	(95,750,429)	-	(95,750,429)
Total	-	-	-	133,768,182,688	432,599,958,934	566,368,141,622	-	566,368,141,622
Transaction with owners of the Group:								
1. Annual dividends	-	-	-	-	(91,760,069,940)	(91,760,069,940)	-	(91,760,069,940)
December 31, 2021	496,537,175,000	369,339,066,885	19,273,814,513	92,761,963,177	4,228,818,740,222	5,206,730,759,797	-	5,206,730,759,797
Balance as of January 1, 2022	496,537,175,000	369,339,066,885	19,273,814,513	92,761,963,177	4,228,818,740,222	5,206,730,759,797	-	5,206,730,759,797
Total comprehensive income (loss):								
1. Profit for the period	-	-	-	-	437,086,622,093	437,086,622,093	-	437,086,622,093
2. Other comprehensive income (loss), net of income taxes:								
(1) Associates and joint ventures' other comprehensive income(loss) under the equity method, net of income taxes	-	-	-	(10,123,342,559)	-	(10,123,342,559)	-	(10,123,342,559)
(2) Net change in effective portion of cash flow hedges	-	-	-	(566,043,941)	-	(566,043,941)	-	(566,043,941)
(3) Overseas project conversion profit or loss	-	-	-	1,053,336,186	-	1,053,336,186	-	1,053,336,186
(4) Remeasurements of defined benefit plans	-	-	-	802,556,220	-	802,556,220	-	802,556,220

(Continued)

(Unit: M Korean won)

Account	Ownership share of the Company			

	Gross carrying amount	Capital surplus		Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
		Additional paid-in capital	Other capital surplus					
(5) Net change in unrealized gains and losses on equity securities measured at FVOCI	-	-	-	(4,736,526,728)	-	(4,736,526,728)	-	(4,736,526,728)
(6) Net change in unrealized valuation gains and losses on debt securities measured at FVOCI	-	-	-	(576,331,844)	-	(576,331,844)	-	(576,331,844)
Total	-	-	-	(14,146,352,666)	437,086,622,093	422,940,269,427	-	422,940,269,427
Transaction with owners of the Group:								
1. Annual dividends	-	-	-	-	-	-	-	-
December 31, 2022	496,537,175,000	369,339,066,885	19,273,814,513	78,615,610,511	4,665,905,362,315	5,629,671,029,224	-	5,629,671,029,224

See accompanying notes to consolidated financial statements. (Concluded)

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES (Unit: Korean won)

Account	Notes	2022		2021	
I. Cash flows from operating activities:			(1,111,074,546,800)		(367,733,679,259)
Cash generated from operations	29	(382,363,739,212)		244,387,478,406	
Interest received		39,790,990,352		11,311,682,072	
Interest paid		(635,923,539,713)		(537,450,265,953)	
Dividends received		635,117,229		518,914,037	
Income taxes paid		(133,213,375,456)		(86,501,487,821)	
II. Cash flows from investing activities:			(223,066,754,431)		(40,359,729,466)
Dividend received from investments in associates and joint ventures		-		13,872,901,080	
Acquisition of investments in associates and joint ventures		(75,190,865,003)		(27,630,000,000)	
Acquisition of securities measured at FVTPL		(82,087,635,636)		-	
Disposal of securities measured at FVTPL		3,438,670,480		-	
Acquisition of securities measured at FVOCI		(25,100,000,000)		-	
Disposal of securities measured at FVOCI		8,342,857,143		-	
Disposal of land		-		124,630,114	
Acquisition of building		-		(21,340,000)	
Disposal of building		-		117,427,170	
Acquisition of vehicles		(246,199,246)		(1,119,422,811)	
Disposal of vehicles		268,621,745		373,475,590	
Acquisition of fixture and furniture		(8,863,324,129)		(9,149,869,978)	
Disposal of fixture and furniture		153,840,353		29,942,141	
Disposal of other tangible asset		-		1,266,325,000	
Increase of construction in progress		(4,453,239,558)		(4,697,378,682)	
Acquisition of intangible assets		(37,864,291,345)		(28,632,994,751)	
Disposal of intangible assets		5,791,045,000		4,298,071,250	
Increase in leasehold deposits		(15,590,377,670)		(4,685,257,761)	
Decrease in leasehold deposits		8,334,143,435		2,020,385,972	
Disposal of non-current assets held for sale		-		5,473,376,200	
Disposal of asset to be sold in discontinued operations		-		8,000,000,000	
III. Cash flows from financing activities:	29		2,572,598,425,210		510,859,449,128
Proceeds from borrowings		2,931,127,413,250		2,687,020,000,000	
Repayments of borrowings		(3,189,275,030,000)		(2,935,451,350,000)	
Proceeds from bonds issued		12,502,241,538,057		9,880,783,689,972	
Repayments of bonds issued		(9,717,023,531,333)		(8,944,788,300,000)	
Net increase in derivatives as hedging instruments		60,712,648,660		(68,868,186,371)	
Repayments of lease liabilities		(15,184,613,424)		(16,076,334,533)	
Dividend paid		-		(91,760,069,940)	
IV. Cash changes on foreign currency conversion			-		339,141,410

(Continued)

Account	Notes	2022		2021	
V. Net increase in cash and cash equivalents (I+II+III+ IV)			1,238,457,123,979		103,105,181,813
VI. Cash and cash equivalents at beginning of year	29		509,170,276,567		406,065,094,754
VII. Cash and cash equivalents at end of year	29		1,747,627,400,546		509,170,276,567

See accompanying notes to consolidated financial statements. (Concluded)

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 the Company 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, 2022, the Company's operations are headquartered at 14 Sejong-daero, Jongno-gu, Seoul, Korea. Its major shareholders are Hyundai Motor Company and Kia Corporation with 59.68% and 40.10% ownership, respectively.

The consolidated financial statements include the accounts of the Company and its subsidiaries, including Autopia 65th asset-backed 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 eight other associates and joint ventures are accounted for using the equity method.

(1) The Group's subsidiaries

Subsidiaries as of December 31, 2022 and 2021, are as follows:

Classification	Business place	Industry	Financial statement date	Ownership (%)	December 31, 2022	December 31, 2021
SPCs (*1)	Korea	Asset securitization vehicles	December 31, 2022	50.00	Autopia 65th SPCs,	Autopia 64th SPCs,
					Autopia 66th SPCs,	Autopia 65th SPCs,
					Autopia 67th SPCs,	Autopia 66th SPCs,
					Autopia 68th SPCs,	Autopia 67th SPCs,
					Autopia 69th SPCs, Autopia 70th SPCs,	Autopia 68th SPCs, Autopia 69th SPCs,
					Autopia 71st SPCs,	Autopia 70th SPCs,
					Autopia 72nd SPCs,	Autopia 71st SPCs and
					Autopia 73rd SPCs,	Autopia 72nd SPCs
					Autopia 74th SPCs, Autopia 75th SPCs and	
Structured Entity (*2)	Korea	Other financial services	December 31, 2022	-	Zavurov First Co., Ltd.	Zavurov First Co., Ltd.
Limited liability companies (*3)	Germany	Management consultancy activities	December 31, 2022	100.00	Hyundai Capital Europe GmbH	Hyundai Capital Europe GmbH
Limited liability companies	India	Management consultancy activities	December 31, 2022	100.00	Hyundai Capital India Private Limited	Hyundai Capital India Private Limited
Limited liability companies	Brazil	Management consultancy activities	December 31, 2022	100.00	Hyundai Capital Brasil LTDA	Hyundai Capital Brasil LTDA
Incorporated company	Australia	Management consultancy activities	December 31, 2022	100.00	Hyundai Capital Australia PTY Limited	Hyundai Capital Australia Pty Limited
Limited liability companies (*4)	Indonesia	Management consultancy	December 31, 2022	100.00	PT. Hyundai Capital Indonesia	PT. Hyundai Capital Indonesia
Investments trusts	Korea	Investments trusts	December 31, 2022	100.00	Specified money trusts (nine trusts) (21 cases)	Specified money trusts (nine trusts) (7 cases)

(*1) ABS SPCs are established for asset liquidation purposes. Although the Company owns less than 50% of the shares of subsidiaries, it is considered that the Group has control over the companies as it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees.

(*2) It is established to finance real estate projects. Although the Company owns less than 50% of the shares of subsidiary, it is considered that the Group has control over the company as 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.

(*3) Hyundai Capital Europe GmbH holds 100% ownership interests of Hyundai Capital Services Limited Liability Company in Russia.

(*4) The Company owns directly 99.50% shares; however, it was written in 100% by adding the portions indirectly owned through the president of the subsidiary according to the local laws.

(2) Changes in subsidiaries

The subsidiaries newly included into the Group's consolidated financial statements and the subsidiaries excluded from the Group's consolidated financial statements during the year ended December 31, 2022, except for changes in specified money trust accounts in which the Group invests, are as follows:

1) Subsidiaries newly included in the consolidated financial statements during the year ended on December 31, 2022:

Subsidiaries	Reason
Autopia 73rd SPCs, Autopia 74th SPCs and Autopia 75th SPCs.	SPC (investments trusts) established during the period in relation to new asset securitization vehicles.

2) Subsidiaries excluded in the consolidated financial statements during the year ended on December 31, 2022:

Subsidiaries	Reason
Autopia 64th SPCs	Liquidated during 2022

(3) Key financial information of subsidiaries as of December 31, 2022, is summarized as follows:

(Unit: M Korean won)

Company	Asset	Liability	Equity	Operating revenue	Net income (loss)	Total comprehensive income (expense)
Hyundai Capital Europe GmbH	24,883	924	23,959	7,997	(430)	625
Hyundai Capital India Private Limited	862	167	695	1,473	3	(26)
Hyundai Capital Brasil LTDA	388	-	388	462	128	153
Hyundai Capital Australia Pty Limited	970	114	856	1,253	(152)	(146)
PT. Hyundai Capital Indonesia	289	31	258	642	71	69
Autopia ABS SPCs	5,326,477	5,305,477	21,000	235,398	6,340	12,928
Zavurov First Co., Ltd.	11,030	11,030	-	644	12	12
Specified money trusts (21 trusts)	938,720	-	938,720	3,320	3,320	3,320

(4) Nature of risks related to structured entities consolidated into the Group

As of December 31, 2022, the Company provides guarantees to the counterparties of currency swaps in relation to asset-backed securitized notes issued by Autopia 68th and 69th ABS SPCs, structured entities that the Group consolidates. 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.

2. BASIS OF PREPARATION:

(1) Application of accounting standards

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRS), as prescribed in the Act on External Audit of Stock Companies, etc. 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 statements of financial position:

- Derivative financial instruments measured at fair value
- Financial instruments to be measured at FVTPL
- Financial instruments to be measured at FVOCI
- 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 Group'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.

The uncertain external and internal financial environment and potential credit risks from abrupt economic downturn are reflected in the forward-looking information in calculation of the expected credit loss (ECL) allowance. The Group has been monitoring the impact of the said uncertainty on the global economy, the Group's business and its financial position.

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 3. (2) – Consolidation standards
- Note 3. (5) – Financial assets
- Note 3. (7) – Leases
- Note 3. (13) – 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 – Investments in associates and joint ventures
- Note 10 – Allowance for loan losses
- Note 17 – Employment benefit liabilities
- Note 18 – Provisions
- Note 26 – Income Taxes - recognition of deferred tax assets
- Note 30 – Commitments and contingencies
- Note 34 – Fair value Measurements of Financial Instruments

(5) Measurement of fair value

The Group has established fair value assessment policies and procedures. These policies and procedures include the operation of the department responsible for reviewing all significant fair value measurements, including those classified as Level 3 of the fair value hierarchy, and the results are reported directly to the finance executive.

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 Company 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 34.

(6) Approval of consolidated financial statements

The Company's consolidated financial statements were authorized for issue by the board of directors on February 8, 2023, and will be submitted for approval at the annual meeting of shareholders on March 29, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. Except for the changes as described in (1), the accounting policies applied by the Group in these consolidated financial statements are as same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2021.

The consolidated statement of comprehensive income for the year ended December 31, 2021, has been restated to separately present the results of the discontinued operation from that of the continuing operations.

(1) Changes in accounting policies

The Group has applied the following standards with initial application date of January 1, 2022, and the application of the standards has no significant effect on the consolidated financial statements.

- *K-IFRS No. 1103, Business Combinations* - Reference for concept system (Revised)

The said revision includes the details into K-IFRS 1103 to refer to 'Concept System' (2018) instead of the old Concept System (2007). For the provisional liabilities or contingent liabilities categorized into the range of K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*, the said revision adds the requirement of applying K-IFRS 1037 for the acquisitioner to decide whether the present obligations exist consequently to the past events at the acquisition date. For the payments falling on the application scope of K-IFRS 2121, the K-IFRS 2121 is applied to decide the obligatory events to bring the liabilities for payment till the acquisition date. The said revision adds the explicit paragraph that the acquisitioner does not recognize the contingent liabilities in business combinations.

- K-IFRS 1016, *Tangible Asset* - Cost on the sales proceeds of the goods produced before using in intended manner (Revised)

The said revision prohibits the management to deduct the proceeds of the tangible asset from the cost of the tangible asset in the course of reaching to the point and state required to operate it in the manner intended. Accordingly, such sale proceeds and related costs are recognized as net profit (loss) and such cost is measured according to K-IFRS 1002, *Inventories*.

The consolidated statements of comprehensive income, which include the amounts of the sale proceeds, cost and the account, shall be publicized when the proceeds and cost of the goods produced are not registered separately in the consolidated statements of comprehensive income as the goods are not derived from the usual activities of the entity.

The said revision is quoted retrospectively to the tangible asset reached to the point and state to be operated in the intended manner of the management since the date of the earliest time registered in the consolidated financial statements quoted with the revised details initially. The first quoting effect is recognized by adjusting the opening balance of the retained earnings (otherwise, if proper, another component of the equity) at the earliest starting date registered.

- K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Asset* – loss-bearing commitment - commitment cost (Revised)

The said revision clarifies that the commitment cost is made of the costs related directly to the commitment. The cost related directly to the commitment is composed of the augmented cost (e.g., direct labor cost and direct raw material cost) and other cost distributions (e.g., depreciation on the tangible asset used for the commitment) to execute the commitment.

The said revision is quoted to the commitment not finished for all obligations at the starting date of the fiscal year of the first quotation of this revision. The comparative financial statements are not made again; instead, the accumulation effects from the first application of the revised details are recognized as the retained earning opening balance in the first application date or, if proper, as another equity.

- Consecutive revisions on K-IFRSs accepted by Korea on 2018-2020

The said consecutive revisions include K-IFRS 1101, *First-time Adoption of international Financial Reporting*, K-IFRS 1109, *Financial Instruments*, K-IFRS 1116, *Lease*, and a part of the revisions on K-IFRS 1041, *Agriculture*.

① K-IFRS 1101

The said revision provides the additional exemption on the accounting procedures of accumulated translation differences of the subsidiaries, which accepts the revision firstly later than the parent. The subsidiaries accepting the exemption regulations of D16(1) may choose to measure the accumulated translation differences in all overseas business sites with the carrying amount to be included in the consolidated financial statements of the parent by registering the opening balance on the conversion date to the International Accounting Principles of the parent accepted by Korea. However, the effects of the business combinations of acquisitioning the subsidiaries by the parent and the adjustments in the consolidating process are excluded. For the cases of quoting the exemption regulations in D16 (1), paragraph K-IFRS 1101 by the other related parties or the common entities, the similar choices are available.

② K-IFRS 1109

The said revision includes only the fees to be received or paid between the entity ("borrower") and lender in applying '10%' test for deciding the elimination of the financial liabilities. It clarifies the inclusion of the fees paid or received by the enterprise or the lender on behalf of the other parties. The said revision is applied progressively to the changes and exchanges occurred after the first application date.

③ K-IFRS 1116

The said revision deleted the details on the lease changing compensation in the case 13, K-IFRS 1116.

(2) Consolidation standards

1) Subsidiaries

Subsidiaries are enterprises controlled by the Group and controlling power means the right to be exposed to changes in profit by involving an investee and competence influential to such profit of investee with own competence. The consolidated financial statements of subsidiaries are included in the consolidated financial statements across obtaining and losing controlling power. The consolidated financial statements are made by correcting consolidated financial statements of constituent enterprises of the Group when different accounting principles are adopted than those used in financial statements for the same trades and events occurred from similar situation.

The Group writes off carrying amounts of receivables and payables from internal transaction and accounted revenues and costs. The Group corrects principles and applies for consistency when accounting principles of subsidiaries and the Group are different.

The cases of not losing controlling power due to ownership share on subsidiaries are recognized for equity trade and the cases of possessing remained shares after losing the controlling power on subsidiaries are recognized as net income or loss by remeasuring the fair value of the remained shares.

2) Business merging

The business merging of the Group is accounted for using the acquisitioning method. The transfer value is measured by aggregating the assets provided, issued share certificate and fair value of liabilities taken or occurred at acquisition date. The acquisition costs include the fair value on the assets and liabilities occurred from conditional value payment commitments. The identifiable assets, liabilities and contingent liabilities obtained from business merging are firstly measured with the fair value on the acquisition date. The Group may measure the non-ownership share in fair value or in proportional share out of net assets of acquisitionee by determining on individual case of acquisition.

The Group recognizes the exceeding amount in goodwill when the aggregates of transfer value, non-ownership share amount against acquisitioneee and fair value on share on acquisition date exceed fair value on net assets of acquisitioning subsidiaries and it is recognized as net income or loss when it is smaller than fair value on net assets of acquisitioning subsidiaries.

Joint ventures means common commitments owned by the parties of common controlling power on the net assets committed. The common controlling power is sharing agreed on committed controlling power and it exists only at the unanimous decision on the related activities by the parties sharing controlling power.

3) Joint ventures and associates

The investments to associates or joint ventures are recognized as acquisition cost firstly and accounted for by using the equity method. In application of equity method, the investments from associates and joint ventures adjust the changes on shares in net assets of associates and joint ventures occurred after share acquisition and reinstate in the consolidated financial statements in amount deducting the loss of associates and joint ventures.

4) Non-ownership share

The loss of associates and joint ventures exceeding the share (actually including long-term investment constituting a part of net investment of associates and joint ventures) of the Group on associates and joint ventures is only recognized in the case of legal obligation or constructive obligation of payment instead of associates and joint ventures.

The investment the associates or joint ventures is accounted by applying equity method when the investee becomes an associate or a joint venture. On acquisition date status quo, the acquisition costs out of the identifiable assets, liabilities and contingent liabilities of associates and joint ventures exceed the share of the Group is recognized as goodwill and such goodwill is included in the book value of the invested assets. In case of existing share amount of the Group on the net fair value of the identifiable assets, liabilities and contingent liabilities exceeding acquisition costs is recognized as net income or loss.

The requirements on K-IFRS No. 1036, *Impairment of Assets*, is applied to determine the necessity of recognizing the loss related to net investment of the Group when objective evidences exist that the net investment of the Group to associates or joint ventures is in loss. In case of loss symptom, the investigation into the loss is made by comparing overall book values (including goodwill) of associates and joint venture and revocable amount (bigger amount out of net fair value and use value) according to K-IFRS No. 1036. The recognized loss is not distributed to any assets (including goodwill) constituting a part of book value of investments by associates and joint venture. The returning of loss is recognized as much of increased collection on invested assets successively according to K-IFRS No. 1036.

The unrealized profit from transactions among the Group, associates or joint ventures are de-recognized within the limit of the Group's share on associates and joint ventures. Also, the unrealized profit is de-recognized, unless provided the evidence of the loss from the trade transferred asset. The equity method is adopted at the necessity for the accounting principles of associates and joint ventures by correcting a part of consolidated financial statements of associates and joint ventures to apply consistent policies.

The amount corresponding to share of the Group out of the net income from associates and joint ventures after acquisitioning the shares of associates and joint ventures is recognized as net income and the amount corresponding to share of the Group out of the profit surplus changes after acquisitioning associates and joint ventures is recognized as profit surplus. The investor suspends the recognition on the loss beyond the investment share on associates and joint ventures when the investor's share out the loss of associates and joint ventures is same or over the share of associates and joint ventures. The investment share on associates and joint ventures is the amount, including the long-term investment share constituting the book value of investment assets where equity method is applicable and a part of investor's net assets actually.

(3) Foreign current conversion

1) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the 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.

2) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the consolidated 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 equivalent assets

Cash and cash equivalents are composed of 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

1) Classification

The Group classifies financial assets as financial assets measured at FVTPL, amortized costs or FVOCI. The classification depends on the Group's business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument at initial recognition.

① Financial assets measured at FVTPL

A financial asset held for trading and a financial asset designated as at FVTPL are classified in this category. A financial asset shall be measured at FVTPL, unless it is measured at amortized costs or at FVOCI. Regarding a derivative, it shall be classified as a financial asset measured at FVTPL, unless hedge accounting is applied.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on difference bases.

② Financial assets measured at amortized costs

If financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows and meets the condition that the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the financial asset is measured at amortized costs.

③ Financial assets measured at FVOCI

A debt instrument shall be measured at FVOCI if the instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset and the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity instruments held by the Group not for trading, but for the purposes of strategic alliance can be designated as a financial asset measured at FVOCI.

2) 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 FVTPL, transaction costs that are directly attributable to the asset's acquisition or issuance. Financial assets measured at FVTPL 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. Subsequently, financial assets measured at FVTPL and FVOCI are measured at fair value. Subsequent to the initial recognition, financial assets measured at amortized costs are measured at their amortized cost using the effective interest rate method.

Gains or losses arising from a change in fair value, dividends and interest income on the financial assets measured at FVTPL are recognized in profit or loss.

Interest income on financial assets measured at amortized costs using the effective interest rate method is recognized in profit or loss.

Gains or losses arising from a change in fair value on the financial assets measured at FVOCI, other than interest income using the effective interest rate method, dividend income and exchange differences arising on monetary items, which are recognized in profit or loss, are recognized as other comprehensive income in equity. Upon disposal of financial assets at FVOCI, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss at disposal. The cumulative gain or loss previously recognized in other comprehensive income of equity instrument designated as at FVOCI is not reclassified to profit or loss at disposal.

Financial assets measured at FVOCI denominated in foreign currencies are translated at the closing date. Exchange differences resulting from changes in amortized costs are recognized in profit or loss and other changes are recognized as equity.

3) 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 separate 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.

4) ECLs

4-1) Recognition of ECLs (loss allowance)

The Group measures ECL and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized costs and FVOCI.

ECLs are estimated at present value of probability weighted amount that is determined by evaluating a range of possible outcomes. The Group measures ECLs by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The approaches of measuring ECLs in accordance with K-IFRS No. 1109 are as follows:

- General approach: For financial assets not subject to the below approaches and unused loan commitments off-statement of financial position
- Simplified approach: For financial assets that are trade receivables, contract assets and lease receivables
- Credit-impaired approach: For financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. After initial recognition, loss allowances for the assets without significant increase in credit risk are measured at the amount of 12-month ECLs, whereas the loss allowances for the assets with significant increase in credit risk are measured at the amount of lifetime ECLs. Lifetime is presumed to be a period to the contractual maturity date of financial assets (the expected life of financial assets).

In simplified approach, loss allowances are measured at an amount equal to lifetime ECLs. In case of credit-impaired approach, only the cumulative changes in lifetime ECLs since initial recognition as a loss allowance are recognized.

The Group determines whether the credit risk has increased significantly using the following information and if one or more of the following conditions are met, it is deemed as significant increase in credit risk.

- More than 30 days' past due
- Decline in credit rating at the end of period by more than certain notches as compared to that at initial recognition
- At certain internal credit rating or below at the end of period
- Classification of asset soundness as certain grade or below in accordance with regulations on supervision of specialized credit finance business
- Correspond to other qualitative indicator which the Group defines as indices of significant increase in credit risk upon consideration of borrower, loan, market characteristic and others

The Group defines default same with bankruptcy in accordance with risk management policies. If one or more of the following items are met, it is deemed as that a borrower is in default.

- More than 90 days' past due
- Charge-off of a loan resulted from deterioration of credit
- Sale of a credit loan accordingly as deterioration of credit rating notwithstanding significant economic losses
- Decrease in an amount of a loan resulted from exemption of principal, interest or related fees or an extension of debt maturity due to debt restructuring

- Being declared bankruptcy or filing a related law suit against a borrower
- Declaration of bankruptcy or taking similar measure in order for a borrower to delay or suspend payment schedule
- Correspond to other indicators defined as impairment upon consideration of characteristics for borrower, loan, market and others not subject to the above items

The Group judges the recognition of loss allowance is the best estimation, which is consistent with risk management policies of the Group.

4-2) Forward-looking information

The Group uses forward-looking information when it measures the ECLs.

The Group assumes that the risk component has a certain correlation with the economic cycle and calculates the ECL by reflecting the forward-looking information using modeling of macroeconomic variables and the risk component. The Group periodically reviews the methodology and hypothesis in order to reduce the gap between actual and estimated components and the primary factors the Group considers are as follows:

- Changes in Gross Domestic Product
- Changes in unemployment rate
- Unemployment rate
- Basic interest rate
- Changes in basic interest rate
- Basic interest change rate
- Changes in expected inflation
- Composite credit risk
- Changes in large corporation credit risk
- Retail sales index change rate
- Change rate of Industrial Production Index

4-3) Measuring ECLs on financial assets measured at amortized costs

The ECLs on financial assets at amortized cost are measured as the difference between the asset's contractual terms of cash flows and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, the Group collectively estimates ECL by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

① Individual assessment of impairment

Individual assessment of impairment is calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flows of the borrower and net realizable value of any collateral held.

② Collective assessment of impairment

Collective assessment of impairment is performed by using estimation model based on historical loss experience and reflecting forward-looking information in order to ECLs inherent in portfolio. The estimation model applies probability of default estimated for assets (or each group of assets) and loss given default by type of collateral by considering factors, such as product and borrowers, credit rating, portfolio size and recovery period. Additionally, consistent assumptions are applied to form a formula-based model in estimating ECL and to determine factors on the basis of historical loss experience and forward-looking information. The methodology and assumptions used for collective assessment of impairment are reviewed regularly to reduce any differences between estimated and actual losses.

The Group shall recognize a loss allowance for ECLs on financial assets measure at amortized costs. When the Group has no reasonable expectations of recovering the financial assets in its entirety or a portion thereof, the Group shall directly reduce the gross carrying amount and the loss allowance recognized. If the portion of financial assets the Group already write-offs is recovered, the Group shall increase the loss allowance and recognize changes of the loss allowance amount in profit or loss.

4-4) Measurement of ECLs on financial assets measured at FVOCI

The Group measures ECLs on financial assets measured at FVOCI identical in the same with the measurement for financial assets measured at amortized costs. Changes in loss allowances shall be recognized in other comprehensive income. When the financial assets are de-recognized due to disposal or repayments, the cumulative loss allowance previously recognized in other comprehensive income is reclassified from equity to profit or loss.

5) Write-off policy

The Group writes off loans and receivables when the assets are deemed unrecoverable. This decision considers the information about significant changes of financial position, such as when a borrower or an obligor is in default or the amount recoverable from security is insufficient. In general, the decision for write-offs for homogenous consumer loans with relatively smaller balances is made based on the delinquent status of the loan.

(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 prepaid 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.

(7) Leases

The Group determines whether a contract is a lease or contains a lease at an inception date. The contract is, or contains, the lease if the contract conveys the rights to control the use of an identified asset for a period of time in exchange for consideration. The Group shall assess, based on K-IFRS No. 1116, whether the contract is, or contains, a lease.

1) Lessee

The Group allocates the consideration to those components on the basis of the relative stand-alone price at the inception date or the date of reassessment. As the Group decided to apply the practical expedient, the Group elects not to separate non-lease components from lease components and instead accounts for each lease component and any associated non-lease components as a single lease component.

The Group decided to apply the practical expedient not to recognize a right-of-use asset and a lease liability for short-term leases and leases for which the underlying asset is of low value. The Group shall recognize the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancelable period of a lease with periods covered by an option to extend the lease. The assessment whether the Group is reasonably certain to exercise the option to extend the lease or not affects the determination of the lease term. The carrying amounts of the right-of-use asset and the lease liability are significantly affected by the assessment.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The Group initially measures the right-of-use asset at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located of restoring the underlying asset to the condition required by the terms and conditions.

The right-of-use assets are depreciated on a straight-line basis over the lease term. However, in case the ownership of the right-of-use assets transfer to at the end date of the lease term or the exercise price of purchase option reflected in the price of the right-of-use assets, the right-of-use assets are depreciated over useful lives on the same basis as property and equipment. Also, the right-of-use asset could be subsequently deducted or adjusted due to depreciation or impairment losses.

At the commencement date, the Group shall recognize the lease liability at the present value of the lease payments that are not paid at the date. The lease payments shall be discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, the Group's incremental borrowing rate shall be used. The Group uses the incremental borrowing rate.

The Group calculates the incremental borrowing interest rate by adjusting the interest rate obtained from various external financial information to reflect the conditions of the lease and the characteristics of the leased asset.

Lease payments included in the measurement of the lease liabilities consist of the following:

- Fixed lease payments (including substantial fixed payments).
- Variable lease payments depending on an index or a rate (initially measured using the index or rate of the lease at an inception date).
- The amounts expected to be payable under a residual value guarantee.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise a purchase option, payments of extended term if the lessee is reasonably certain to exercise an option to extend the lease, and payments of penalties for early termination of lease, unless the lessee is reasonably certain not to terminate early.

Lease liabilities are amortized under the effective interest method. The Group remeasures the lease liability when there is a change in future lease payments resulting from changes in an index or a rate used to determine those payments, the amounts expected to be payable under a residual value guarantee, an assessment whether the Group is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset or not to exercise an option to terminate the lease or a change in substantial fixed lease payments. When the lease liabilities are remeasured, the right-of-use assets related to the lease liabilities are adjusted and if the carrying amount of the right-of-use assets decreases to ₩0, remeasurements are recognized in profit or loss.

2) Lessor

2-1) 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.

The following factors indicate that substantially all of the risks and rewards incidental to the ownership of the asset are transferred to the lessee, resulting in classification as a financial lease:

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.

2-2) Finance leases

Where the Group has transferred 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 statements 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 canceled in the middle of its lease term, the Group reclassifies the amount of financial lease receivables into canceled leased receivables, while the amount of financial lease receivables not yet due is reclassified as canceled leased assets for returned off-lease vehicles. The Group’s policy is to promptly sell returned off-lease vehicles for canceled finance leases as soon as practical.

2-3) Operating leases

The property on operating leases where the Group is the lessor is stated at acquisition cost, net of accumulated depreciation and impairment. Expenditures that are incurred for the lease contract made, but not executed at the date of the consolidated statements of financial position, are accounted for as prepaid leased assets and are reclassified as operating lease 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 canceled operating leases as soon as practical.

(8) 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:

classification	Useful life	Depreciation method
Buildings	40 years	Straight-line method
Structures	40 years	Straight-line method
Vehicles	4–15 years	Straight-line method
Fixtures and furniture	3–4 years	Straight-line method
Other tangible assets	5 years	Straight-line method

Work of art classified under other tangible assets is not depreciated due to their indefinite useful life in nature.

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.

(9) 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:

Classification	Useful life	Depreciation method
Software development costs	5 years	Straight-line method
Trademark	5 years	Straight-line method
Other intangible assets	5 years	Straight-line method

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.

(10) 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 disposal group, the asset is no longer depreciated.

(11) 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.

(12) Financial liability

The Group classifies non-derivative financial liabilities into financial liabilities measured at FVTPL or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the financial liability.

1) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

2) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities measured at FVTPL are classified as other financial liabilities. Other financial liabilities include deposits, debts, debentures and others. Upon initial recognition, other financial liabilities are measured at fair value, less transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method and interest expenses calculated by using the effective interest rate method are recognized in profit or loss.

3) De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged, canceled 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.

(13) Employee benefits

1) 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.

2) 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.

3) Retirement benefits

The Group operates various retirement benefits plans, including both defined benefit and defined contribution pension plans.

① 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 amounts that exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess amount as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

② 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 statements 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 statements 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 expense and other expenses related to defined benefit plans are recognized in personnel expenses in profit or loss.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effects of the asset ceiling (if any, excluding interest), are recognized as other comprehensive income in the current year.

4) 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.

(14) 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.

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 consolidated financial statements.

(15) 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.

1) Hedge accounting

The Group holds 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.

① 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 statements 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.

② 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.

2) 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 with financial asset hosts and 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.

3) 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.

(16) Current and deferred income tax

Income tax expense comprises of 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 consolidated statements 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 consolidated statements 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.

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 tax 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.

(17) EPS

The Group presents basic and diluted 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 Group 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.

(18) 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.

The Company and its overseas subsidiaries are divisions of reporting of the Group according to K-IFRS No. 1108. The weight of operation revenues, operation costs and total assets of overseas subsidiaries is less than 1% in consolidated financial statements and its importance on amount is low. The revenues (interest revenue and fee revenues) from external clients of the Company are from domestic businesses and there is no revenues incurred from overseas during 2022 and 2021.

(19) Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

(20) Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest rate 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 flows for the purpose of measuring impairment loss.

Fee revenues from accounts receivable, discounted financial assets and lease receivables are included in segmentation into publicly disclosed accounts receivable revenue, discounted financial assets revenue and lease revenue in comprehensive profit and loss statement.

(21) Fees and commission income

Fees and commission income and expense are recognized as follows according to related regulations:

- The Group transfers control of a good or service over time, therefore, fees and commission income charged in exchange for performance obligations satisfied over time are recognized over time.
- Fees and commission charged in exchange for performance obligation satisfied at a point in time are recognized at the time at which a customer obtains control of a promised asset and the Group satisfies a performance obligation.
- Fees that are an integral part of the effective interest of a financial instrument are generally treated as adjustments of effective interest. However, fees and commission related to the creation or acquisition of a financial instrument measured at FVTPL are recognized as revenue immediately.

Fee revenues from accounts receivable, discounted financial assets and lease receivables are included in segmentation into publicly disclosed accounts receivable revenue, discounted financial assets revenue and lease revenue in comprehensive profit and loss statement.

(22) Dividend income

Dividend income is recognized when the Group’s right to receive the payment is established.

(23) 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 re-purchases 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 Group acquires and retains Treasury shares, the consideration paid or received is directly recognized in equity.

The non-ownership share means corresponding net income or loss and net assets of subsidiaries attributed to the shares possessed directly by the Company or indirectly via other subsidiaries and it is made of amount corresponding to non-ownership net assets at the business merging calculated firstly according to K-IFRS No. 1103 and non-ownership share out of equity changes after business merging.

(24) Discontinued operations

The Group classifies a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and has been already disposed of or is classified as held for sale, as a discontinued operation if the component is in any of the following categories:

- Separate major business line or geographic area of operations
- Part of a single plan to dispose of a separate major business line or geographic area of operations
- A subsidiary acquired solely for the purpose of resale

When an operation is classified as a discontinued operation, the consolidated statements of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative year.

(25) New accounting standards issued but not yet effective

A number of new standards and amendments are issued but not yet effective from annual period beginning after January 1, 2022, and earlier adoption is allowed. The following are newly required standards and amendments that the Group decided not to early adopt in preparation of these consolidated financial statements and they are not expected to have a significant impact on the consolidated financial statements. The Group considers the established and revised standards will not make material influences on the consolidated financial statements.

- K-IFRS 1001, *Presentation of Financial Statements* - Classification on the current liabilities and non-current liabilities (Revised)

The said revision impacts only the current liabilities and non-current liabilities on the consolidated financial statements and does not impact the publicizing information on the assets, liabilities, amount of profit (loss), recognition time or corresponding accounts.

The said revision clarifies that the classification of the current liabilities and non-current liabilities is based on the enterprises' rights existing at the end of the period and emphasizes that it is regardless of expecting the execution of the right to defer paying for the liabilities. Also, it describes the existence of the said right when the borrowing commitments are complied with at the end of the period and clarifies the definition on the payment to transfer the cash, share products, other assets or services to the trading partners.

The said revision is applied retrospectively and allowed to apply earlier since the starting date of the fiscal year staring since January 1, 2023.

- K-IFRS 1001 and International Accounting Principle Working Manual 2, *Judgement on the Materiality*-(Revised): Accounting policy publication

The said revision changes the requirements on the accounting policy publication, K-IFRS 1001. All terminologies of 'Significant accounting policies' are replaced with 'Material accounting policies.' Information on accounting policies is important if expected as reasonable for the main users of the consolidated financial statements to general purpose to make influence on decision made on the basis of those consolidated financial statements when other information included thereto are taken into account together.

The paragraphs on K-IFRS 1001 are revised to clarify that the insignificant transactions, other events or situations and related accounting policies are not required to be publicized. The accounting policies may be significant even though the amount is insignificant due to the nature of the trades, other events or situations related. All information on the accounting policies related to the trades, other events or situations are not significant as they are.

The guidelines and cases were developed to describe and apply the four steps of the materialization processes described in the 'Judgments on the Materiality' in International Accounting Principle Working Manual 2.

The said revision is applied progressively to the fiscal year starting initially on January 1, 2023, and earlier application is allowed. The revision in the International Accounting Principle Working Manual 2 does not include its execution date and transitional regulations.

- K-IFRS 1001 (Revised): Publication of assessed profit or loss on financial liabilities with strings of execution price adjustment

The said revision defines for the issuer to publicize the assessed profit or loss (limited to case included in the profit and loss of the period) incurred from its conversion right or bond with warrant (or financial liabilities inclusive of them) during the period when entire or a part of financial products with such strings dependent on stock price fluctuation is categorized into financial liabilities according to Paragraph (2) in definition on financial liabilities in Paragraph 11 on K-IFRS 1032, *Financial Instruments: Presentation*.

The said revision is applied from the fiscal year starting firstly since January 1, 2023, and its early adoption is allowed.

- K-IFRS 1008, *Accounting Policies, Changes in Accounting Estimates and Errors* - (Revised): Definition on accounting estimates

The said revision replaces the definition on changes of accounting estimates with definition on accounting estimates. According to new definition, accounting estimates are "Currency amounts in financial statements influenced with measurement uncertainty".

Definition on changes of accounting estimates was deleted, but the concept of changes in accounting estimates was retained by clarifying the following in K-IFRS.

- Changes on accounting estimates can be made from new information or progression of new situation and they are not regarded as correction of errors.
- Input parameters for developing accounting estimates or impact from changing on measuring procedures are changes on accounting estimates, unless from correction on errors in previous period.

The said revision is applied progressively to the fiscal year starting initially on January 1, 2023, and earlier application is allowed. The revision is applied to the changes on accounting estimates and policies occurred since starting date of fiscal year falling on the first application of this revision.

- K-IFRS 1012, *Income Taxes*: Deferred corporate tax on the assets and liabilities from the single transaction.

The said revision reduces the application scope of the exceptional regulations on the first recognition. According to the said revision, the exceptional regulations on the first recognition are not applied to the transactions, which make the tentative differences for adding and deducting in same amount.

The tentative differences to be added or deducted of same amount may take place at neither the business combination nor the trades not affecting the accounting profit or taxation incomes at the first recognition on the assets or the liabilities. For example, such case may be occurred at the recognition of the lease liabilities and its responsive right-of-use assets in application of K-IFRS 1116 on the lease starting date.

According to the revision on K-IFRS 1012, the related deferred corporate tax assets and deferred income tax liabilities shall be recognized and the recognition on the deferred corporate tax assets is subject to the requirements of redemption possibility in K-IFRS 1012.

The revised standards are applied to the transactions occurred since the start date of the earliest comparing period represented. It also recognizes the following items on the start date of the earliest comparing period represented:

Deferred income tax asset (limited to the high likelihood of taxable income to be used with deductible tentative difference) and deferred income debt on the deductible and additional tentative difference related to followings:

- Use right asset and lease debt
- Debts related to post-processing and recovering and amount recognized as a part of related asset costs to said debts.

The beginning balance of retained earnings (or other accounts of equity if proper) is adjusted and recognized within the earliest time represented by comparing the cumulative effect in the first application of revised standards.

The said revision is applied from the fiscal year starting initially on January 1, 2023, and its earlier application is allowed.

4. DUE FROM BANKS:

Restricted accounts in due from banks as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Financial institution	December 31, 2022	December 31, 2021	Restrictions
Nonghyup Bank and one other	15,700	15,700	Loans secured by saving accounts
Hana Bank and two others	10	10	Key money deposits for checking account received
Citi Bank and seven others (*1)	162,657	92,880	Autopia SPC trust saving
Total	178,367	108,590	

(*1) Included ₩153,257 million classified as cash and cash equivalents.

5. SHORT-TERM FINANCIAL INVESTMENTS:

Short-term financial investments as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	Acquisition cost	December 31, 2022	December 31, 2021
Debt securities:			
Commercial paper	510,427	511,071	840,566
Bank debenture	59,965	60,855	224,719
Government and public bonds	413,500	413,712	83,498
Total	983,892	985,638	1,148,783

For liquidity management, the Group holds floating money 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.

6. SECURITIES MEASURED AT FVTPL:

Securities measured at FVTPL as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Debt securities (*1):		
Multi-Asset KDB Ocean Value-Up Private Fund Special Asset Trust 8	3,890	4,304
Wooricard Auto 1st Private Placing Corporate Bond issued (*2)	-	3,000
KB Capital Auto 3rd asset-backed securities (“ABS”) special-purpose company (“SPC”) (Equity tranche) (*2)	3,000	3,000
KB Capital Auto 4th ABS SPC (Equity tranche) (*2)	1,800	1,800
JB Woori Capital Auto 23rd ABS SPC (Equity tranche) (*2)	1,800	1,800
Mirae Asset NPL Special Investment Type Private Collective Real Estate Trust 8	1,253	613
VIP Power Plus-S two-year General Private Collective Investment Trust 5	1,762	-
Yujin SS&D Opportunity General Private Collective Investment Trust 1-1	12,509	-
Preferred stock of 57 of Korea Corporate Restructuring real Estate Fund	10,441	-
Auto Edition non-guaranteed 3rd Private Collective Investment 1-1	11,059	-
Wooricard Auto 2nd Back-off ABS Middle Priority	12,765	-
Wooricard Auto 2nd Back-off ABS Last Priority	16,650	-
Auto Edition non-guaranteed 4th Private Collective Investment 1	8,010	-
Genesis environment energy enterprise Private Collective Investment 5	4,723	-
Hana KAMCO main industry supporting General Private Collective Investment 1	1,592	-
Total	91,254	14,517

(*1) The fair values of the debt securities are quoted from an independent valuation service provider using the valuation technique based on the net asset value approach, the dividend discount model or the option valuation model.

(*2) It is measured at acquisition cost as the information is not enough for fair value measurement.

7. SECURITIES MEASURED AT FVOCI:

(1) Securities measured at FVOCI as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Equity securities (*1):		
Listed equity securities	23,006	32,453
Unlisted equity securities	17,651	13,954
Subtotal	40,657	46,407
Debt securities:		
Government and public bonds	778	1,230
Corporate bonds	21,405	5,905
Subtotal	22,183	7,135
Total	62,840	53,542

(*1) The equity securities the Group holds for the purposes of strategic alliance and others are designated as securities measured at FVOCI.

(2) Equity securities as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	Number of shares (in shares)	Ownership (%)	December 31, 2022	December 31, 2021
10 Listed equity securities:				
NICE Information Service Co., Ltd.	1,365,930	2.25	16,664	24,587
NICE Holdings Co., Ltd.	491,620	1.30	6,342	7,866
Subtotal			23,006	32,453
Unlisted equity securities:				
HYUNDAI M Partners Co., Ltd(*1)	1,700,000	9.29	17,151	13,954
Korea Credit Service (*2) (*3)	100,000	3.57	500	-
Subtotal			17,651	13,954
Total			40,657	46,407

(*1) The fair value of unlisted equity securities is estimated at the appraisal value quoted from an independent valuation service provider.
(*2) It is measured at acquisition cost as the information is not enough for fair value measurement.
(*3) The company name was changed from data-based medium interest rate market innovation preparatory corporation to Korea Credit Service.

1) Dividend income occurred from equity securities measured at FVOCI for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022		2021	
	Eliminated securities	Holding securities	Eliminated securities	Holding securities
Listed equity securities	-	635	-	508
Unlisted equity securities	-	-	-	-
Total	-	635	-	508

2) There is no equity security measured at FVOCI, which was de-recognized for the years ended December 31, 2022 and 2021.

(3) Debt securities as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	Issuer	December 31, 2022	December 31, 2021
Government and public bonds(*1)	Seoul Metropolitan Rapid Transit Corp. and other Korean municipal bonds	778	1,230
Corporate bonds(*2)	KB Capital Auto 3rd ABS SPC (Mezzanine tranche)	1,376	1,477
	KB Capital Auto 4th ABS SPC (Mezzanine tranche)	2,696	2,950
	JB Woori Capital Auto 23rd ABS SPC (Mezzanine tranche)	1,348	1,478
	Deutsche Financial Auto 5th ABS	1,205	-
	K-Car Capital Auto 2nd ABS	14,780	-
Subtotal		21,405	5,905
Total		22,183	7,135

(*1) The fair values of Seoul Metropolitan Rapid Transit Corp. and other Korean municipal bonds are quoted from securities companies.

(*2) The fair values of KB Capital Auto 3rd ABS SPC (Mezzanine tranche), KB Capital Auto 4th ABS SPC (Mezzanine tranche), JB Woori Capital Auto 23rd ABS SPC (Mezzanine tranche), Deutsche Financial Auto 5th ABS and K-Car Capital Auto 2nd ABS are quoted from an independent valuation service provider.

(4) The following table presents roll-forward of the carrying amount of loss allowance for ECLs on debt securities for the years ended December 31, 2022 and 2021.

(Unit: M Korean won)

Classification	12-month ECLs	
	2022	2021
Opening balance	5	20
Provision for (release of) allowance	21	(15)
Closing balance	26	5

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

Details of investments in associates and joint ventures as of December 31, 2022 and 2021, are as follows:

(1) Details of investments in associates and joint ventures

1) December 31, 2022

(Unit: M Korean won)

Company	Ownership (%)	Business place	Financial statement date	Business type
Korea Credit Bureau (*1)	7.00	Korea	December 31, 2022	Credit survey
Hyundai Capital UK Ltd.	29.99	UK	December 31, 2022	Loan business
Beijing Hyundai Auto Finance Co., Ltd. (*3)	46.00	China	December 31, 2022	Loan business
Hyundai Capital Canada Inc.	20.00	Canada	December 31, 2022	Loan business
BANCO HYUNDAI CAPITAL BRAZIL S.A.(*2)	50.00	Brazil	December 31, 2022	Loan business
Hyundai Corretora de Seguros LTDA.(*2 and 3)	50.00	Brazil	December 31, 2022	Insurance brokerage
Hyundai Capital Bank Europe GmbH	49.00	Germany	December 31, 2022	Loan business
BAIC Hyundai Leasing Co. Ltd (*3)	40.00	China	December 31, 2022	Lease
Hyundai Capital France(*3 and 4)	50.00	France	December 31, 2022	Loan business

(*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.
(*2) Both the Group and the other participants have rights to purchase or sell all shares held by the parties in the cases of termination of the joint venture agreement, violation of any Brazilian Law or others. The Group judged that the rights are not substantive as of December 31, 2022.
(*3) It corresponds to the joint ventures.
(*4) Newly acquisitioned the share of the French corporate (Hyundai Capital France) as of December 31, 2022. The subscription price was 75,191 M Korean won for 50% of share.

2) December 31, 2021

(Unit: M Korean won)

Company	Ownership (%)	Business place	Financial statement date	Business type
Korea Credit Bureau (*1)	7.00	Korea	December 31, 2021	Credit survey
Hyundai Capital UK Ltd.	29.99	UK	December 31, 2021	Loan business
Beijing Hyundai Auto Finance Co., Ltd. (*3)	46.00	China	December 31, 2021	Loan business
Hyundai Capital Canada Inc.	20.00	Canada	December 31, 2021	Loan business
Hyundai Capital Bank Europe GmbH	49.00	Germany	December 31, 2021	Loan business
BANCO HYUNDAI CAPITAL BRAZIL S.A.(*2)	50.00	Brazil	December 31, 2021	Loan business
Hyundai Corretora de Seguros LTDA.(*2 and 3)	50.00	Brazil	December 31, 2021	Insurance brokerage
BAIC Hyundai Leasing Co. Ltd (*3)	40.00	China	December 31, 2021	Lease

(*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.
(*2) Both the Group and the other participants have rights to purchase or sell all shares held by the parties in the cases of termination of the joint venture agreement, violation of any Brazilian Law or others. The Group judged that the rights are not substantive as of December 31, 2022.
(*3) It corresponds to the joint ventures.

(2) Condensed financial information on main associates and joint ventures and adjustment to book value on the investments in associates and joint ventures

1) December 31, 2022, and for the years ended December 31, 2022

(Unit: M Korean won)

Company	Asset	Liability	Issued capital	Total equity	Net asset share amount	Goodwill and etc.	Book value
Korea Credit Bureau	155,165	100,065	10,000	55,100	3,857	1,037	4,894
Hyundai Capital UK Ltd.	6,315,709	5,711,668	96,055	604,041	181,152	-	181,152
Beijing Hyundai Auto Finance Co., Ltd.	4,044,066	2,610,546	708,965	1,433,520	659,419	-	659,419
Hyundai Capital Canada Inc.	6,087,398	5,552,800	346,758	534,598	106,920	2,404	109,324
BANCO HYUNDAI CAPITAL BRAZIL S.A.	1,159,664	1,048,948	91,529	110,716	55,358	-	55,358
Hyundai Corretora de Seguros LTDA	1,408	1,514	617	(106)	-	-	-
Hyundai Capital Bank Europe GmbH	9,448,406	8,405,237	14,282	1,043,169	497,892	10,218	508,110
BAIC Hyundai Leasing Co. Ltd.	95,666	71,485	50,603	24,181	9,672	-	9,672
Hyundai Capital France	1,956,470	1,801,224	140,666	155,246	77,621	(2,298)	75,323

(Unit: M Korean won)

Company	Operating revenue	Interest income	Interest expense	Net income (loss)	Other comprehensive income (loss)	Total comprehensive income
Korea Credit Bureau	144,907	460	-	13,809	-	13,809
Hyundai Capital UK Ltd.	232,121	225,085	89,094	91,900	(28,241)	63,659
Beijing Hyundai Auto Finance Co., Ltd.	362,980	360,415	135,425	83,921	(40,408)	43,513
Hyundai Capital Canada Inc.	765,994	751,664	627,706	82,115	10,475	92,590
BANCO HYUNDAI CAPITAL BRAZIL S.A.	179,459	179,459	99,251	24,521	8,775	33,296
Hyundai Corretora de Seguros LTDA	499	-	-	(34)	(5)	(39)
Hyundai Capital Bank Europe GmbH	971,654	119,499	34,664	32,144	16,302	48,446
BAIC Hyundai Leasing Co. Ltd,	8,145	521	-	(18,081)	(141)	(18,222)
Hyundai Capital France	15,602	14,274	4,823	1,848	(1,653)	195

2) December 31, 2021, and for the years ended December 31, 2021

(Unit: M Korean won)

Company	Asset	Liability	Issued capital	Total equity	Net asset share amount	Goodwill	Impairment loss	Book value
Korea Credit Bureau	127,474	72,628	10,000	54,846	3,839	1,037	-	4,876
Hyundai Capital UK Ltd.	5,852,818	5,312,436	96,055	540,382	162,061	-	-	162,061
Beijing Hyundai Auto Finance Co., Ltd.	5,648,345	4,258,337	708,965	1,390,008	639,404	-	-	639,404
Hyundai Capital Canada Inc.	4,642,638	4,200,629	346,758	442,009	88,402	2,392	-	90,794
BANCO HYUNDAI CAPITAL BRAZIL S.A.	6,910,165	5,916,354	14,282	993,811	474,523	23,527	(13,332)	484,718
Hyundai Corretora de Seguros LTDA	892,224	814,663	91,529	77,561	38,781	-	-	38,781
Hyundai Capital Bank Europe GmbH	940	1,005	617	(65)	-	-	-	-
BAIC Hyundai Leasing Co. Ltd.	109,996	67,594	50,603	42,402	16,961	-	-	16,961

(Unit: M Korean won)

Company	Operating revenue	Interest income	Interest expense	Net income (loss)	Other comprehensive income (loss)	Total comprehensive income	Annual dividend
Korea Credit Bureau	128,150	174	-	(22,451)	-	(22,451)	1,000
Hyundai Capital UK Ltd.	149,357	150,439	30,630	104,709	33,705	138,414	-
Beijing Hyundai Auto Finance Co., Ltd.	423,428	419,207	175,408	95,706	139,602	235,308	30,006
Hyundai Capital Canada Inc.	571,861	541,763	453,820	50,220	30,563	80,783	-
Hyundai Capital Bank Europe GmbH	711,616	84,146	26,512	(325)	4,241	3,916	-
BANCO HYUNDAI CAPITAL BRAZIL S.A.	94,024	94,024	40,600	8,661	1,090	9,751	-
Hyundai Corretora de Seguros LTDA	251	-	-	(221)	2	(219)	-
BAIC Hyundai Leasing Co. Ltd.	8,277	-	-	(9,701)	4,866	(4,835)	-

(3) Details on the equity method of the invested companies

1) December 31, 2022

(Unit: M Korean won)

Company	Opening balance	Acquisition	Share in net income	Share in other comprehensive income	Ending balance
Korea Credit Bureau	4,876	-	17	-	4,893
Hyundai Capital UK Ltd.	162,061	-	27,562	(8,470)	181,153
Beijing Hyundai Auto Finance Co., Ltd.	639,404	-	38,604	(18,589)	659,419
Hyundai Capital Canada Inc.	90,794	-	16,423	2,107	109,324
Hyundai Capital Bank Europe GmbH	484,718	-	15,337	8,056	508,111
BANCO HYUNDAI CAPITAL BRAZIL S.A.	38,781	-	12,190	4,388	55,359
Hyundai Corretora de Seguros LTDA	-	-	-	-	-
BAIC Hyundai Leasing Co. Ltd.	16,961	-	(7,233)	(56)	9,672
Hyundai Capital France	-	75,191	924	(792)	75,323
Total	1,437,595	75,191	103,824	(13,356)	1,603,254

2) December 31, 2021

(Unit: M Korean won)

Company	Opening balance	Acquisition	Share in net income	Share in other comprehensive income	Dividend paid	Others (*1)	Ending balance
Korea Credit Bureau	6,601	-	(1,655)	-	(70)	-	4,876
Hyundai Capital UK Ltd.	120,550	-	31,403	10,108	-	-	162,061
Beijing Hyundai Auto Finance Co., Ltd.	544,965	-	44,024	64,216	(13,801)	-	639,404
Hyundai Capital Canada Inc.	46,809	27,630	10,044	6,311	-	-	90,794
Hyundai Capital Bank Europe GmbH(*1)	495,999	-	(99)	2,150	-	(13,332)	484,718
BANCO HYUNDAI CAPITAL BRAZIL S.A.	33,862	-	4,373	546	-	-	38,781
Hyundai Corretora de Seguros LTDA	77	-	(78)	1	-	-	-
BAIC Hyundai Leasing Co. Ltd.	18,214	-	(3,199)	1,946	-	-	16,961
Total	1,267,077	27,630	84,813	85,278	(13,871)	(13,332)	1,437,595

(*1) For the year ended December 31, 2021, impairment was assessed for investment stocks of Hyundai Capital Bank Europe GmbH, and an impairment loss of ₩13,332 million was recognized as the recoverable amount was less than the carrying amount. The recoverable amount was determined on the basis of value in use, and the discount rate applied to measure value in use is 8.83%.

(4) Suspension on recognition of loss in equity method

The non-reflected cumulative changes not recognized due to suspension as of December 31, 2022 and 2021 are as follows:

1) December 31, 2022, and for the years ended December 31, 2022

(Unit: M Korean won)

Classification	Non-reflected loss	Cumulative non-reflected loss
Hyundai Corretora de Seguros LTDA.	(20)	(53)

2) December 31, 2021, and for the years ended December 31, 2021

(Unit: M Korean won)

Classification	Non-reflected loss	Cumulative non-reflected loss
Hyundai Corretora de Seguros LTDA.	(32)	(32)

9. UNCONSOLIDATED STRUCTURED ENTITIES:

(1) Nature of shares on unconsolidated structured entities is as follows.

Nature of enterprises in structure	Objective
Asset securitization	Asset securitized companies are parties of issuing asset securitized securities based on the purchased assets, and they are limited liability companies established to heighten the financial structure soundness by activating the fund raising. The Group is involved in the securitization vehicles by purchasing (or providing commitment to purchase) the ABS issued and/or providing other forms of credit extension.
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), etc. The Group is involved in the structured entities by lending money, investing in equity or providing credit enhancement.
Investment fund	The investment funds are investment trust, privately collected investment companies or associations those raise fund, invest on the stocks and bonds and distributes revenue to investors through issuing the revenue (equity investment) securities to the investors. The Group invests to the fund or operates and manages the asset on behalf of other investors as collective investors and clerks (Associate members) in charge of works.

(2) Total assets of unconsolidated structured entities that the Group sponsors as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022				December 31, 2021			
	Asset securitization	Project financing	Investment fund	Total	Asset securitization	Project financing	Investment fund	Total
Total assets (*1)	711,575	24,128,653	2,949,894	27,790,122	138,513	19,487,944	671,089	20,297,546

(*1) Unaudited financial information is included.

(3) Income from unconsolidated structured entities for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022				2021			
	Asset securitization	Project financing	Investment fund	Total	Asset securitization	Project financing	Investment fund	Total
Operation revenue								
Interest income	-	-	2,520	2,520	-	-	837	837
Loan receivable revenue	2,383	64,105	-	66,488	600	19,460	-	20,060
Total	2,383	64,105	2,520	69,008	600	19,460	837	20,897

(4) The carrying amounts of interests held by the Group in unconsolidated structured entities and the exposure to loss as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022				December 31, 2021			
	Asset securitization	Project financing	Investment fund	Total	Asset securitization	Project financing	Investment fund	Total
Assets on consolidated financial statements								
Measured at FVTPL	-	-	91,254	91,254	-	-	14,518	14,518
Measured at FVOCI	-	-	21,405	21,405	-	-	5,905	5,905
Loan receivables	70,208	1,585,070	-	1,655,278	18,797	826,221	-	845,018
Total	70,208	1,585,070	112,659	1,767,937	18,797	826,221	20,423	865,441
Credit share and other commitments								
Unrealized credit share	6,792	504,830	-	511,622	5,203	291,379	-	296,582
Maximum loss exposed (*1)	77,000	2,089,900	112,659	2,279,559	24,000	1,117,600	20,423	1,162,023

(*1) The maximum exposed loss was estimated by aggregating assets, credit share and other committed amounts.

10. FINANCIAL RECEIVABLES:

(1) Financial receivables measured at amortized costs as of December 31, 2022 and 2021, are as follows:

1) December 31, 2022

(Unit: M Korean won)

Classification	Unpaid outstanding principal balance	Deferred loan costs, net of fees (initial direct fees, net of cost on finance leases)	Present value discounts	Allowance for loan losses	Carrying amount
Loans receivable:					
Loans	10,322,399	28,605	(1,445)	(406,622)	9,942,937
Installment financial assets:					
Automobile	15,311,921	(415,506)	-	(175,719)	14,720,696
Durable goods	1	-	-	(1)	-
Mortgage	95	-	-	(15)	80
Subtotal	15,312,017	(415,506)	-	(175,735)	14,720,776
Lease receivables:					
Finance lease receivables	2,082,530	(304)	-	(39,305)	2,042,921
Canceled lease receivables	20,762	-	-	(18,792)	1,970
Subtotal	2,103,292	(304)	-	(58,097)	2,044,891
Total	27,737,708	(387,205)	(1,445)	(640,454)	26,708,604

2) December 31, 2021

(Unit: M Korean won)

Classification	Unpaid outstanding principal balance	Deferred loan costs, net of fees (initial direct fees, net of cost on finance leases)	Present value discounts	Allowance for loan losses	Carrying amount
Loans receivable:					
Loans	10,452,088	43,195	(1,287)	(376,006)	10,117,990
Installment financial assets:					
Automobile	14,160,773	(257,443)	-	(151,301)	13,752,029
Durable goods	1	-	-	(1)	-
Mortgage	102	1	-	(17)	86
Subtotal	14,160,876	(257,442)	-	(151,319)	13,752,115
Lease receivables:					
Finance lease receivables	2,141,865	(225)	-	(42,156)	2,099,484
Canceled lease receivables	35,293	-	-	(26,463)	8,830
Subtotal	2,177,158	(225)	-	(968,619)	2,108,314
Total	26,790,122	(214,472)	(1,287)	(595,944)	25,978,419

(2) The following tables present a reconciliation of changes in allowance for loan losses of financial receivables measured at amortized costs as of December 31, 2022 and 2021:

1) December 31, 2022

(Unit: M Korean won)

Classification	Loans receivable				Installment financial assets			Lease receivables			Other assets	Total
	12-month ECL	Lifetime ECLs		Purchased or originated credit-impaired financial assets	12-month ECL	Lifetime ECLs		12-month ECL	Lifetime ECLs			
		Not credit impaired	Credit impaired			Not credit impaired	Credit impaired		Not credit impaired	Credit impaired		
Opening balance	99,276	115,532	146,611	14,587	59,191	50,488	41,640	14,298	8,119	46,202	28,620	624,564
Movements between the three stages:												
Transferred to 12-month ECLs	21,477	(18,764)	(2,713)	-	12,421	(11,730)	(691)	4,327	(1,737)	(2,590)	-	-
Transferred to lifetime ECLs	(20,835)	23,117	(2,282)	-	(8,270)	9,962	(1,692)	(1,550)	1,974	(424)	-	-
Transferred to credit impaired financial assets	(1,983)	(5,412)	7,395	-	(356)	(1,539)	1,895	(101)	(236)	337	-	-
Disposals	-	-	(3,667)	(792)	-	-	(281)	-	-	-	-	(4,740)
Provision for loan loss	-	-	(141,833)	(5,663)	-	-	(44,499)	-	-	(16,014)	(921)	(208,930)
Recoveries	-	-	41,046	21,614	-	-	12,881	-	-	151	1,329	77,021
Unwinding of discounts	-	-	(14,264)	(159)	-	-	(608)	-	-	(188)	-	(15,219)
Provision for (release of) allowance	(20,670)	29,433	144,608	(19,037)	7,639	10,817	38,467	(3,641)	855	8,315	1,507	198,293
Closing balance	77,265	143,906	174,901	10,550	70,625	57,998	47,112	13,333	8,975	35,789	30,535	670,989

The Group is collecting receivables that were previously charged off for which the statute of limitation has not legally elapsed or due to other reasons. The contractual amounts of such receivables written off, but not yet collected, as of December 31, 2022, were ₩314,137 million.

2) December 31, 2021

(Unit: M Korean won)

Classification	Loans receivable				Installment financial assets			Lease receivables			Other assets	Total
	12-month ECL	Lifetime ECLs		Purchased or originated credit-impaired financial assets	12-month ECL	Lifetime ECLs		12-month ECL	Lifetime ECLs			
		Not credit impaired	Credit impaired			Not credit impaired	Credit impaired		Not credit impaired	Credit impaired		
Opening balance	142,326	79,241	230,315	31,041	62,061	29,066	50,742	18,169	6,294	50,227	29,872	729,354
Movements between the three stages:												
Transferred to 12-month ECLs	17,047	(13,709)	(3,338)	-	6,695	(5,379)	(1,316)	3,649	(1,461)	(2,188)	-	-
Transferred to lifetime ECLs	(29,991)	32,626	(2,635)	-	(13,172)	14,455	(1,283)	(1,879)	2,388	(509)	-	-
Transferred to credit impaired financial assets	(2,186)	(4,142)	6,328	-	(428)	(1,044)	1,472	(144)	(233)	377	-	-
Repurchase	-	-	107	80	-	-	46	-	-	-	-	233
Charge-offs	-	-	(216,878)	(21,351)	-	-	(59,846)	-	-	(2,131)	(866)	(301,072)
Recoveries	-	-	33,222	25,680	-	-	12,192	-	-	2,104	1,631	74,829
Unwinding of discounts	-	-	(17,033)	(347)	-	-	(656)	-	-	(293)	-	(18,329)
Provision for (release of) allowance	(27,920)	21,516	116,523	(20,516)	4,035	13,390	40,289	(5,497)	1,131	(1,385)	(2,017)	139,549
Closing balance	99,276	115,532	146,611	14,587	59,191	50,488	41,640	14,298	8,119	46,202	28,620	624,564

The Group is collecting receivables that were previously charged off for which the statute of limitation has not legally elapsed or due to other reasons. The contractual amounts of such receivables written off, but not yet collected, as of December 31, 2021, were ₩311,976 million Korean won.

(3) The changes on allowance for loan losses of financial receivables measured at amortized costs that made significant influence on changes in charge-offs as of December 31, 2022 and 2021, are as follows.

1) December 31, 2022

(Unit: M Korean won)

Classification	Loans receivable				Installment financial assets			Lease receivables			Other assets	Total
	12-month ECL	Lifetime ECLs		Purchased or originated credit-impaired financial assets	12-month ECL	Lifetime ECLs		12-month ECL	Lifetime ECLs			
		Not credit impaired	Credit impaired			Not credit impaired	Credit impaired		Not credit impaired	Credit impaired		
Financial receivables newly originated (*1)	5,529,827	1,753,742	69,440	7,720	7,316,093	1,301,551	10,868	856,204	123,097	1,023	51,356	17,020,921
Repurchases (Disposal)	-	-	(4,806)	(440)	-	-	(336)	-	-	-	-	(5,582)
Charge-offs	-	-	(141,833)	(5,663)	-	-	(44,499)	-	-	(16,014)	(921)	(208,930)

(*1) The amount of financial receivables newly originated of other assets is net increase (decrease) amount during the year ended December 31, 2022.

2) December 31, 2021

(Unit: M Korean won)

Classification	Loans receivable				Installment financial assets			Lease receivables			Other assets	Total
	12-month ECL	Lifetime ECLs		Purchased or originated credit-impaired financial assets	12-month ECL	Lifetime ECLs		12-month ECL	Lifetime ECLs			
		Not credit impaired	Credit impaired			Not credit impaired	Credit impaired		Not credit impaired	Credit impaired		
Financial receivables newly originated (*1)	6,379,839	1,530,843	50,788	10,392	5,909,632	1,004,039	7,558	930,259	130,704	3,206	13,553	15,970,813
Repurchases (Disposal)	-	-	119	(143)	-	-	58	-	-	-	-	34
Charge-offs	-	-	(216,878)	(21,351)	-	-	(59,846)	-	-	(2,131)	(866)	(301,072)

(*1) The amount of financial receivables newly originated of other assets is net increase (decrease) amount during the year ended December 31, 2021.

11. FINANCIAL LEASE RECEIVABLES:

(1) Total gross investment in the lease and present value of minimum lease payments

Details of total gross investment in the lease and present value of minimum lease payments as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022		December 31, 2021	
	Gross investment in the lease	Present value of minimum lease payment	Gross investment in the lease	Present value of minimum lease payment
Less than one year	879,407	769,217	897,887	798,215
One to two years	601,861	535,483	649,745	594,649
Two to three years	427,034	387,440	443,598	415,388
Three to four years	271,951	252,570	239,369	227,772
Four to five years	134,224	129,242	97,752	95,817
Over five years	4,851	4,625	6,366	6,126
Total	2,319,328	2,078,577	2,334,717	2,137,967

(2) Unearned interest income

Details of unearned interest income as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Gross investment in the lease	2,319,328	2,334,717
Net investment in the lease:		
Present value of minimum lease payment	2,078,577	2,137,967
Present value of non-guaranteed residual value	3,650	3,672
Total	2,082,227	2,141,639
Unearned interest income	237,101	193,078

12. LEASED ASSETS:

(1) Carrying amount

Leased assets as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022				December 31, 2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Operating leased assets	7,397,072	(1,827,988)	(39,183)	5,529,901	5,998,525	(1,411,526)	(39,245)	4,547,754
Canceled leased assets	11,110	-	(2,926)	8,184	17,933	-	(6,667)	11,266
Total	7,408,182	(1,827,988)	(42,109)	5,538,085	6,016,458	(1,411,526)	(45,912)	4,559,020

(2) Reconciliation of changes in leased assets

The following tables present a reconciliation of changes in the carrying amounts of operating leased assets on December 31, 2022 and 2021:

1) December 31, 2022

(Unit: M Korean won)

Classification	Opening balance	Addition	Disposal	Depreciation	Impairment (reversal)	Closing balance
Vehicles	4,547,754	2,345,965	(433,525)	(930,355)	62	5,529,901

2) December 31, 2021

(Unit: M Korean won)

Classification	Opening balance	Addition	Disposal	Depreciation	Impairment loss	Closing balance
Vehicles	3,602,071	1,967,503	(244,988)	(738,308)	(38,524)	4,547,754

(3) Minimum lease payments

Future minimum lease payments under operating lease as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Less than one year	1,183,039	958,656
One to two years	916,754	759,042
Two to three years	649,335	527,348
Three to four years	382,392	282,682
Four to five years	146,252	87,013
Over five years	111	77
Total	3,277,883	2,614,818

13. LESSEE:

(1) Carrying amount

Amounts recognized for leases in the consolidated financial statements as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Right-of-use assets:		
Building	64,781	13,473
Vehicles	17	158
Fixture and furniture	3,738	725
Total	68,536	14,356
Lease liabilities		
Lease liabilities (*1)	64,269	13,239

(*1) The weighted-average incremental borrowing rate the Group used when recognizing and measuring the lease liabilities as of December 31, 2022, was 4.23%.

(2) Reconciliation of changes in right-of-use assets

The following tables present a reconciliation of changes in the carrying amount of the right-of-use assets for the years ended December 31, 2022 and 2021:

1) 2022

(Unit: M Korean won)

Classification	Opening balance	Addition	Depreciation	Cancellation or termination	Closing balance
Building	13,473	68,242	(15,704)	(1,230)	64,781
Vehicles	158	(9)	(128)	(4)	17
Fixture and furniture	725	4,016	(1,003)	-	3,738
Total	14,356	72,249	(16,835)	(1,234)	68,536

2) 2021

(Unit: M Korean won)

Classification	Opening balance	Addition	Depreciation	Cancellation or termination	Others (*1)	Closing balance
Building	34,617	13,252	(14,986)	(332)	(19,078)	13,473
Vehicles	303	-	(145)	-	-	158
Fixture and furniture	1,967	-	(1,242)	-	-	725
Total	36,887	13,252	(16,373)	(332)	(19,078)	14,356

(*1) For the year ended December 31, 2021, the lease liabilities were remeasured due to the lease change in accordance with K-IFRS No. 1116, and the right-of-use assets were adjusted accordingly..

(3) Expenses on lease

The following table presents expenses on lease liabilities for the years ended December 31, 2022 and 2021:

(Unit: M Korean won)

Classification	2022 (*1)	2021(*1)
Interest expense from lease liabilities (belongs to interest expense)	1,213	720
Lease payment for leases of low-value items (belongs to general and administrative expenses)	299	413

(*1) The Group had no income from variable lease payment or subleasing right-of-use assets for the years ended December 31, 2022 and 2021.

(4) Total cash outflows for lease liabilities

Total cash outflows for lease liabilities for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Total cash outflows for lease liabilities	15,484	16,489

(5) Gains or losses arising from sale and leaseback transactions

No profits and losses are recognized from sale and leaseback transactions for the years ended December 31, 2022 and 2021.

14. PROPERTY AND EQUIPMENT:

(1) Carrying amount

Property and equipment as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022			December 31, 2021		
	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Land	79,121	-	79,121	79,121	-	79,121
Building	112,010	(27,057)	84,953	112,722	(24,404)	88,318
Vehicles	5,828	(3,335)	2,493	6,142	(2,916)	3,226
Fixture and furniture	194,802	(153,643)	41,159	176,791	(154,858)	21,933
Other tangible asset	1,004	-	1,004	1,004	-	1,004
Construction in progress	601	-	601	3,187	-	3,187
Total	393,366	(184,035)	209,331	378,967	(182,178)	196,789

(2) The following tables present a reconciliation of changes in the carrying amounts of property and equipment for the years ended December 31, 2022 and 2021:

1) 2022

(Unit: M Korean won)

Classification	Opening balance	Addition	Transfer	Disposal	Depreciation	Conversion difference	Closing balance
Land	79,121	-	-	-	-	-	79,121
Building	88,318	-	-	(529)	(2,836)	-	84,953
Vehicles	3,226	246	-	(267)	(712)	-	2,493
Fixture and furniture	21,933	10,657	18,933	(23)	(10,349)	8	41,159
Other tangible asset	1,004	-	-	-	-	-	1,004
Construction in progress	3,187	16,347	(18,933)	-	-	-	601
Total	196,789	27,250	-	(819)	(13,897)	8	209,331

2) 2021

(Unit: M Korean won)

Classification	Opening balance	Addition	Transfer	Disposal	Depreciation (*1)	Conversion difference	Transferred to assets held for sale	Closing balance
Land	84,361	-	-	(59)	-	-	(5,181)	79,121
Building	91,244	21	-	(106)	(2,841)	-	-	88,318
Vehicles	3,289	1,119	-	(389)	(793)	-	-	3,226
Fixture and furniture	19,653	10,030	2,171	(176)	(9,754)	9	-	21,933
Other tangible asset	2,429	-	-	(1,425)	-	-	-	1,004
Construction in progress	807	4,551	(2,171)	-	-	-	-	3,187
Total	201,783	15,721	-	(2,155)	(13,388)	9	(5,181)	196,789

(*1) Including gains and losses from discontinued operations.

15. INTANGIBLE ASSETS:

(1) Carrying amount

Intangible assets as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022			December 31, 2021		
	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Software development costs	370,046	(299,660)	70,386	337,332	(275,748)	61,584
Trademark	69	(69)	-	69	(69)	-
Memberships	71,214	(59,360)	11,854	24,165	-	24,165
Other intangible assets	22,834	-	22,834	68,650	(55,717)	12,933
Intangible assets under construction	8,769	-	8,769	9,759	-	9,759
Total	472,932	(359,089)	113,843	439,975	(331,534)	108,441

(2) The following tables present a reconciliation of changes in the carrying amounts of intangible assets for the years ended December 31, 2022 and 2021:

1) 2022

(Unit: M Korean won)

Classification	Opening balance	Addition	Transfer	Disposal	Amortization	Impairment loss	Conversion difference	Closing balance
Software development costs	61,584	722	31,992	-	(23,912)	-	-	70,386
Memberships	24,165	5,261	-	(5,646)	-	(925)	(21)	22,834
Other intangible assets	12,933	1,985	731	-	(3,794)	-	(1)	11,854
Intangible assets under construction	9,759	31,733	(32,723)	-	-	-	-	8,769
Total	108,441	39,701	-	(5,646)	(27,706)	(925)	(22)	113,843

2) 2021

(Unit: M Korean won)

Classification	Opening balance	Addition	Transfer	Disposal	Amortization (*1)	Transferred to assets of a disposal group classified as held for sale	Conversion difference	Closing balance
Software development costs	74,745	204	20,973	-	(30,842)	(3,496)	-	61,584
Memberships	28,534	-	-	(4,366)	-	-	(3)	24,165
Other intangible assets	9,337	685	6,897	-	(3,824)	(162)	-	12,933
Construction in progress	2,434	35,195	(27,870)	-	-	-	-	9,759
Total	115,050	36,084	-	(4,366)	(34,666)	(3,658)	(3)	108,441

(*1) Including gains and losses from discontinued operations.

16. BORROWED FUNDS:

Borrowings as of December 31, 2022 and 2021, are as follows:

(1) Borrowings

(Unit: M Korean won)

Classification	Lender	Annual interest rate (%)	Maturity	December 31, 2022	December 31, 2021
Short-term borrowings:					
Commercial paper	Shinhan Bank and three others	4.31 – 4.84	2023.1.18 – 2023.7.24	280,000	360,000
General loans	Hana Bank and five others	1.93 – 6.59	2023.1.03 – 2023.9.29	356,000	590,000
Subtotal				636,000	950,000
Current portion of long-term borrowings:					
Commercial paper	High investment securities and four others	1.45 – 4.27	2023.3.16 – 2023.12.22	530,000	250,000
General loans	Nonghyup Bank and five others	1.16 – 4.48	2023.1.2 – 2023.9.25	451,552	1,139,000
Subtotal				981,552	1,389,000
Long-term borrowings:					
Commercial paper	High investment securities	1.60 – 1.65	2024.3.15 – 2024.9.13	20,000	450,000
General loans	ING Bank and 13 others	2.06 – 6.04	2024.1.26 – 2025.12.26	1,397,347	499,512
Subtotal				1,417,347	949,512
Total				3,034,899	3,288,512

(2) Bonds issued

(Unit: M Korean won)

Classification	Annual interest rate (%)	Maturity	December 31, 2022	December 31, 2021
Bonds issued (short term):				
Short-term bond issued	3.68-6.09	2023.1.20-2023.12.8	450,000	540,000
Less: Discount on bonds			(613)	(422)
Subtotal			449,387	539,578
Current portion of bonds issued:				
Bonds issued	0.96-6.38	2023.1.10-2023.12.29	8,370,422	5,858,829
Less: Discount on bonds			(2,412)	(2,543)
Subtotal			8,368,010	5,856,286
Bonds issued (long term):				
Bonds issued	1.00-6.44	2024.1.2-2032.3.29	19,578,411	18,858,088
Less: Discount on bonds			(31,550)	(23,384)
Subtotal			19,546,861	18,834,704
Total			28,364,258	25,230,568

17. EMPLOYEE BENEFIT LIABILITIES:

(1) Defined contribution plans

The Group recognized ₩2,185 million and ₩1,704 million in the consolidated statements of comprehensive income for retirement benefits based on the defined contribution plan for the years ended December 31, 2022 and 2021, respectively.

(2) Defined benefit plans

1) Characteristics of the defined benefit plan

The Group operates a defined benefit plan. The plan assets are mainly composed of interest rate guaranteed-type instruments and, therefore, are exposed to the risk of declining interest rates.

2) Defined benefit liability

The amounts of net defined benefit liability recognized in the statements of financial position as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	111,525	108,110
Fair value of plan assets (*1)	(148,869)	(121,832)
Defined benefit assets, net	(37,344)	(13,722)

(*1) Including contribution to the National Pension Fund of ₩26 million (₩26 million as of December 31, 2021).

3) Changes in the present value of defined benefit obligations

The following tables present changes in the present value of defined benefit obligations for the years ended December 31, 2022 and 2021:

(Unit: M Korean won)

Classification	2022	2021
Opening balance	108,110	109,920
Current service costs (*1)	12,178	12,999
Interest expense (*1)	4,069	2,628
Actuarial losses (gains):		
Experienced adjustment	21,460	5,482
Changes in financial assumptions	(24,656)	(6,049)
Demographic statistical changes	-	2,490
Transfer of severance benefits from (to) related parties, net	100	(5,319)
Benefits paid	(9,736)	(14,041)
Closing balance	111,525	108,110

(*1) Including gains and losses from discontinued operations on December 31, 2021.

4) Changes in the fair value of plan assets

The following tables present changes in the fair value of plan assets for the years ended December 31, 2022 and 2021:

(Unit: M Korean won)

Classification	2022	2021
Opening balance	121,832	113,239
Contributions	34,500	21,600
Expected return on plan assets (*1)	4,258	2,640
Actuarial losses (gains)	(2,137)	(570)
Transfer of severance benefits from (to) related parties, net	116	(5,310)
Benefits paid	(9,699)	(9,767)
Closing balance	148,870	121,832

(*1) Including gains and losses from discontinued operations on December 31, 2021.

5) Severance benefits

Details of severance benefits recognized as profit and loss for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Current service cost	12,178	12,999
Interest expense	4,069	2,628
Expected revenue on plan assets	(4,258)	(2,640)
Total	11,989	12,987

6) Details of plan assets

Details of plan assets as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022		December 31, 2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalents	-	-	3	-
Deposits	2,002	1.34	101	0.09
Interest-bearing financial assets with fixed rates	146,868	98.66	121,728	99.91
Total	148,870	100.00	121,832	100.00

7) Actuarial assumptions

The following are the principal actuarial assumptions used for measuring defined benefit liabilities as of December 31, 2022 and 2021:

Classification	December 31, 2022	December 31, 2021
Discount rate	5.33%	2.94%
Future salary growth	4.05%	3.99%
Mortality rate (*1)	0.03%	0.03%

(*1) Assumptions regarding future mortality rate are based on published statistics and mortality tables by the Korean Insurance Development Institute.

8) Sensitivity analysis

Sensitivity analysis of the present value of defined benefit obligations as of December 31, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	Effect on defined benefit obligations	
	Increase	Decrease
Discount rate (1%P movement)	(8,498)	9,637
Future salary growth (1%P movement)	9,872	(8,840)

② December 31, 2021

(Unit: M Korean won)

Classification	Effect on defined benefit obligations	
	Increase	Decrease
Discount rate (1%P movement)	(9,341)	10,738
Future salary growth (1%P movement)	10,732	(9,508)

9) Duration and expected contributions

The expected weighted-average duration of the defined benefit obligations as of December 31, 2022, is 8.53 years (2021: 9.52 years). The Group is expected to pay contributions of ₩34,500 million (₩21,600 million in 2021) to its defined benefit plans in 2023. Due to uncertainty, expected contributions may differ from actual results.

10) Maturity profiles of defined benefit obligations

Maturity profiles of defined benefit obligation as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2022
Less than one year	5,052	4,517
One to two years	7,138	6,184
Two to five years	21,958	16,470
Five to ten years	34,871	31,645
Over ten years	42,506	49,294
Total	111,525	108,110

(3) Other long-term employee benefit plans

1) Other long-term employee benefit liability

The following tables present changes in the other long-term benefit liability for the years ended December 31, 2022 and 2021:

(Unit: M Korean won)

Classification	2022	2021
Opening balance	10,072	7,587
Current service costs (*1)	737	535
Interest expense (*1)	352	160
Actuarial losses (gains)	1,246	2,381
Benefits paid	(1,746)	(591)
Closing balance	10,661	10,072

(*1) Including gains and losses from discontinued operations on December 31, 2021.

2) Actuarial assumptions

The following are the principal actuarial assumptions required to measure other long-term employee benefit liabilities as of December 31, 2022 and 2021:

Classification	December 31, 2022	December 31, 2021
Discount rate	5.22%	2.59%
Future salary growth	4.05%	3.99%
Mortality rate (*1)	0.03%	0.03%

(*1) Assumptions regarding future mortality rate are based on published statistics and mortality tables by the Korean Insurance Development Institute.

18. PROVISIONS:

The following table presents a reconciliation of changes in the provisions for the years ended December 31, 2022 and 2021:

(Unit: M Korean won)

Classification	2022					2021				
	Unused loan commitments (*1)	Residual value guarantees (*2)	Asset retirement obligations ("AROs") (*3)	Litigations	Total	Unused loan commitments (*1)	Residual value guarantees (*2)	AROs (*3)	Litigations	Total
Opening balance	211	59,543	5,922	21	65,697	157	79,810	6,559	-	86,526
Provision for (release of) allowance	2,433	8,131	(2,048)	(21)	8,495	54	(20,267)	(1,243)	21	(21,435)
Provisions made for AROs and capitalized to related asset	-	-	3,451	-	3,451	-	-	543	-	543
Unwinding of interests	-	-	174	-	174	-	-	63	-	63
Closing balance	2,644	67,674	7,499	-	77,817	211	59,543	5,922	21	65,697

(*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. The Group also contracts with third-party guarantor to guarantee residual value of automobiles returned by consumers. Provision is made for estimated expected losses arising from these residual value guarantees.

(*3) The Group recognizes provisions for 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. In order to estimate expected restoration expense, the average actual costs incurred for the past three years and five-year average inflation rate are used.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING:

(1) Trading derivatives

The following table presents trading derivatives owned by the Group as of December 31, 2022.

(Unit: M Korean won)

Classification	Unpaid commitments	Carrying amount		Account
		Asset	Liability	
Interest rate SWAP	200,000	-	1,518	Derivative liability

(2) Derivatives designated and qualified 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. There was no change in overall strategy of the Group for cash flow hedges.

The Group applies cash flow hedge accounting and the hedging relationship is affected by interest rate benchmark reform. The Group currently enters into currency swap contracts and designate them as hedging instruments for cash flow hedging accounting to avoid the volatility in cash flows of borrowing due to changes of the interest rate benchmark, the one-month and three-month USD LIBOR. However, the USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate (SOFR) based on actual transactions for specific periods (1M, 3M, 6M and 12M) from July 2023. The Group assumes that interest rate benchmarks do not change due to interest rate benchmarks reform in this hedging relationship. The Group is closely monitoring market and industry discussions regarding applicable alternative base interest rates on exposed interest rate benchmarks. This uncertainty is no longer expected when the exposed interest rate benchmark is replaced by an applicable interest rate.

Financial instruments related to LIBOR that are scheduled to reach maturity after July 2023 and those which have not been converted to alternative interest rate benchmarks as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Interest rate benchmark	Currency	Book value of non-derivative financial liability	Nominal value of hedging instrument
USD 1M LIBOR	USD	1,267,300	1,195,125
USD 3M LIBOR	USD	164,749	145,122

1) Details of hedged items as of December 31, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge	Accumulated other comprehensive income
	Asset	Liability			
Cash flow risk hedging:					
Interest rate swap	-	3,740,000	Borrowings and bonds issued	(107,125)	75,197
Foreign exchange risk	29,726	8,357,902	Loans, borrowings and bonds issued	(602,076)	(37,533)
Total	29,726	12,097,902		(709,201)	37,664

(Unit: M Korean won)

Classification	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge	Accumulated fair value risk hedging adjustment
	Asset	Liability			
Fair value risk hedging:					
Fair value risk	-	445,000	Borrowings and bonds issued	11,953	11,953

② December 31, 2021

(Unit: M Korean won)

Classification	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge	Accumulated other comprehensive income
	Asset	Liability			
Cash flow risk hedging:					
Interest rate swap	-	4,380,000	Borrowings and bonds issued	-	9,022
Foreign exchange risk	29,531	7,349,435	Loans, borrowings and bonds issued	(472,370)	29,208
Total	29,531	11,729,435		(472,370)	38,230

2) Details of derivatives for hedge as of December 31, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	Unpaid commitments (*1)	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge
		Asset	Liability		
Cash flow risk hedging:					
Interest rate swap	3,740,000	103,714	387	Derivative asset (Liability)	110,750
Foreign exchange risk	8,387,628	626,146	42,466		619,783
Total	12,127,628	729,860	42,853		730,533

(Unit: M Korean won)

Classification	Unpaid commitments (*1)	Carrying amount		Account	Changes in fair value to recognize ineffective portion to risk hedge
		Asset	Liability		
Fair value risk hedging					
Interest rate swap	445,000	-	8,150	Derivative liability	(8,150)

(*1) Notional principal amount represents Korean won equivalent amounts of foreign currencies for Korean 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.

② December 31, 2021

(Unit: M Korean won)

Classification	Unpaid commitments (*1)	Carrying amount		Account	Changes in fair value to recognize ineffective portion of risk hedge
		Asset	Liability		
Cash flow risk hedging:					
Interest rate swap	4,380,000	25,356	8,819	Derivative asset (Liability)	90,478
Foreign exchange risk	7,378,966	392,040	13,991		552,843
Total	11,758,966	417,396	22,810		643,321

(*1) Notional principal amount represents Korean won equivalent amounts of foreign currencies for Korean 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.

3) Changes in effective portion of derivatives that are designated and qualify as hedging instruments for the years ended December 31, 2022 and 2021, are as follows:

① 2022

(Unit: M Korean won)

Classification	Opening balance	Changes in fair value	Reclassified to profit or loss	Closing balance
Before tax	50,437	549,587	(550,334)	49,690
Income tax effects	(12,207)			(12,026)
After tax	38,230			37,664

② 2021

(Unit: M Korean won)

Classification	Opening balance	Changes in fair value	Reclassified to profit or loss	Closing balance
Before tax	(55,578)	643,321	(537,306)	50,437
Income tax effects	13,449			(12,207)
After tax	(42,129)			38,230

The Group is expected to be exposed to the variability in future cash flows and fair values arising from hedged items designated as cash flows and fair value hedges, until March 29, 2032. There was no cash flow hedges discontinued for the years ended December 31, 2022 and 2021.

The ineffective portion recognized in profit related to cash flow hedge for the years ended December 31, 2022 and 2021, are ₩12,202 million and ₩12,915 million, respectively. In addition, the loss recognized as ineffective portion in fair value hedge is ₩3,803 million for the year ended December 31, 2022.

20. EQUITY:

(1) Issued capital

Details of issued capital as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Type of stock	Common stock	Common stock
Number of authorized shares to issue	500,000,000 shares	500,000,000 shares
Par value per share	5,000 Korean won	5,000 Korean won
Total issued shares	99,307,435 shares	99,307,435 shares
Issued capital	496,537	496,537

(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.

According to the Specialized Credit Finance Business Act 11, the Group makes regulatory reserves for loan losses if there is a shortfall in provisions prepared in accordance with K-IFRS. The amount required by the regulation is 130% of the minimum amount specified in the Specialized Credit Finance Business Act, but less than the total outstanding amount of the loans.

The reserve for loan loss is a discretionary reserve, and any excess amount beyond legally required reserve can be reversed. If there is an accumulated deficit, the reserve is made only after when there is no accumulated deficit balance.

1) Regulatory reserve for loan losses

Details of regulatory reserve for loan losses as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Appropriated regulatory reserve for loan losses	193,208	213,477
Expected provision for (release of) regulatory reserve for loan losses	32,083	(20,269)
Regulatory reserve for loan losses (*1)	225,291	193,208

(*1) Regulatory reserve for loan losses as of December 31, 2022 and 2021, 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.

2) Provision for (release of) regulatory reserve for loan losses and profit for the period and EPS adjusted with release of regulatory reserve for loan losses for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Profit for the period	437,087	432,600
Addition: Provision for (release of) regulatory reserve for loan losses (*1)	32,083	(20,269)
Profit for the period adjusted with provision for regulatory reserve for loan losses (*2)	405,004	452,869
Basic and diluted EPS adjusted with provision for regulatory reserve for loan losses (in Korean won)	4,078	4,560

(*1) Provision for (release of) regulatory reserve for loan losses represents additional reserves expected to be made for the years ended December 31, 2022 and 2021.

(*2) Profit for the year adjusted with regulatory reserve 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 pretax basis on profit for the year.

(4) Retained earnings

Details of retained earnings as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Legal reserves:		
Earned surplus reserve	176,286	176,286
Discretionary reserves:		
Regulatory reserve for loan losses	193,208	213,477
Reserve for electronic financial transactions	100	100
Reserve for business rationalization	74	74
Subtotal	193,382	213,651
Retained earnings before appropriation	4,296,237	3,838,882
Total	4,665,905	4,228,819

(5) Dividends

The Group did not make a resolution on dividend payment as of December 31, 2022 and 2021.

21. NET INTEREST INCOME:

Net interest income for the years ended December 31, 2022 and 2021, is as follows:

(Unit: M Korean won)

Classification	2022	2021
Interest income:		
Interest income recognized using the effective interest method:		
Due from other financial institutions	39,361	11,047
Securities measured at FVOCI	899	203
Loans receivable	904,611	775,197
Installment financial assets	610,493	588,783
Lease receivables (*1)	127,023	127,794
Other (*2)	1,334	302
Subtotal	1,683,721	1,503,326
Interest expense:		
Borrowings	77,042	61,394
Bonds issued	626,792	490,153
Other (*2)	7,997	6,196
Subtotal	711,831	557,743
Net interest income	971,890	945,583

(*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.

22. NET FEE INCOME:

Net fee income for the year ended December 31, 2022 and 2021, is as follows:

(Unit: M Korean won)

Classification	2022	2021
Fee income:		
Loans receivable	15,388	17,369
Installment financial assets	18,679	21,098
Lease receivables	124,591	122,511
Subtotal	158,658	160,978
Fee expenses:		
Lease expense	169,809	160,145
Net fee income	(11,151)	833

23. NET LEASE INCOME:

Net lease income for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Income on leases (*1):		
Income on operating leases	1,125,998	909,159
Gain on sale of lease assets	464,513	23,278
Fee income on operating leases	209,309	176,996
Subtotal	1,799,820	1,109,433
Lease expense(*1):		
Lease asset depreciation	930,355	738,308
Loss on sale of lease assets	450,683	30,088
Impairment (release of) losses on lease assets	(209)	38,928
Fee expenses on operating leases	109,883	91,099
Other expenses	9,471	8,295
Subtotal	1,500,183	906,718
Net lease income	299,637	202,715

(*1) Excluding net interest income and net fee income regarding lease.

24. OTHER OPERATING INCOME AND EXPENSES:

Other operating income and expenses for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Other operating income:		
Gain on valuation of derivatives	402,814	486,692
Gain on derivatives transactions	199,504	53,054
Gain on valuation of short-term financial investments	2,105	915
Gain on purchased loan	8,869	10,899
Shared services income	9,576	24,095
Other fee and commission	21,872	23,313
Advisory fee	52,174	46,122
Release of provision	2,133	39,987
Others	22,215	12,886
Total	721,262	697,963
Other operating expenses:		
Loss on valuation of derivatives	58,603	1,426
Loss on derivatives transactions	3,049	1,014
Shared services expense	3,478	28,996
Indirect financing cost	10,404	9,782
Transfer to provision	10,628	18,552
Others	26,563	27,661
Total	112,725	87,431

25. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Salaries	243,581	227,541
Severance benefits	28,802	16,805
Employee benefits	36,893	38,221
Advertising	33,800	39,689
Sales promotion	82,555	49,375
Rents	20,963	18,495
Utilities	7,693	8,337
Communication	12,060	11,514
Travel and transportation	4,472	3,162
Professional and other service fees	51,920	59,797
Outsourcing service charges	28,500	24,972
Commissions and charges	19,546	18,929
Depreciation	30,733	29,660
Amortization	27,706	34,309
Other	46,813	39,383
Total	676,037	620,189

26. INCOME TAXES:

(1) Income tax expense

Income tax expense for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Current income tax expense	103,596	118,566
Change in deferred income tax due to temporary differences	37,796	67,110
Income tax expense recognized directly to equity	4,852	(42,334)
Income tax expense associated with discontinued operations	-	(174)
Income tax expense	146,244	143,168

(2) Income tax expenses recognized directly in equity

Income tax expenses recognized directly in equity for the years ended December 31, 2022 and 2021, are as follows:

1) 2022

(Unit: M Korean won)

Classification	Opening balance	Closing balance	Changes
Net change in unrealized gains and losses on equity securities measured at FVOCI	(7,192)	(5,680)	1,512
Net change in unrealized valuation gains and losses on debt securities measured at FVOCI	7	191	184
Share on other comprehensive profit and loss on associates and joint ventures	(17,516)	(14,285)	3,231
Net change in effective portion of cash flow hedges	(12,207)	(12,026)	181
Remeasurements of defined benefit plans	5,308	5,052	(256)
Total	(31,600)	(26,748)	4,852

2) 2021

(Unit: M Korean won)

Classification	Opening balance	Closing balance	Changes
Net change in unrealized gains and losses on equity securities measured at FVOCI	(10,516)	(7,192)	3,324
Net change in unrealized valuation gains and losses on debt securities measured at FVOCI	(24)	7	31
Share on other comprehensive profit and loss on associates and joint ventures	3,120	(17,516)	(20,636)
Net change in effective portion of cash flow hedges	13,449	(12,207)	(25,656)
Remeasurements of defined benefit plans	4,705	5,308	603
Total	10,734	(31,600)	(42,334)

(3) Effective tax rate reconciliation

The relationship between profit before income tax and income tax expense as of December 31, 2022 and 2021, is as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Profit before income taxes (A)	583,331	575,942
Income taxes at statutory tax rates	150,054	148,021
Adjustments:		
Non-deductible expense	1,011	1,646
Changes in estimates for tax provisions of the prior	(722)	(422)
Others	(4,099)	(5,903)
Income expense associated with discontinued operations	-	(174)
Income tax expense (B)	146,244	143,168
Effective tax rate (B/A)	25.07%	24.86%

(4) Temporary differences and deferred tax balances

Changes in temporary differences and deferred tax balances for the years ended December 31, 2022 and 2021, are as follows:

1) 2022

(Unit: M Korean won)

Classification	Temporary difference			Deferred tax assets (Liabilities)	
	Opening balance	Changes	Closing balance	Opening balance	Closing balance
Derivative financial instruments	(54,164)	(2,167)	(56,331)	(13,108)	(13,632)
Deferred fees	(134,980)	8,800	(126,180)	(32,665)	(30,536)
Initial direct costs for lease assets	(178,325)	(51,778)	(230,103)	(43,155)	(55,685)
Accounts payables	18,965	545	19,510	4,590	4,721
Depreciation	52,298	8,680	60,978	12,656	14,757
Present value discounts	11,044	10,351	21,395	2,673	5,178
Provisions	65,697	12,120	77,817	15,899	18,832
Investment on stocks of associates	(496,884)	(103,801)	(600,685)	(120,246)	(145,366)
Plan assets	(74,242)	(32,482)	(106,724)	(17,967)	(25,827)
Others	(20,117)	(6,449)	(26,566)	(4,868)	(6,429)
Total	(810,708)	(156,181)	(966,889)	(196,191)	(233,987)

The Group did not recognize a deferred tax liability of ₩4,693 million as of December 31, 2022, for taxable temporary differences associated with investments in subsidiaries as it is probable that the temporary differences will not reverse in the foreseeable future.

2) 2021

(Unit: M Korean won)

Classification	Temporary difference			Deferred tax assets (Liabilities)	
	Opening balance	Changes	Closing balance	Opening balance	Closing balance
Derivative financial instruments	55,579	(109,743)	(54,164)	13,450	(13,108)
Deferred fees	(137,957)	2,977	(134,980)	(33,386)	(32,665)
Initial direct costs for lease assets	(138,368)	(39,957)	(178,325)	(33,485)	(43,155)
Accounts payables	19,783	(818)	18,965	4,788	4,590
Depreciation	10,495	41,803	52,298	2,540	12,656
Present value discounts	11,606	(562)	11,044	2,809	2,673
Provisions	86,526	(20,829)	65,697	20,939	15,899
Investment on stocks of associates	(349,476)	(147,408)	(496,884)	(84,573)	(120,246)
Plan assets	(67,234)	(7,008)	(74,242)	(16,271)	(17,967)
Others	(24,346)	4,229	(20,117)	(5,892)	(4,868)
Total	(533,392)	(277,316)	(810,708)	(129,081)	(196,191)

The Group did not recognize a deferred tax liability of ₩4,790 million as of December 31, 2021, for taxable temporary differences associated with investments in subsidiaries as it is probable that the temporary differences will not reverse in the foreseeable future.

(5) Basis for determining the feasibility of 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 will have future taxable profits against which these assets can be used.

27. EPS:

(1) Basic EPS

Basic EPS attributable to common stock of equity holders for the years ended December 31, 2022 and 2021, are as follows:

(Unit: Korean won, Share)

Classification	2022		2021	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Profit for the year attributable to common stock (A)	437,086,622,093	-	432,054,834,432	545,124,502
Weighted average of number of outstanding common stocks (B)	99,307,435	-	99,307,435	99,307,435
Basic EPS (A/B)	4,401	-	4,351	5

(2) Diluted EPS

There are no potential common stocks as of December 31, 2022. Therefore, the diluted EPS are equal to basic EPS.

28. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2022 and 2021, are as follows:

(1) 2022

(Unit: M Korean won)

Classification	Opening balance	Changes		Income tax effects	Closing balance
		Reclassified to profit or loss adjustment	Other changes		
Net change in unrealized gains and losses on equity securities measured at FVOCI	22,524	-	(6,248)	1,512	17,788
Net change in unrealized gains and losses on valuation of debt securities measured at FVOCI	(25)	(57)	(703)	184	(601)
Share on other comprehensive profit of associates and joint ventures	54,867	-	(13,355)	3,231	44,743
Net change in effective portion of cash flow hedges	38,230	(550,334)	549,587	181	37,664
Overseas project conversion profit or loss	(6,205)	-	1,054	-	(5,151)
Remeasurements of defined benefit plans	(16,629)	-	1,058	(256)	(15,827)
Total	92,762	(550,391)	531,393	4,852	78,616

(2) December 31, 2021

(Unit: M Korean won)

Classification	Opening balance	Changes		Income tax effects	Closing balance
		Reclassified to profit or loss adjustment	Other changes		
Net change in unrealized gains and losses on equity securities measured at FVOCI	32,938	-	(13,738)	3,324	22,524
Net change in unrealized gains and losses on valuation of debt securities measured at FVOCI	71	(75)	(52)	31	(25)
Share on other comprehensive profit of associates and joint ventures	(9,775)	-	85,278	(20,636)	54,867
Net change in effective portion of cash flow hedges	(42,129)	(537,306)	643,321	(25,656)	38,230
Overseas project conversion profit or loss	(7,372)	-	1,167	-	(6,205)
Remeasurements of defined benefit plans	(14,739)	-	(2,493)	603	(16,629)
Total	(41,006)	(537,381)	713,483	(42,334)	92,762

29. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash and cash equivalents

Details of cash and cash equivalents as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Ordinary deposits (*1)	185,741	220,960
Checking deposits	3,104	2,235
Other cash equivalents (*2)	1,558,782	285,975
Total	1,747,627	509,170

(*1) Related to the asset securitization trades, ordinary deposits include the deposits limited for use in ₩153,257 million and ₩82,180 million at the suspended accounts of Autopia SPCs as of December 31, 2022 and 2021.

(*2) Other cash equivalents include demand deposits, MMDA, MMW and time deposits 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. In addition, there are no deposits of other cash equivalent assets limited for use as of December 31, 2022, in relation to asset securitization trades. The suspended account of Autopia securitized trust includes the deposit limited for use in ₩10,700 million as of December 31, 2021.

(2) Cash generated from operations

Cash generated from operations for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Profit for the period	437,087	432,600
Adjustments:		
Loss on disposal of securities measured at FVTPL	-	31
Loss on assessment of securities measured at FVTPL	1,912	474
Gain on disposal of debt securities measured at FVOCI	(976)	(646)
Impairment loss on debt securities measured at FVOCI	41	3
Reversal of impairment loss on debt securities measured at FVOCI	(20)	(18)
Gain on loans receivable (deferred loan withholding profit or loss and cash discount difference depreciation)	32,865	42,573
Gain on installment finance (deferred loan withholding profit or loss depreciation)	93,573	99,367
Income on leases (deferred loan withholding profit or loss depreciation)	23,046	23,028
Gain on foreign currency conversion	(44,394)	(2,748)
Dividend income	(635)	(519)

(Unit: M Korean won)

Classification	2022	2021
Gain on valuation of derivatives	(402,814)	(486,692)
Gain on valuation of short-term financial investments	(2,105)	(915)
Loss on valuation of short-term financial investments	359	-
Net interest expense	670,236	546,192
Lease expense	930,146	777,236
Provision for loan losses	198,293	139,549
Loss on foreign currency conversion	388,635	473,599
Severance benefits	14,088	14,434
Other long-term employee salaries	2,335	3,072
Depreciation	30,733	29,660
Amortization	27,706	34,309
Loss on valuation of derivatives	58,603	1,426
Impairment loss on investment stock to joint venture and associates	-	13,332
Transfer to (release of) provision	8,495	(21,435)
Gain on investments in associates and joint ventures	(111,056)	(89,844)
Loss on investments in associates and joint ventures	7,232	5,031
Gain on tangible asset disposal	(250)	(396)
Loss on tangible asset disposal	646	640
Gain on intangible asset disposal	(221)	-
Loss on intangible asset disposal	76	68
Impairment loss on intangible asset	925	-
Loss on lease cancellation	1,510	84
Gain on disposal of non-current asset held to be sold	-	(293)
Income tax	146,244	143,168
Gain on fair value risk hedge	(11,953)	-
Profit and loss adjustment related to discontinued operations	-	(3,686)
Sub-Total	2,063,275	1,740,084
Changes on assets and liabilities due to business activities:		
Decrease (increase) in due from other financial institutions	(209,698)	10,800
Decrease in short-term financial investments	164,891	107,348
Increase in securities measured at FVTPL	-	(3,432)
Decrease (increase) in securities measured at FVOCI	1,404	(2,426)
Decrease (increase) in loans receivable	8,049	(1,037,702)

(Unit: M Korean won)

Classification	2022	2021
Decrease (increase) in installment financial assets	(1,119,157)	614,250
Increase in finance lease receivables	(226,034)	(205,357)
Decrease in canceled lease receivables	11,616	14,683
Increase in operating lease assets	(1,912,440)	(1,722,518)
Decrease in canceled lease assets	252,495	274,941
Decrease (increase) in non-trade receivables	(10,429)	4,332
Increase in accrued revenues	(39,922)	(15,084)
Decrease (increase) in advance payments	(24,605)	(1,988)
Increase in prepaid expenses	(1,721)	8,697
Increase in non-trade payables	141,408	36,528
Increase in accrued expenses	1,259	1,355
Decrease in unearned revenue	(19)	(2,734)
Increase in withholdings	92,394	28,929
Increase (decrease) in deposits received	24,081	(12,445)
Severance payments	(36)	(4,267)
Increase in plan assets	(34,500)	(21,600)
Transfer of severance benefits from related parties, net	(16)	(9)
Decrease in other long-term employee benefits	(1,746)	(591)
Changes in assets and liabilities associated with discontinued operations	-	(7)
Sub-total	(2,882,726)	(1,928,297)
Total	(382,364)	244,387

(3) Interest received

Cash flows from interest received on interest-bearing assets, such as loans receivables, installment financial assets and lease receivables are ₩1,771,061 million and ₩1,631,642 million for the years ended December 31, 2022 and 2021, respectively.

(4) Non-cash transactions

Significant transactions not involving cash flows for the years ended December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	2022	2021
Charge-offs of financial receivables and other assets	208,929	301,072
Reclassification from construction in progress	51,656	30,041

(5) Changes in liabilities arising from financing activities

Changes in liabilities and assets that hedge liabilities arising from financing activities for the years ended December 31, 2022 and 2021, are as follows:

1) 2022

(Unit: M Korean won)

Classification	Opening balance	Net cash flows	Non-cash changes			Closing balance
			Changes in foreign exchange rates	Changes in fair value	Other changes	
Borrowings	3,288,512	(258,148)	7,703	(3,563)	395	3,034,899
Bonds issued	25,230,568	2,785,218	335,885	(8,390)	20,977	28,364,258
Net derivative liabilities (assets)	(395,922)	60,713	(344,401)	1,224	-	(678,386)
Lease liabilities	13,239	(15,185)	-	-	66,215	64,269
Total liabilities on financial activities	28,136,397	2,572,598	(813)	(10,729)	87,587	30,785,040

2) 2021

(Unit: M Korean won)

Classification	Opening balance	Net cash flows	Non-cash changes			Closing balance
			Changes in foreign exchange rates	Changes in fair value	Other changes	
Borrowings	3,525,243	(248,431)	11,309	-	391	3,288,512
Bonds issued	23,814,413	935,995	461,151	-	19,009	25,230,568
Net derivative liabilities (assets) held to hedge borrowed funds	264,670	(68,868)	(485,412)	(106,312)	-	(395,922)
Lease liabilities	35,183	(16,076)	-	-	(5,868)	13,239
Total liabilities on financial activities	27,639,509	602,620	(12,952)	(106,312)	13,532	28,136,397

30. COMMITMENTS AND CONTINGENCIES:

(1) Credit Facility Agreement

As of December 31, 2022, the Group has line-of-credit commitments from Shinhan Bank and other banks with up to ₩48,500 million in the aggregate. The Group also has revolving credit facility agreements up to USD 200 million, JPY 84,000 million, EUR 350 million and ₩2,695,000 million with Kookmin Bank and other financial institutions.

The Group is exposed to interest rate benchmarks (USD 3M LIBOR, KRW CD interest rates) subject to interest rate benchmark reform. Among the Group's contract, the limit related to USD 3M LIBOR and KRW CD interest rates are USD 200 million and ₩1,935,000 million, respectively. The USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate (SOFR) based on actual transactions from July 2023. The Group has added replacement clauses to the existing contracts for USD LIBOR, which have been discontinued. In the case of CD interest rates, there is no separate schedule to stop the calculation and unlike USD LIBOR, conversion is not compulsory, so no substitution clause was added. The Group is closely monitoring market and industry discussions regarding applicable alternative base interest rates on exposed interest rate benchmarks. This uncertainty is no longer expected when the exposed interest rate benchmark is replaced by an applicable interest rate.

The Group offers line-of-credit commitments to a number of customers and the unused amount of line-of-credit is ₩681,100 million as of December 31, 2022.

(2) Guarantees

Details of guarantees provided to the Group as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Guarantor	Details	December 31, 2022	December 31, 2021
Seoul Guarantee Insurance Co., Ltd.	Guarantee for debt collection deposit and others	38,549	42,907

The Group has residual value guarantee insurance policies with DB INSURANCE CO., LTD. and another insurance carrier, 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, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Loans and leases insured	433,731	554,030
Residual value guaranteed by the insurance policies	111,571	147,348

(3) Pending litigations

Pending litigations include 51 cases with aggregated claim amounts of ₩35,969 million where the Group is the defendant, 33 cases with aggregated claim amount of ₩7,369 million where the Group is the plaintiff, and litigations against a number of debtors to collect receivables as of December 31, 2022. The Group concluded that pending litigations as of December 31, 2022, will not have significant influence on the consolidated financial statements.

(4) Receivables transfer agreement

The Group entered into an agreement with Hyundai Commercial Co., Ltd., to purchase certain delinquent receivables and written-off receivables on a regular basis at amount agreed to the transferors.

(5) Borrowed funds agreement

As of December 31, 2022, the Group has agreements, including triggering clauses regarding borrowed funds and related credit commitments, ₩ 650,000 million for creditors' credit enhancement. When the Group's credibility declines below certain level, the Group is required for advanced redemption or agreements with creditors can be invalid or cancelled.

(6) Agreement related to asset securitization

The Group needs to maintain a certain ratio of securitized asset to securities and provides additional assets for any shortfalls. The asset back securitization contract includes triggering clauses requiring early redemptions. It provides credit enhancement to the asset-back securities and, therefore, limits the investor's risk in case of changes in the asset quality. When triggering events occur, the Group has to redeem the securities for its ABS SPC. As of December 31, 2022, if Autopia 68th and 69th ABS SPCs default on the settlement of derivatives contracts in relation to asset-backed securities, the Group has an obligation to compensate counterparties for any losses.

31. RELATED-PARTY TRANSACTIONS:

(1) Relationships between parents and subsidiaries

The parent company is Hyundai Motor Company. Related parties include associates, joint ventures, members of key management personnel and entities, which the Group controls directly or indirectly, have joint control or significant influence over them.

(2) Related parties

The related parties that have transactions, and receivables and payables with the Group as of December 31, 2022, are as follows:

Classification	Company
The Parent	Hyundai Motor Company
Associates and joint ventures	Korea Credit Bureau Hyundai Capital Bank Europe GmbH Hyundai Capital Canada Inc.
Other related parties	Kia Corp. Hyundai Card Co., Ltd. Hyundai Commercial Inc. Hyundai Glovis Co., Ltd. Hyundai Autoever Corp. Hyundai Construction Co., Ltd Hyundai Steel Co., Ltd Hyundai Engineering Co., Ltd. Hyundai Mobis Co., Ltd. Hyundai Capital America and 69 others

(3) Transactions with related parties

1) Significant transactions occurred with related companies for the years ended December 31, 2022 and 2021, are as follows:

① 2022

(Unit: M Korean won)

Classification	Company	Operating revenue	Operating expenses (*1)	Non-operating income	Disposal of leased assets	Purchase of leased assets	Purchase of loans and receivables	Disposal of other assets	Purchase of other assets
The Parent	Hyundai Motor Company	139,843	1,319	-	-	1,662,475	-	-	-
Associates and joint ventures	Korea Credit Bureau	-	3,535	-	-	-	-	-	5
	Hyundai Capital Bank Europe GmbH	1,184	891	-	-	-	-	-	-
	Hyundai Capital Canada Inc.	4,328	23	-	-	-	-	-	-
	Subtotal	5,512	4,449	-	-	-	-	-	5
Other related parties	Kia Corp.	94,138	548	-	-	733,181	-	-	-
	Hyundai Card Co., Ltd.	50,149	5,841	1,483	-	-	-	1,066	-
	Hyundai Commercial Inc.	2,128	246	743	-	-	17,807	-	-
	Hyundai Glovis Co., Ltd.	358	3,394	-	39,796	-	-	-	-
	Hyundai Autoever Corp.	274	33,584	26	-	-	-	2,050	31,263
	Hyundai Capital America	37,081	23	-	-	-	-	-	-
	Hyundai Engineering Co., Ltd.	1,274	6,426	-	-	-	-	-	-
	Hyundai Construction & Engineering Co., Ltd.	1,682	-	-	-	-	-	-	-
	Hyundai Mobis Co., Ltd.	1,640	2	-	-	-	-	-	-
	Hyundai Steel Co., Ltd.	2,630	-	-	-	-	-	-	-
	Other	10,821	983	44	-	-	-	1,200	-
	Subtotal	202,175	51,047	2,296	39,796	733,181	17,807	4,316	31,263
Total		347,530	56,815	2,296	39,796	2,395,656	17,807	4,316	31,268

(*1) Including provision for (release of) loan losses

② 2021

(Unit: M Korean won)

Classification	Company	Operating revenue	Operating expenses (*1)	Non-operating income	Disposal of leased assets	Purchase of leased assets	Purchase of loans and receivables	Disposal of other assets	Purchase of other assets
The Parent	Hyundai Motor Company	126,783	1,062	-	-	1,414,841	-	-	-
Associates and joint ventures	Korea Credit Bureau	-	3,167	-	-	-	-	-	5
	Hyundai Capital Canada Inc.	12	-	-	-	-	-	-	-
	Hyundai Capital Bank Europe GmbH	1,211	837	-	-	-	-	-	-
	BANCO HYUNDAI CAPITAL BRASIL S.A.	4	-	-	-	-	-	-	-
	BAIC Hyundai Leasing Co. Ltd	307	-	-	-	-	-	-	-
	Subtotal	1,534	4,004	-	-	-	-	-	5
Other related parties	Kia Corp.	101,516	431	-	-	759,361	-	-	-
	Hyundai Card Co., Ltd.	76,352	27,826	1,469	-	-	-	1,451	7
	Hyundai Commercial Inc.	2,278	2,495	79	-	-	29,178	5	-
	Hyundai Glovis Co., Ltd.	335	2,417	-	60,993	-	-	-	-
	Hyundai Autoever Corp.	258	28,292	-	-	-	-	-	26,082
	Hyundai Capital America	33,483	40	-	-	-	-	-	-
	Hyundai Engineering Co., Ltd.	1,185	7,158	-	-	-	-	-	-
	Hyundai Construction & Engineering Co., Ltd.	1,776	(1)	-	-	-	-	4,020	-
	Hyundai Mobis Co., Ltd.	1,455	(3)	-	-	-	-	-	-
	Hyundai Steel Co., Ltd.	2,726	5	-	-	-	-	-	-
	Other	9,486	1,343	-	-	-	-	-	-
	Subtotal	230,850	70,003	1,548	60,993	759,361	29,178	5,476	26,089
Total		359,167	75,069	1,548	60,993	2,174,202	29,178	5,476	26,094

(*1) Including provision for (release of) loan losses

2) Receivables and payables with related parties as of December 31, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	Company	Installment financial assets	Allowance for loan losses	Other assets	Allowance for loan losses	Other liabilities (*1)
The Parent	Hyundai Motor Company	345,235	-	695	(7)	107,536
Associates	Hyundai Capital Bank Europe GmbH	29,726	(76)	1,184	-	-
	Hyundai Capital Canada Inc.	-	-	2,327	(23)	-
	Subtotal	29,726	(76)	3,511	(23)	-
Other related parties	Hyundai Card Co., Ltd.	120	-	3,982	(40)	129,464
	Hyundai Construction & Engineering Co., Ltd.	1,623	(1)	-	-	-
	Hyundai Glovis Co., Ltd.	613	(2)	3,201	(16)	-
	Kia Corp.	170,803	-	-	-	26,809
	Hyundai Capital America	-	-	36,374	(364)	-
	Hyundai Steel Co., Ltd.	7,298	(9)	268	-	-
	Hyundai Commercial Inc.	15	-	5	-	5,632
	Hyundai Autoever Corp.	146	-	11	-	34
	Hyundai Mobis Co., Ltd.	2,604	(4)	51	-	-
	Hyundai Engineering Co., Ltd.	1,338	(1)	-	-	-
	Other	4,095	(32)	511	-	401
	Subtotal	188,655	(49)	44,403	(420)	162,340
Total		563,616	(125)	48,609	(450)	269,876

(*1) The lease payments that the Group made related to the lease liabilities included in other liabilities were ₩1,633 million for the year ended December 31, 2022.

② December 31, 2021

(Unit: M Korean won)

Classification	Company	Installment financial	Allowance for loan losses	Other assets	Allowance for loan losses	Other liabilities (*1)
The Parent	Hyundai Motor Company	227,406	-	636	(5)	2,312
Associates	Hyundai Capital Bank Europe GmbH	29,531	(75)	1,184	-	-
Other related parties	Hyundai Card Co., Ltd.	276	-	5,360	(47)	63,315
	Hyundai Construction & Engineering Co., Ltd.	2,298	(1)	-	-	-
	Hyundai Glovis Co., Ltd.	690	-	3,455	(17)	-
	Kia Corp.	130,882	-	-	-	36,652
	Hyundai Capital America	-	-	34,040	(340)	-
	Hyundai Steel Co., Ltd.	7,317	(9)	266	-	-
	Hyundai Commercial Inc.	20	-	6	-	8,441
	Hyundai Autoever Corp.	260	-	42	-	26
	Hyundai Mobis Co., Ltd.	2,390	(2)	57	-	-
	Hyundai Engineering Co., Ltd.	1,869	(1)	-	-	-
	Other	2,721	(13)	578	-	1
	Subtotal	148,723	(26)	43,804	(404)	108,435
Total		405,660	(101)	45,624	(409)	110,747

(*1) The lease payments that the Group made related to the lease liabilities included in other liabilities was ₩830 million for the year ended December 31, 2021.

3) Transactions of lending with related parties for the years ended December 31, 2022 and 2021, are as follows:

① 2022

(Unit: M Korean won)

Classification		Opening balance	Increase	Decrease	Other changes (*1)	Closing balance
Transactions of lending:						
Associates	Hyundai Capital Bank Europe GmbH	29,531	-	-	195	29,726
Transactions of borrowing:						
Other related parties	Hyundai Commercial Inc.	8,400	-	(4,240)	-	4,160

(*1) Including effects of changes in exchange rate and others

② 2021

(Unit: M Korean won)

Classification		Opening balance	Increase	Decrease	Other changes (*1)	Closing balance
Transactions of lending:						
Associates	Hyundai Capital Bank Europe GmbH	29,441	-	-	90	29,531
Transactions of borrowing:						
Other related parties	Hyundai Commercial Inc.	16,000	-	(7,600)	-	8,400

(*1) Including effects of changes in exchange rate and others

4) Contribution in cash and redemption with related parties for years ended December 31, 2022 and 2021, are as follows:

① 2022

(Unit: M Korean won)

Classification	Company	Contribution in cash	Redemption
Associates	Hyundai Capital France	75,191	-

② 2021

(Unit: M Korean won)

Classification	Company	Contribution in cash	Redemption
Associates	Hyundai Capital Canada Inc.	27,630	-

5) Hyundai Motor Securities acquired ₩0 and ₩30,000 million of corporate bonds issued by the Group for the years ended December 31, 2022 and 2021, respectively.

(4) Key management compensation

Compensation to key management for the years ended December 31, 2022 and 2021 are as follows:

(Unit: M Korean won)

Classification	2022	2021
Short-term employee benefits	14,025	15,329
Severance benefits	9,405	3,762
Other long-term employee salaries	17	17

The key management above consists of directors (including outside directors), who have significant authority and responsibilities for planning, operating and controlling the Group.

32. TRANSFER OF FINANCIAL ASSETS:

The Group has issued securitized bonds based on loan receivables and installment financial assets, and the related securitized bonds have only recourse to the underlying assets.

Details of financial assets transferred by the Group that are not derecognized as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	Financial receivables measured at amortized cost	
	December 31, 2022	December 31, 2021
Carrying amount of assets		
Loans receivable	3,662	-
Installment financial assets	7,686,403	6,920,775
Subtotal	7,690,065	6,920,775
Carrying amount of associated liabilities	(5,297,074)	(4,650,293)
For those liabilities that have recourse only to the transferred financial assets.		
Fair value of assets	7,597,066	7,092,273
Fair value of associated liabilities(*1)	(5,177,451)	(4,613,910)
Net position	2,419,615	2,478,363

(*1) The derivatives were not included. The Group hedges the risk of future cash flow fluctuations of foreign currency-denominated securitized bonds, which are hedged items, due to fluctuations in market interest rates or exchange rates using currency swaps.

33. 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 consolidated statements 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, 2022 and 2021:

(1) December 31, 2022

(Unit: M Korean won)

Classification	Gross amounts of recognized financial assets/liabilities	Gross amounts of offsetting financial assets/liabilities	Gross amounts of financial assets/liabilities in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Derivative assets	729,860	-	729,860	46,199	-	683,661
Financial liabilities						
Derivative liabilities	52,522	-	52,522	46,199	-	6,323

(2) December 31, 2021

(Unit: M Korean won)

Classification	Gross amounts of recognized financial assets/liabilities	Gross amounts of offsetting financial assets/liabilities	Gross amounts of financial assets/liabilities in the consolidated statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Derivative assets	417,396	-	417,396	16,696	-	400,700
Financial liabilities						
Derivative liabilities	22,810	-	22,810	16,696	-	6,114

34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS:

(1) Fair value of financial instruments

The fair values of financial instruments, together with the carrying amounts shown in the statements of financial position, as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and due from other financial institutions	2,958,894	2,958,894	1,673,884	1,673,884
Securities measured at FVTPL	91,254	91,254	14,517	14,517
Securities measured at FVOCI	62,840	62,840	53,542	53,542
Loans receivable	9,942,937	9,256,009	10,117,990	10,178,722
Installment financial assets	14,720,776	14,386,615	13,752,115	13,728,477
Lease receivables	2,044,891	2,035,596	2,108,314	2,163,871
Derivative assets	729,860	729,860	417,396	417,396
Non-trade receivables	105,847	105,847	95,750	95,750
Accrued revenues	194,463	194,463	156,041	156,041
Leasehold deposits	27,415	23,340	22,952	22,138
Total	30,879,177	29,844,718	28,412,501	28,504,338
Financial liabilities				
Borrowings	3,034,899	3,209,315	3,288,512	3,294,195
Bonds issued	28,364,258	27,505,375	25,230,568	25,297,046
Derivative liabilities	52,522	52,522	22,810	22,810
Non-trade payables (*1)	450,666	450,666	292,928	292,928
Accrued expenses	152,810	152,810	108,056	108,056
Withholdings (*1)	164,160	164,160	80,170	80,170
Deposits received	246,258	212,290	233,439	221,582
Other liabilities	26	26	12	12
Total	32,465,599	31,747,164	29,256,495	29,316,799

(*1) Excluding liabilities for taxes and dues

The following methods and assumptions were used in estimation of the fair value of each class of financial instruments:

① 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.

② Short-term financial investments and securities measured at FVTPL

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 short-term management financial instruments, including money market funds is determined by the evaluation amount of management securities firm. The fair value of the beneficiary certificate is determined by an independent valuation service provider, using the valuation technique based on the net asset value approach (NAV model) and Dividend Discount Model and option valuation model.

③ Securities measured at FVOCI

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 using a highly accredited independent valuation agency. The independent valuation agency utilizes various valuation techniques, which include the discounted cash flow (DCF) model, the imputed market value model (IMV), the free cash flows to equity (FCFE) model, the dividend discount model, the risk adjusted discount rate method, the net asset valuation approach and the market-based valuation method. Depending on the characteristic and nature of the instrument, the fair value is measured by using at least one valuation technique.

④ Loans receivable, installment financial assets, and lease receivables (Financial receivables measured at amortized costs)

The fair value is determined using the DCF model that incorporates 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.

⑤ Derivative financial instruments

The fair value of interest rate swaps and currency swaps are determined by using the DCF 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 closing foreign exchange price. The fair value of currency is measured in principle with market foreign exchange ratio at the residual period of currency in principle ended at December 31, 2022.

⑥ Borrowings

The fair value of borrowings is determined using the DCF method. The fair value of a financial instrument is determined by discounting the expected future cash flows at an appropriate discount rate.

⑦ Bonds issued

The fair value of bonds is determined by using the DCF method. The fair value of bonds denominated in won and bonds denominated in foreign currencies are quoted from a reliable independent valuation service provider.

⑧ Other financial assets and liabilities

The fair value of other financial assets and other financial liabilities is determined using the DCF method. However, if it is difficult to reliably calculate the cash flow, the carrying amount is regarded as fair value.

(2) Fair value hierarchy

1-1) Financial assets and liabilities measured at fair value

The fair value hierarchy of financial assets and liabilities measured at fair value in the consolidated statements of financial position as of December 31, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial assets measured at fair value					
Cash and due from other financial institutions					
Short-term financial investments	985,638	985,638	-	985,638	-
Securities measured at FVTPL	91,254	91,254	-	-	91,254
Securities measured at FVOCI	62,840	62,840	23,006	778	39,056
Derivative assets	729,860	729,860	-	729,860	-
Total	1,869,592	1,869,592	23,006	1,716,276	130,310
Financial liabilities measured at fair value					
Derivative liabilities	52,522	52,522	-	50,588	1,934
Borrowings					
Borrowings designated as hedged items	201,437	201,437	-	201,437	-
Bonds issued					
Bonds issued designated as hedged items	231,387	231,387	-	204,148	27,239
Total	485,346	485,346	-	456,173	29,173

② December 31, 2021

(Unit: M Korean won)

Classification	Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial assets measured at fair value					
Cash and due from other financial institutions					
Short-term financial investments	1,148,783	1,148,783	-	1,148,783	-
Securities measured at FVTPL	14,517	14,517	-	-	14,517
Securities measured at FVOCI	53,542	53,542	32,453	1,230	19,859
Derivative assets					
Derivatives as hedging instrument	417,396	417,396	-	417,396	-
Total	1,634,238	1,634,238	32,453	1,567,409	34,376
Financial liabilities measured at fair value					
Derivative liabilities					
Derivatives as hedging instrument	22,810	22,810	-	22,810	-

1-2) The valuation techniques and inputs for measuring the fair value of financial assets and liabilities measured at fair value in the statement of financial position and classified as Level 2 as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	Fair value		Valuation technique	Inputs
	December 31, 2022	December 31, 2021		
Financial assets measured at fair value				
Cash and due from other financial institutions				
Short-term financial investments	985,638	1,148,783	DCF model	Discount rate, forward interest rate and others
Securities measured at FVOCI	778	1,230	DCF model	Discount rate
Derivative assets	729,860	417,396	DCF model	Discount rate, forward interest rate, exchange rate and others
Total	1,716,276	1,567,409		
Financial liabilities measured at fair value				
Derivative liabilities	50,588	22,810	DCF model	Discount rate, forward interest rate , exchange rate and others
Borrowings				
Borrowings designated as risk hedging	201,437	-	DCF model	Discount rate, forward interest rate and others
Bonds issued				
Bonds issued designated as risk hedging	204,148	-	DCF model	Discount rate, forward interest rate and others
Total	456,173	22,810		

1-3) The following tables present a reconciliation of changes in the fair value of Level 3 instruments for the years ended December 31, 2022 and 2021:

(Unit: M Korean won)

Classification	2022				2021	
	Securities measured at FVTPL	Securities measured at FVOCI	Bonds issued	Derivative liability	Securities measured at FVTPL	Securities measured at FVOCI
Opening balance	14,517	19,859	-	-	11,590	18,207
Acquisition	82,135	25,100	29,884	-	4,215	4,500
Gains (losses) recognized as profit (loss)	(1,912)	-	(2,645)	1,934	(474)	-
Other comprehensive income (loss), net of income taxes recognized	-	2,440	-	-	-	(2,848)
Redemption of principal	(3,486)	(8,343)	-	-	(814)	-
Closing balance	91,254	39,056	27,239	1,934	14,517	19,859

1-4) The valuation techniques and quantitative information of significant unobserved inputs for financial assets and liabilities measured at fair value in the consolidated statements of financial position and classified as Level 3 as of December 31, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification		Fair value	Valuation technique	Unobservable inputs, which are significant	Estimated range of unobservable inputs	Impacts between inputs
Financial assets measured at fair value						
Securities measured at FVTPL	Debt securities	84,654	Net asset value model/Option valuation model/Dividend discount model	Discount rate	5.03-7.11%	Fair value is likely to increase while discount rate decreases.
		6,600	Cost based model	-	-	-
Securities measured at FVOCI	Equity securities	17,151	Asset-based value model/Profit-based model/Market-based valuation model	PBR	0.92	Fair value is likely to increase while PBR increases.
				WACC	13.31-17.86%	Fair value is likely to increase while WACC decreases.
		500	Cost-based model	-	-	-
	Debt securities	21,405	DCF model	Discount rate	4.00-5.32%	Fair value is likely to increase while discount rate decreases.
Total		130,310				
Financial liabilities measured at fair value						
Derivative liabilities		1,934	Hull-White One Factor	Correlation coefficient	0.47-0.96	Changes in fair value are likely to increase while Correlation coefficient increases
Bonds issued		27,239	Hull-White One Factor	Correlation coefficient	0.47-0.96	Changes in fair value are likely to increase while Correlation coefficient increases
Total		29,173				

② December 31, 2021

(Unit: M Korean won)

Classification		Fair value	Valuation technique	Unobservable inputs which are significant	Estimated range of unobservable inputs	Impacts between inputs
Financial assets measured at fair value						
Securities measured at FVTPL	Debt securities	4,917	Net asset value model	Discount rate	2.83%-11.43%	Fair value is likely to increase while discount rate decreases.
		9,600	Cost-based model	-	-	-
Securities measured at FVOCI	Equity securities	13,954	Asset-based valuation model	Growth rate	1.00%-22.94%	Fair value is likely to increase while growth rate increases
				Discount rate	11.37%-16.73%	Fair value is likely to increase while discount rate decreases.
	Debt securities	5,905	DCF model	Discount rate	4.32%-4.70%	Fair value is likely to increase while discount rate decreases.
Total		34,376				

1-5) 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, 2022 and 2021, is as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	Net income (loss)		Other comprehensive income (loss)	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Securities measured at FVTPL (*1)	10,055	(9,795)	-	-
Securities measured at FVOCI (*2)	-	-	542	(610)

(*1) For securities measured at FVTPL, debt securities, the changes in fair value are calculated by increasing or decreasing discount rate (Between -1% and +1%).

(*2) For equity securities measured at FVOCI using the current fair value, the changes are calculated by market index (Multiple between -1 and 1), and debt securities are calculated with discount rate (Between -1% and +1%).

② December 31, 2021

(Unit: M Korean won)

Classification	Net income (loss)		Other comprehensive income (loss)	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Securities measured at FVTPL (*1)	159	(115)	-	-
Securities measured at FVOCI (*2)	-	-	260	(383)

(*1) For securities measured at FVTPL, debt securities, the changes in fair value are calculated by increasing or decreasing discount rate (Between -1% and +1%).

(*2) For equity securities measured at FVOCI using the valuation technique based on the asset-based valuation method and DCF model, the changes in fair value are calculated by increasing or decreasing growth rate and discount rate (Between -1% and +1%) of contracts and expected cash flows.

2-1) 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, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	1,747,627	1,747,627	-	1,747,627	-
Due from other financial institutions	225,629	225,629	-	225,629	-
Loans receivable	9,942,937	9,256,009	-	-	9,256,009
Installment financial assets	14,720,776	14,386,615	-	-	14,386,615
Lease receivables	2,044,891	2,035,596	-	-	2,035,596
Non-trade receivables	105,847	105,847	-	-	105,847
Accrued revenues	194,463	194,463	-	-	194,463
Leasehold deposits	27,415	23,340	-	23,340	-
Total	29,009,585	27,975,126	-	1,996,596	25,978,530
Financial liabilities measured at amortized cost					
Borrowings	2,833,462	3,007,878	-	3,007,878	-
Bonds issued	28,132,871	27,273,988	-	27,273,988	-
Non-trade payables (*1)	450,666	450,666	-	-	450,666
Accrued expenses	152,810	152,810	-	-	152,810
Withholdings (*1)	164,160	164,160	-	-	164,160
Deposits received	246,258	212,290	-	212,290	-
Other liabilities	26	26	-	-	26
Total	31,980,253	31,261,818	-	30,494,156	767,662

(*1) Excluding liabilities for taxes and dues

② December 31, 2021

(Unit: M Korean won)

Classification	Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	509,170	509,170	-	509,170	-
Due from other financial institutions	15,931	15,931	-	15,931	-
Loans receivable	10,117,990	10,178,722	-	-	10,178,722
Installment financial assets	13,752,115	13,728,477	-	-	13,728,477
Lease receivables	2,108,314	2,163,871	-	-	2,163,871
Non-trade receivables	95,750	95,750	-	-	95,750
Accrued revenues	156,041	156,041	-	-	156,041
Leasehold deposits	22,952	22,138	-	22,138	-
Total	26,778,263	26,870,100	-	547,239	26,322,861
Financial liabilities measured at amortized cost					
Borrowings	3,288,512	3,294,195	-	3,294,195	-
Bonds issued	25,230,568	25,297,046	-	25,297,046	-
Non-trade payables (*1)	292,928	292,928	-	-	292,928
Accrued expenses	108,056	108,056	-	-	108,056
Withholdings (*1)	80,170	80,170	-	-	80,170
Deposits received	233,439	221,582	-	221,582	-
Other liabilities	12	12	-	-	12
Total	29,233,685	29,293,989	-	28,812,823	481,166

(*1) Excluding liabilities for taxes and dues

(3) Gain (loss) assessed at transaction date

At the assessment on the fair value of the unlisted derivatives by using the input parameters not based on the observable market data, the fair value of the financial products is recognized as the trade price when the fair value and trade price derived by the said assessment method are different.

At this time, the assessed differences between the fair value and trade price are not recognized as gain/loss immediately and recognized after deferring. The said differences are depreciated by straight-line method during the trade terms of the financial investments, and all deferring residual amounts are recognized as gain (loss) when the parameters in assessment are observable in the market.

In relation to these, the total difference amount deferred for the year ended on December 31, 2022, and changes is as follows:

(Unit: M Korean won)

Classification	2022
Gain (loss) from recognized assessment adjustment in the beginning trading date	-
Gain (loss) from recognized assessment adjustment in the newly occurred trading date	3,655
Changes in recognized assessment adjustment in the trading date during the period	(281)
Recognized assessment adjustment in the ending trading date	3,374

35. 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, 2022 and 2021, are as follows:

1) December 31, 2022

(Unit: M Korean won)

Classification	Financial assets measured at FVTPL	Financial assets measured at fair value through other comprehensive profit or loss		Financial assets at amortized cost	Derivatives	Total
		Debt securities	Equity securities			
Financial assets:						
Cash and due from other financial institutions	985,638	-	-	1,973,257	-	2,958,895
Securities measured at FVTPL	91,254	-	-	-	-	91,254
Securities measured at FVOCI	-	22,182	40,658	-	-	62,840
Loan receivables	-	-	-	9,942,937	-	9,942,937
Installment financial assets	-	-	-	14,720,776	-	14,720,776
Lease receivables	-	-	-	2,044,891	-	2,044,891
Derivative assets	-	-	-	-	729,860	729,860
Non-trade receivables	-	-	-	105,847	-	105,847
Accrued revenues	-	-	-	194,463	-	194,463
Leasehold deposits	-	-	-	27,415	-	27,415
Total	1,076,892	22,182	40,658	29,009,586	729,860	30,879,178

(Unit: M Korean won)

Classification	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Derivatives	Total
Financial liabilities:				
Borrowings	201,437	2,833,462	-	3,034,899
Bonds issued	231,387	28,132,871	-	28,364,258
Derivatives liabilities	-	-	52,522	52,522
Lease liabilities	-	64,269	-	64,269
Non-trade payables (*1)	-	450,666	-	450,666
Accrued expense	-	152,810	-	152,810
Withholdings (*1)	-	164,160	-	164,160
Deposits received	-	246,258	-	246,258
Other liabilities	-	26	-	26
Total	432,824	32,044,522	52,522	32,529,868

(*1) Excluding liabilities for taxes and dues.

2) December 31, 2021

(Unit: M Korean won)

Classification	Financial assets measured at FVTPL	Financial assets measured at fair value through other comprehensive profit or loss		Financial assets at amortized cost	Derivatives	Total
		Debt securities	Equity securities			
Financial assets:						
Cash and due from other financial institutions	1,148,783	-	-	525,101	-	1,673,884
Securities measured at FVTPL	14,517	-	-	-	-	14,517
Securities measured at FVOCI	-	7,135	46,407	-	-	53,542
Loan receivables	-	-	-	10,117,990	-	10,117,990
Installment financial assets	-	-	-	13,752,115	-	13,752,115
Lease receivables	-	-	-	2,108,314	-	2,108,314
Derivative assets	-	-	-	-	417,396	417,396
Non-trade receivables	-	-	-	95,750	-	95,750
Accrued revenues	-	-	-	156,041	-	156,041
Leasehold deposits	-	-	-	22,952	-	22,952
Total	1,163,300	7,135	46,407	26,778,263	417,396	28,412,501

(Unit: M Korean won)

Classification	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Derivatives	Total
Financial liabilities:				
Borrowings	-	3,288,512	-	3,288,512
Bonds issued	-	25,230,568	-	25,230,568
Derivatives liabilities	-	-	22,810	22,810
Lease liabilities	-	13,239	-	13,239
Non-trade payables (*1)	-	292,928	-	292,928
Accrued expense	-	108,056	-	108,056
Withholdings (*1)	-	80,170	-	80,170
Deposits received	-	233,439	-	233,439
Other liabilities	-	12	-	12
Total	-	29,246,924	22,810	29,269,734

(*1) Excluding liabilities for taxes and dues.

(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, 2022 and 2021, are as follows:

1) 2022

(Unit: M Korean won)

Classification	Interest income	Interest expense	Income on loans	Income on installment financial assets	Income on leases	Lease expense	Impairment loss (reversal)	Gain (loss) on valuation	Gain (loss) on disposal	Dividend income	Gain (loss) on foreign currency translation	Gain (loss) on foreign currency trades
Financial Assets:												
Financial assets measured at FVTPL	2,240	-	-	-	-	-	-	193	-	-	-	-
Debt securities measured at FVOCI	899	-	-	-	-	-	21	-	976	-	-	-
Equity securities measured at FVOCI	-	-	-	-	-	-	-	-	-	635	-	-
Financial assets measured at amortized costs	40,696	-	919,999	629,171	251,614	236,220	198,293	-	21,607	-	(653)	-
Derivatives	-	-	-	-	-	-	-	396,431	196,455	-	-	-
Financial liabilities:												
Financial liabilities measured at FVTPL	-	8,762	-	-	-	-	-	11,953	-	-	-	-
Financial liabilities measured at amortized costs	-	703,068	-	-	-	-	-	-	-	-	(343,588)	(197,134)
Derivatives	-	-	-	-	-	-	-	(52,220)		-	-	-
Total	43,835	711,830	919,999	629,171	251,614	236,220	198,314	356,357	219,038	635	(344,241)	(197,134)

2) 2021

(Unit: M Korean won)

Classification	Interest income	Interest expense	Income on loans	Income on installment financial assets	Income on leases	Lease expense	Impairment loss (reversal)	Gain(loss) on valuation	Gain (loss) on disposal	Dividend income	Gain (loss) on foreign currency translation	Gain (loss) on foreign currency trades
Financial Assets:												
Financial assets measured at FVTPL	659	-	-	-	-	-	-	441	(31)	-	-	-
Debt securities measured at FVOCI	203	-	-	-	-	-	(15)	-	646	-	-	-
Equity securities measured at FVOCI	-	-	-	-	-	-	-	-	-	508	-	-
Financial assets measured at amortized costs	11,349	-	792,566	609,881	1,359,738	1,066,863	139,549	-	7,901	-	1,609	1,085
Designated as hedging instruments for cash flow hedges	-	-	-	-	-	-	-	429,600	-	-	-	-
Financial liabilities:												
Financial liabilities measured at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities measured at amortized costs	-	557,743	-	-	-	-	-	-	-	-	(472,460)	(52,671)
Designated as hedging instruments for cash flow hedges	-	-	-	-	-	-	-	55,666	52,040	-	-	-
Total	12,211	557,743	792,566	609,881	1,359,738	1,066,863	139,534	485,707	60,556	508	(470,851)	(51,586)

36. FINANCIAL RISK MANAGEMENT:

(1) Credit Risk

1) Management of credit risk

The Group is exposed to credit risk, liquidity risk and market risk (foreign exchange risk and interest rate risk). The risk management policies of the Group are decided by the risk management committee. The risk management committee, composed of three directors, is the highest decision-making body, which generalizes possible risks occurred from the business. The committee also establishes basic policies and strategies, decides risk level the Group can bear, approve limit of acceptable loss and proper investment and resolve an enactment or revision of risk management regulation. In order to perform risk management efficiently, the committee has risk management operating committee. The operating committee aims to accomplish sound business practices and stabilization of revenues through comprehensive risk management. The operating committee reviews results by product portfolios, decides whether major risk indicators can be permitted and which measures will be taken, performs stress test and examine risk-based capital and contingencies and related actions.

2) Exposures to credit risk

The Group's exposures to credit risk as of December 31, 2022 and 2021 are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Cash and due from other financial institutions	2,958,894	1,673,884
Debt securities measured at FVTPL	91,254	14,517
Debt securities measured at FVOCI	22,183	7,135
Loan receivables	9,942,937	10,117,990
Installment financial assets	14,720,776	13,752,115
Lease receivables	2,044,891	2,108,314
Non-trade receivables	105,847	95,750
Accrued revenues	194,463	156,041
Leasehold deposits	27,415	22,952
Derivatives assets	729,860	417,396
Unused loan commitments	681,143	142,390
Total	31,519,663	28,508,484

3) Credit quality of Financial Assets

Credit quality according to internal credit rating of financial assets as of December 31, 2022 and 2021, is as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	Loan receivables				Installment financial assets			Lease receivables			Total
	12-month ECLs	Lifetime ECLs		Purchased or originated credit-impaired financial assets	12-month ECLs	Lifetime ECLs		12-month ECLs	Lifetime ECLs		
		Not credit-impaired	Credit-impaired			Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired	
Grade 1	3,457	205	-	-	4,384	147	-	221,221	1,568	-	230,982
Grade 2	157,359	25,540	-	-	7,865,302	1,016,071	32	372,290	36,933	-	9,473,527
Grade 3	4,647,043	1,243,633	30	-	2,894,677	961,272	164	706,117	135,301	-	10,588,237
Grade 4	882,033	623,429	168	-	1,168,697	568,133	144	340,805	170,673	13	3,754,095
Grade 5	705,639	905,752	608	-	49,996	38,264	5	10,579	24,518	8	1,735,369
Grade 6	53,100	401,051	254,625	8,162	24,142	105,927	22,435	342	2,331	3,996	876,111
No rating	24,107	-	-	6,996	993	-	(9)	18,123	-	73	50,283
Total	6,472,738	3,199,610	255,431	15,158	12,008,191	2,689,814	22,771	1,669,477	371,324	4,090	26,708,604

② December 31, 2021

(Unit: M Korean won)

Classification	Loan receivables				Installment financial assets			Lease receivables			Total
	12-month ECLs	Lifetime ECLs		Purchased or originated credit-impaired financial assets	12-month ECLs	Lifetime ECLs		12-month ECLs	Lifetime ECLs		
		Not credit-impaired	Credit-impaired			Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired	
Grade 1	5	2	-	-	-	-	-	81,005	-	-	81,012
Grade 2	151,913	19,254	-	-	7,823,832	1,126,325	4	323,864	21,957	-	9,467,149
Grade 3	3,440,503	847,941	201	-	1,743,360	253,592	10	926,296	128,714	22	7,340,639
Grade 4	1,268,610	550,424	61	-	1,323,141	1,013,100	135	94,821	46,530	-	4,296,822
Grade 5	1,197,573	806,869	137	-	245,807	69,533	22	299,060	134,005	29	2,753,035
Grade 6	185,178	513,521	265,812	12,015	27,128	97,210	20,885	7,836	15,653	6,254	1,151,492
No rating	838,765	12,886	52	6,268	8,040	-	(9)	22,210	-	58	888,270
Total	7,082,547	2,750,897	266,263	18,283	11,171,308	2,559,760	21,047	1,755,092	346,859	6,363	25,978,419

The Group classifies financial assets into six internal credit rating scales based on the rating criteria and the characteristics of receivables. The internal credit rating is assessed based on the expected probability of default using borrower and product information at the previous month. Internal credit ratings were not calculated for product groups that were treated as new in the current month and lack basic data for classifying ratings or require separate management due to their nature.

4) Credit quality of other financial assets

Credit quality according to external credit rating of other major financial assets other than financial receivables as of December 31, 2022 and 2021, are as follows:

① Cash and due from other financial institutions

(Unit: M Korean won)

Classification	December 31, 2022				December 31, 2021			
	12-month ECLs	Lifetime ECLs	Credit-impaired financial assets	Total	12-month ECLs	Lifetime ECLs	Credit-impaired financial assets	Total
AAA	757,589	-	-	757,589	656,989	-	-	656,989
AA+	104,753	-	-	104,753	283,851	-	-	283,851
AA	964,581	-	-	964,581	220,137	-	-	220,137
AA-	811,749	-	-	811,749	279,498	-	-	279,498
A+	265,824	-	-	265,824	140,069	-	-	140,069
A	50,474	-	-	50,474	80,005	-	-	80,005
No rating	3,924	-	-	3,924	13,335	-	-	13,335
Total	2,958,894	-	-	2,958,894	1,673,884	-	-	1,673,884

Average rating of three domestic credit rating agencies is applied.

② Unused loan commitments

(Unit: M Korean won)

Classification	December 31, 2022					December 31, 2021			
	12-month ECLs		Lifetime ECLs	Credit-impaired financial assets	Total	12-month ECLs	Lifetime ECLs	Credit-impaired	Total
Grade 1	66	14	-		80	240	42	-	282
Grade 2	98,170	-	-		98,170	84,427	-	-	84,427
Grade 3	547,444	-	-		547,444	54,643	1,806	-	56,449
Grade 4	34,217	1,039	-		35,256	-	-	-	-
Grade 5	157	36	-		193	997	138	-	1,135
Grade 6	-	-	-		-	-	-	75	75
No rating	-	-	-		-	22	-	-	22
Total	680,054	1,089	-		681,143	140,329	1,986	75	142,390

5) Collateral held and other credit enhancements

The assets pledged as collateral for financial receivables as of December 31, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification	12-month ECLs	Lifetime ECLs	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total
Total financial receivables	20,150,406	6,260,748	282,292	15,158	26,708,604
Assets pledged as collateral:					
Automobiles	2,166,830	877,798	50,238	-	3,094,866
Real estates	5,261	3,884	1,788	-	10,933
Total	2,172,091	881,682	52,026	-	3,105,799

② December 31, 2021

(Unit: M Korean won)

Classification	12-month ECLs	Lifetime ECLs	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total
Total financial receivables	20,008,947	5,657,516	293,673	18,283	25,978,419
Assets pledged as collateral:					
Automobiles	2,306,111	904,863	56,074	-	3,267,048
Real estates	6,881	4,984	2,952	-	14,817
Total	2,312,992	909,847	59,026	-	3,281,865

6) Concentrations of credit risk

An analysis of concentrations of credit risk from financial receivables by debtors as of December 31, 2022 and 2021, is as follows:

(Unit: M Korean won)

Classification	December 31, 2022				December 31, 2021			
	Gross carrying amount	Ratio(%)	Allowance for loan losses	Carrying amount	Gross carrying amount	Ratio(%)	Allowance for loan losses	Carrying amount
Individual	22,333,533	81.66	(556,865)	21,776,668	22,850,026	85.99	(525,070)	22,324,956
Corporate								
Financial services	218,818	0.80	(1,188)	217,630	202,637	0.76	(733)	201,904
Manufacturing	520,668	1.90	(76)	520,592	362,848	1.37	(67)	362,781
Business services	1,393,103	5.09	(24,523)	1,368,580	852,987	3.21	(12,751)	840,236
Public	715,018	2.61	(16,366)	698,652	641,374	2.41	(19,261)	622,113
Others	2,167,917	7.93	(41,436)	2,126,481	1,664,491	6.26	(38,062)	1,626,429
Subtotal	5,015,524	18.33	(83,589)	4,931,935	3,724,337	14.01	(70,874)	3,653,463
Total	27,349,057	100.00	(640,454)	26,708,603	26,574,363	100.00	(595,944)	25,978,419

(2) Liquidity Risk

1) Cash flows of financial liabilities based on remaining contractual maturities as of December 31, 2022 and 2021, are as follows:

① December 31, 2022

(Unit: M Korean won)

Classification		On demand	Up to 3 M	3-12 M	1-5 years	Over 5 years	Total
Borrowings		-	358,485	1,331,072	1,461,508	-	3,151,065
Bonds issued		-	2,198,468	7,254,211	19,368,299	1,272,310	30,093,288
Other liabilities		2,011	583,057	50,111	211,357	171	846,707
Lease liabilities		-	3,998	13,803	45,944	8,452	72,197
Derivatives subject to net settlement		-	586	5,511	4,501	2,158	12,756
Derivatives subject to gross settlement	Cash inflow	-	(10,237)	(132,005)	(661,479)	-	(803,721)
	Cash outflow	-	9,711	148,815	803,607	-	962,133
Total		2,011	3,144,068	8,671,518	21,233,737	1,283,091	34,334,425

② December 31, 2021

(Unit: M Korean won)

Classification		On demand	Up to 3 M	3-12 M	1-5 years	Over 5 years	Total
Borrowings		-	941,279	1,432,159	956,853	-	3,330,291
Bonds issued		-	2,316,931	4,528,084	17,967,692	1,617,851	26,430,558
Other liabilities		8,619	339,957	51,638	178,870	247	579,331
Lease liabilities		-	3,424	5,482	4,604	-	13,510
Derivatives subject to net settlement		-	2,356	5,021	2,867	-	10,244
Derivatives subject to gross settlement	Cash inflow	-	(3,519)	(178,639)	(636,966)	-	(819,124)
	Cash outflow	-	3,356	182,358	646,926	-	832,640
Total		8,619	3,603,784	6,026,103	19,120,846	1,618,098	30,377,450

Amounts shown in the analysis above are based on DCF, including the principal and future interest payments according to contractual terms, and are not equal to the amounts in the consolidated statements of financial position based on the DCF.

Outstanding unused loan commitment balances of the Group may be withdrawn immediately on customers' request.

2) The carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months and within 12 months after the reporting date as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022		December 31, 2021	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months
Financial assets:				
Cash and due from other financial institutions	2,953,365	5,529	1,673,640	244
Securities measured at FVTPL	-	91,254	-	14,517
Securities measured at FVOCI	778	62,062	1,230	52,312
Financial receivables	9,223,455	17,485,149	9,581,460	16,396,959
Non-trade receivables	101,490	4,357	95,750	-
Accrued revenues	194,463	-	156,041	-
Leasehold deposits	8,317	19,098	8,853	14,099
Total	12,481,867	17,667,449	11,516,974	16,478,131
Financial liabilities				
Borrowings	1,617,551	1,417,347	2,373,438	915,074
Bonds issued	8,817,397	19,546,861	6,842,050	18,388,518
Non-trade payables(*1)	450,666	-	292,928	-
Accrued expenses	152,810	-	108,056	-
Withholdings(*1)	164,160	-	80,170	-
Deposit received	48,683	197,575	59,889	173,550
Lease liabilities	15,336	48,932	8,759	4,480
Other liabilities			-	12
Total	11,266,603	21,210,716	9,765,290	19,481,634

(*1) Excluding liabilities for taxes and dues.

(3) Market Risk

1) Risks related to IBOR reform

The Group is closely monitoring market and industry discussions related to the interest rate benchmark reform ("IBOR reform"), including announcements made by the IBOR regulator. As some interbank lending rates are being replaced by new risk-free rates due to IBOR reform, the USD LIBOR rate (next-day, 1M, 3M, 6M, 12M only) will be discontinued from July 1, 2023, and will be replaced with the Secured Overnight Financing Rate (SOFR) based on actual transactions. Meanwhile, in the case of CD interest rates, an alternative interest rate benchmark has been selected as the KOFR (Korea Overnight Financing Repo Rate), and the interest rate has been disclosed through the Korea Securities Depository from November 26, 2021. However, unlike LIBOR, CD interest rates are not scheduled to be discontinued, so it is not clear when and how the reform to KOFR will take place.

As of December 31, 2022, financial instruments and agreements of the Group exposed to risk from IBOR reform use USD LIBOR and CD interest rates as interest rates benchmark. The Group is exposed to the legal risk of changing the contract of financial instruments due to the IBOR reform, as well as the process and operational risk to deal with such changes. In addition, the Group is also exposed to the risk of monitoring the market trend on the alternative interest rate benchmark and establishing a risk management strategy accordingly to manage the risk of the new alternative interest rate benchmark. If a hedging relationship was applied using the existing IBOR as the hedged risk, the effect on the hedging relationship should be reviewed by changing the new alternative interest rate benchmark to the hedged risk. It is also exposed to the risk of minimizing the ineffective part of hedging by matching the method and timing of reform to an alternative interest rate benchmark for the hedged item and the hedging instrument.

The Group manages the reform to an alternative interest rate benchmark by inserting an alternative clause for IBORs for which interest rate reform has not yet been completed. In order to manage the progress of transition to an alternative interest rate benchmark, the Group compares the amount of financial instruments that have not been converted to those for which the contracts have been amended with replacement clauses. The Group regards the transition for a financial instrument as incomplete if the interest rate of the financial instrument is still IBOR even if the replacement clause has been included.

The financial instruments that have not been converted to an alternative interest rate as of December 31, 2022, are as follows:

(Unit: M Korean won)

Classification	USD LIBOR (*4)				CD interest rates			
	Unreformed contracts		Contracts with fallback clause		Unreformed contracts		Contracts with fallback clause	
	Amount	Case	Amount	Case	Amount	Case	Amount	Case
Non-derivative financial assets:								
Loan receivables (*1)	-	-	-	-	4,006,295	28,677	-	-
Non-derivative financial liabilities:								
Borrowings (*1)	-	-	-	-	1,332,917	58	-	-
Bonds (*1)	1,051,762	7	1,051,762	7	2,625,000	124	-	-
Derivative financial assets:								
Currency swaps (*2)	983,873	7	983,873	7	-	-	-	-
Interest rate swaps (*2)	-	-	-	-	2,270,000	114	-	-
Derivative financial liabilities:								
Currency swaps (*2)	-	-	-	-		-	-	-
Interest rate swaps (*2)	-	-	-	-	615,000	13	-	-
Line of credit (*2,3)	USD 200,000,000	1	USD 200,000,000	1	1,935,000	25	-	-

(*1) It is based on the carrying amount.
(*2) It is based on the nominal amount.
(*3) For foreign currency credit lines, the amounts listed are in foreign currency.
(*4) For USD LIBOR, financial instruments with maturities before June 30, 2023, are excluded.

2) Interest rate risk

The Group monitors and manages its interest rate risk by measuring Value at Risk (VaR) and Earning at Risk, 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 repricing 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, 2022 and 2021, is as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Interest rate VaR	26,262	45,024

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.

3) 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, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Cash and cash deposits:		
EUR	22,520	20,962
IDR	121	141
INR	206	207
BRL	387	234
AUD	741	772
Total	23,975	22,316
Borrowings and bonds issued:		
USD	4,664,834	4,860,550
JPY	305,971	42,240
CHF	1,853,375	1,492,091
AUD	171,682	343,556
SGD	307,049	248,757
CNH	235,872	242,138
HKD	185,470	120,104
Total	7,724,253	7,349,436
Other assets:		
USD	38,701	34,040
EUR	32,039	33,220
IDR	144	40
INR	173	146
AUD	199	273
Total	71,256	67,719

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Other liabilities:		
EUR	924	1,607
IDR	31	14
INR	167	172
AUD	107	65
Total	1,229	1,858

The Group's exposures to foreign exchange risk are being hedged by derivatives. Foreign exchange risk of the Group is not significant.

37. 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. This ratio is calculated by dividing adjusted equity capital calculated on a separate financial statement basis by adjusted total assets.

Adjusted capital adequacy ratios of the parent company of the Group as of December 31, 2022 and 2021, are as follows:

(Unit: M Korean won)

Classification	December 31, 2022	December 31, 2021
Adjusted total assets (A)	37,016,317	33,808,111
Adjusted equity (B)	5,366,042	5,003,669
Adjusted capital adequacy ratio (B/A) (*1)	14.50%	14.80%

(*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 Group should maintain the adjusted capital adequacy ratio of 7% or above in accordance with the Regulation.

38. DISCONTINUED OPERATION:

The Group approved the sale of 'Delivery Car' business (online car rental platform providing rental reservation and payment service, and rental replacement car after an accident) and has concluded a contract of transferring the business on March 17, 2021. The Group has completed the sale during for the year ended December 31, 2021. Accordingly, the Group classified the gains and losses from 'Delivery Car' business as discontinued operating gains and losses. There are no recognized profit, loss and net cash flows from discontinued operations for the years ended December 31, 2022.

(1) Details of profit and loss for the discontinued operation for the year ended December 31, 2021, are as follows:

(Unit: M Korean won)

Classification	2021
I. Operating revenue	364
Other operating income	364
II. Operating expenses	4,091
General and administrative expenses	4,090
Other operating expenses	1
III. Operating loss	(3,727)
IV. Non-operating income	4,446
Gain on disposal of asset to be sold	4,446
V. Profit (loss) before income taxes	719
VI. Income tax expenses	174
VII. Profit (loss) from discontinued operations	545

(2) Net cash flows related to discontinued operations year ended on December 31, 2021. are as follows:

(Unit: M Korean won)

Classification	2021
Cash flows from operating activities	(3,148)

Report on External Audit

Details on external audit in accordance with Clause 3 Article 8 on Act on External Audit for Joint Stock Company

1. Works for Audit

Company	Hyundai Capital Services Inc
Business year for auditing	From January 01 till December 31, 2022

2. Count of Personnel and Auditing Hours

Man and hour mobilized		QC reviewer		Accountant in charge for audit						Specialist on computerized audit and valuation		Specialist on order taking industry		Total	
				Director		Registered CPA		Apprentice CPA							
		'22	'21	'22	'21	'22	'21	'22	'21	'22	'21	'22	'21	'22	'21
Auditor		6	6	1	1	6	13	4	4	20	20	-	-	37	44
Hour	Q/Half review	12	14	148	187	2,706	2,255	1,108	981	23	-	-	-	3,997	3,437
	Auditing	79	170	268	344	2,884	5,707	2,043	1,873	1,972	917	-	-	7,246	9,011
	Total	91	184	416	531	5,590	7,962	3,151	2,854	1,995	917	-	-	11,243	12,448

(*) Financial statements as of December 31, 2021, were audited by external auditor. The count of personnel mobilized and hours are recorded in report on external audit made by auditor for 2021.

3. Details of Auditing

Classification	Description					
General audit plan (Start of audit)	Period	May 17-September 30, 2022 (43 days)				
	Key point	Understanding the business and establishment of involving plan and general strategies like financial reporting procedures of the Company, significant risk identification, decision on importance and significance on performing				
Key point in on-site audit	Period	Mobilized auditor		Main works in audit		
		Full-time	Part-time			
	01.11.2022-08.01.2023 (32 days)	9	27	Assessment on effectiveness of internal management design and execution (computerization audit) and internal control operation		
	09.01.2023-07.03.2023 (40 days)	9	27	Questioning on balance amount of important account and disclosure details, analytical procedures and sampling check (document verification, recalculation, etc.)		
Due diligence on inventory assets (Attended)	Due diligence (attendance) time					
	Due diligence (attendance) place					
	Due diligence (attendance) object					
Due diligence on inventory assets (Attended)	Due diligence (attendance) time	04.01.2023-09.01.203 (three days)				
	Due diligence (attendance) place	Headquarters of Hyundai Capital Services Inc				
	Due diligence (attendance) object	Check on marketable securities and membership of the Company				
External search	Financial transaction search	Yes	Search on receivables/payables	Yes	Search on lawyers	Yes
	Other searches					
Communication with the parent company	Count of communication	4 times				
	Period	June 16, September 29, December 19 in 2022 and March 07, 2023				
External auditors' activities	Audit details	Valuation on derivatives				
	Period	February 2023 (one day)				

4. Communication with Auditors (Audit Committee)

	Date	Attendant		Meeting	Main points of discussion
1	16.06.2022	Company	Three audit members and audit team	Video conference	Reporting on audit plan and Q1 review results on 2022 by external auditors (Constitution of audit team, hours and payment on auditing, responsibilities of management and auditors and independence of auditors, etc.)
		Auditor	Executive director and one other		
2	29.09. 2022	Company	Three audit members and audit team	Face-to-face meeting	Reporting on Q1 review results on 2022 by external auditors
		Auditor	Executive director		
3	19.12.2022	Company	Three audit members and audit team	Face-to-face meeting	Reporting on Q3 review results on 2022 by external auditors
		Auditor	Executive director and one other		
4	07.03.2023	Company	Three audit members and audit team	Video conference	Reporting on review results as of December 31, 2022 (Significant findings in auditing, internal control review results and independence of auditors, etc.)
		Auditor	Executive director and one other		

KPMG Samjong Accounting Corp.
27th Floor, Gangnam Finance Center,
152 Teheran-ro, Gangnam-gu, Seoul 06236
Republic of Korea
Tel +82 2 2112 0100
Fax +82 2 2112 0101
www.kpmg.com/kr

Independent Auditors' Report

To the Board of Directors and Shareholders of
Hyundai Capital Services, Inc.

Opinion

We have audited the consolidated financial statements of Hyundai Capital Services, Inc. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Republic of Korea
March 18, 2022

This report is effective as of March 18, 2022, 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, 2021 and December 31, 2020

(In millions of Korean won)

	Notes		December 31, 2021	December 31, 2020
Assets				
Cash and due from other financial institutions				
Cash and cash equivalents	*4,29*	₩	509,170	406,065
Due from banks	*4*		15,931	26,731
Short-term financial investments	*5*		1,148,783	1,255,216
			1,673,884	1,688,012
Securities				
Investments in associates and joint ventures	*8*		1,437,595	1,267,078
Measured at fair value through profit or loss	*6,9*		14,517	11,590
Measured at fair value through other comprehensive income	*7,9*		53,542	64,320
			1,505,654	1,342,988
Loans receivable	*9,10,32*			
Loans receivable			10,493,996	9,695,297
Allowance for loan losses			(376,006)	(482,923)
			10,117,990	9,212,374
Installment financial assets	*9,10,32*			
Automobile installment financing receivables			13,903,330	14,664,950
Allowance for loan losses			(151,301)	(141,848)
Durable goods installment financing receivables			1	1
Allowance for loan losses			(1)	(1)
Mortgage installment financing receivables			103	364
Allowance for loan losses			(17)	(20)
			13,752,115	14,523,446
Lease receivables	*10,11*			
Finance lease receivables			2,141,640	2,447,425
Allowance for loan losses			(42,156)	(46,881)
Cancelled lease receivables			35,293	34,411
Allowance for loan losses			(26,463)	(27,809)
			2,108,314	2,407,146
Leased assets	*12*			
Operating lease assets			5,998,525	4,648,386
Accumulated depreciation			(1,411,526)	(1,045,594)
Accumulated impairment losses			(39,245)	(721)
Cancelled lease assets			17,933	25,872
Accumulated impairment losses			(6,667)	(6,263)
			4,559,020	3,621,680
Property and equipment, net	*14*		196,789	201,783
Right-of-use assets, net	*13*		14,356	36,887
Other assets				
Non-trade receivables			108,163	110,550
Allowance for doubtful accounts	*10*		(12,413)	(12,362)
Accrued revenues			172,248	157,178
Allowance for doubtful accounts	*10*		(16,207)	(17,510)
Advance payments			72,425	70,436
Prepaid expenses			102,222	108,785
Intangible assets	*15*		108,441	115,050
Derivative assets	*19,33*		417,396	93,533
Leasehold deposits			22,952	20,045
Net defined benefit assets	*17*		13,722	3,319
			988,949	649,024
Total assets		₩	34,917,071	33,683,340

See accompanying notes to the consolidated financial statements.

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position (Continued)

As of December 31, 2021 and December 31, 2020

(In millions of Korean won)

	Notes		December 31, 2021	December 31, 2020
Liabilities				
Borrowed funds	*16*			
Borrowings		₩	3,288,512	3,525,243
Bonds issued			25,230,568	23,814,413
			28,519,080	27,339,656
Other liabilities				
Non-trade payables			325,863	279,735
Accrued expenses			108,056	113,153
Unearned revenue			17,672	15,004
Withholdings			120,347	296,649
Derivative liabilities	*19,33*		22,810	359,095
Lease liabilities	*13*		13,239	35,183
Current tax liabilities			77,862	43,663
Employee benefit liabilities	*17*		10,072	7,587
Deposits received			233,439	245,885
Deferred income tax liabilities	*26*		196,191	129,081
Provisions	*18*		65,697	86,526
Other			12	—
			1,191,260	1,611,561
Total liabilities			29,710,340	28,951,217
Equity				
Equity attributable to the owners of the Company				
Issued capital	*20*		496,537	496,537
Capital surplus			388,613	388,613
Accumulated other comprehensive income (loss)	*28*		92,762	(41,006)
Retained earnings	*20*		4,228,819	3,887,979
			5,206,731	4,732,123
Non-controlling interests			—	—
Total equity			5,206,731	4,732,123
Total liabilities and equity		₩	34,917,071	33,683,340

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, 2021 and 2020

(In millions of Korean won except for earnings per share)

	Notes		2021	2020
Continuing operations				
Operating revenue				
Interest income	*21*	₩	11,552	17,113
Gain on valuation and sale of securities			664	1,012
Income on loans	*21,22*		792,566	807,246
Income on installment financial assets	*21,22*		609,881	624,895
Income on leases	*21,22,23*		1,359,738	1,137,557
Gain on sale of loans			7,901	96,689
Gain on foreign currency transactions			4,817	337,166
Dividend income			519	1,173
Other operating income	*24*		697,963	221,426
Total operating revenue			3,485,601	3,244,277
Operating expenses				
Interest expense	*21*		557,743	588,362
Lease expense	*22,23*		1,066,863	843,526
Loss on valuation and sale of securities			508	1,469
Provision for loan losses	*10*		139,549	271,042
Loss on sale of loans			—	4,537
Loss on foreign currency transactions			527,254	71,813
General and administrative expenses	*25*		620,189	633,299
Other operating expenses	*24*		87,431	432,313
Total operating expenses			2,999,537	2,846,361
Operating income			486,064	397,916
Non-operating income				
Share in net income of associates and joint ventures under the equity method	*8*		89,844	69,689
Gain on sale of property and equipment			396	357
Gain on sale of intangible assets			—	89
Gain on sale of assets held for sale			293	3,397
Other			18,829	9,938
Total non-operating income			109,362	83,470
Non-operating expenses				
Share in net loss of associates and joint ventures under the equity method	*8*		5,031	1,976
Impairment loss on investments in associates and joint ventures	*8*		13,332	—
Loss on sale of property and equipment			640	655
Loss on sale of intangible assets			68	73
Donation			1,041	1,351
Other			91	332
Total non-operating expenses			20,203	4,387
Profit before income taxes			575,223	476,999
Income tax expense	*26*		143,168	116,712
Profit from continuing operations			432,055	360,287
Profit (Loss) from discontinued operations, net of tax	*38*		545	(11,716)
Profit for the year		₩	432,600	348,571

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, 2021 and 2020

(In millions of Korean won except for earnings per share)

	Notes		2021	2020
Other comprehensive income (loss), net of income taxes	*28*			
Items that will never be reclassified to profit or loss:				
Remeasurements of defined benefit plans		₩	(1,890)	(745)
Net change in unrealized gains and losses on equity securities measured at fair value through other comprehensive income			(10,414)	16,003
Items that are or may be reclassified subsequently to profit or loss:				
Share in other comprehensive income (loss) of associates and joint ventures under the equity method			64,642	(7,377)
Net change in effective portion of cash flow hedges			80,359	16,918
Net change in foreign currency translation adjustments			1,167	(2,822)
Net change in unrealized valuation gains and losses on debt securities measured at fair value through other comprehensive income			(96)	(530)
Total other comprehensive income, net of income taxes			133,768	21,447
Total comprehensive income for the year		₩	566,368	370,018
Profit(Loss) attributtable to:				
Owners of the Company				
Countinuing operations		₩	432,055	360,287
Discontinued operations			545	(11,716)
Non-controlling interests			—	—
		₩	432,600	348,571
Total comprehensive income attributable to:				
Owners of the Company		₩	566,368	370,018
Non-controlling interests			—	—
		₩	566,368	370,018
Earnings per share	*27*			
Basic and diluted earnings per share of continuing operations (in won)		₩	4,351	3,628
Basic and diluted earnings (loss) per share of discontinued operations (in won)			5	(118)

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, 2021 and 2020

(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 (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balances as of January 1, 2020	₩ 496,537	369,339	19,274	(62,453)	3,628,884	4,451,581	—	4,451,581
Total comprehensive income								
Profit for the year	—	—	—	—	348,571	348,571	—	348,571
Other comprehensive income (loss):								
Share in other comprehensive income of associates and joint ventures under the equity method	—	—	—	(7,377)	—	(7,377)	—	(7,377)
Net change in effective portion of cash flow hedges	—	—	—	16,918	—	16,918	—	16,918
Net change in foreign currency translation adjustments	—	—	—	(2,822)	—	(2,822)	—	(2,822)
Remeasurements of defined benefit plans	—	—	—	(745)	—	(745)	—	(745)
Net change in unrealized gains and losses on equity securities measured at fair value through other comprehensive income	—	—	—	16,003	—	16,003	—	16,003
Net change in unrealized valuation gains and losses on debt securities measured at fair value through other comprehensive income	—	—	—	(530)	—	(530)	—	(530)
Total comprehensive income	—	—	—	21,447	348,571	370,018	—	370,018
Transaction with owners of the Company								
Annual dividends	—	—	—	—	(89,476)	(89,476)	—	(89,476)
Balances as of December 31, 2020	₩ 496,537	369,339	19,274	(41,006)	3,887,979	4,732,123	—	4,732,123

See accompanying notes to the consolidated financial statements.

HYUNDAI CAPITAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (Continued)

For the years ended December 31, 2021 and 2020

(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 (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balances as of January 1, 2021	₩ 496,537	369,339	19,274	(41,006)	3,887,979	4,732,123	—	4,732,123
Total comprehensive income								
Profit for the year	—	—	—	—	432,600	432,600	—	432,600
Other comprehensive income (loss):								
Share in other comprehensive income of associates and joint ventures under the equity method	—	—	—	64,642	—	64,642	—	64,642
Net change in effective portion of cash flow hedges	—	—	—	80,359	—	80,359	—	80,359
Net change in foreign currency translation adjustments	—	—	—	1,167	—	1,167	—	1,167
Remeasurements of defined benefit plans	—	—	—	(1,890)	—	(1,890)	—	(1,890)
Net change in unrealized gains and losses on equity securities measured at fair value through other comprehensive income	—	—	—	(10,414)	—	(10,414)	—	(10,414)
Net change in unrealized valuation gains and losses on debt securities measured at fair value through other comprehensive income	—	—	—	(96)	—	(96)	—	(96)
Total comprehensive income	—	—	—	133,768	432,600	566,368	—	566,368
Transaction with owners of the Company								
Annual dividends	—	—	—	—	(91,760)	(91,760)	—	(91,760)
Balances as of December 31, 2021	₩ 496,537	369,339	19,274	92,762	4,228,819	5,206,731	—	5,206,731

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, 2021 and 2020

(In millions of Korean won)

	Notes		2021	2020
Cash flows from operating activities				
Cash generated from operations	*29*	₩	244,387	(97,169)
Interest received			11,311	17,212
Interest paid			(537,450)	(560,176)
Dividends received			519	1,173
Income taxes paid			(86,501)	(95,959)
Net cash used in operating activities			(367,734)	(734,919)
Cash flows from investing activities				
Dividends received from associates and joint ventures			13,873	70
Acquisition of investments in associates and joint ventures			(27,630)	(338,968)
Acquisition of property and equipment			(14,988)	(11,616)
Proceeds from sale of property and equipment			1,912	4,161
Acquisition of intangible assets			(28,633)	(26,438)
Proceeds from sale of intangible assets			4,298	354
Increase in leasehold deposits			(4,685)	(2,451)
Decrease in leasehold deposits			2,020	4,663
Proceeds from sale of non-current assets held for sale			5,473	20,850
Proceeds from sale of a disposal group classified as held for sale			8,000	—
Net cash used in investing activities			(40,360)	(349,375)
Cash flows from financing activities	*29*			
Proceeds from borrowings			2,687,020	3,222,111
Repayments of borrowings			(2,935,451)	(2,522,565)
Proceeds from issue of bonds			9,880,784	6,428,794
Repayments of bonds			(8,944,788)	(5,907,452)
Net increase in derivative financial instruments			(68,868)	23,069
Repayment of lease liabilities			(16,076)	(15,207)
Dividends paid			(91,761)	(89,476)
Net cash provided by financing activities			510,860	1,139,274
Effect of exchange rate fluctuations on cash and cash equivalents held			339	—
Net increase in cash and cash equivalents			103,105	54,980
Cash and cash equivalents at beginning of the year	*29*		406,065	351,085
Cash and cash equivalents at end of the year	*29*	₩	509,170	406,065

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, 2021, the Company's operations are headquartered at 3 Uisadang-daero, Yeongdeungpo-gu, Seoul, Korea. Its major shareholders are Hyundai Motor Company and Kia Corporation with 59.68% and 40.10% ownership, respectively.

The consolidated financial statements include the accounts of the Company and its subsidiaries, including Autopia 64th 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 seven other associates and joint ventures are accounted for under the equity method.

(1) The Group's subsidiaries

Subsidiaries as of December 31, 2021 and 2020 are as follows:

Location	Industry	Date of financial statements	Ownership (%)	December 31, 2021	December 31, 2020
ABS SPCs:					
Korea	Asset Securitization	12/31/2021	0.5	Autopia 64th, 65th, 66th, 67th, 68th, 69th 70th, 71st and 72nd ABS SPCs (*1)	Autopia 63rd, 64th, 65th, 66th, 67th, 68th 69th and 70th ABS SPCs (*1)
Structured Entity:					
Korea	Other financial services	12/31/2021	—	Zavurov First Co., Ltd. (*2)	Zavurov First Co., Ltd. (*2)
Limited liability companies:					
Germany	Management consultancy activities	12/31/2021	100	Hyundai Capital Europe GmbH (*3)	Hyundai Capital Europe GmbH (*3)
India	Management consultancy activities	12/31/2021	100	Hyundai Capital India Private Ltd.	Hyundai Capital India Private Ltd.
Brazil	Management consultancy activities	12/31/2021	100	Hyundai Capital Brasil LTDA	Hyundai Capital Brasil LTDA
Australia	Management consultancy activities	12/31/2021	100	Hyundai Capital Australia Pty Limited	Hyundai Capital Australia Pty Limited
Indonesia	Management consultancy activities	12/31/2021	100	PT. Hyundai Capital Indonesia (*4)	PT. Hyundai Capital Indonesia (*4)
Trusts:					
Korea	Trust	12/31/2021	100	Specified money trust (7 trusts)	Specified money trust (16 trusts)

(*1) ABS SPCs are established for asset liquidation purposes. Although the Group owns less than 50% of the shares of subsidiaries, it is considered that the Group has control over the companies as it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees.

(*2) It is established to finance real estate projects. Although the Group owns less than 50% of the shares of subsidiary, it is considered that the Group has control over the company as 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.

(*3) Hyundai Capital Europe GmbH holds 100% ownership interests of Hyundai Capital Services Limited Liability Company in Russia.

(*4) The Group's direct holding is 99.50%, and together with the shares held by the Group indirectly through the head of the corporation pursuant to the local regulations, the Group total equity holding is 100%.

(2) Changes in subsidiaries

Subsidiaries that were included in or 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, 2021 are as follows:

(a) Subsidiaries newly included in the consolidated financial statements during the year ended December 31, 2021.

- Autopia 71st, and 72nd ABS SPCs (including trust for asset securitization): Newly established SPCs for the Autopia asset securitization program.

(b) Subsidiaries excluded from the consolidated financial statements during the year ended December 31, 2021.

- Autopia 63rd ABS SPCs (including trust for asset securitization): Dissolved SPCs

(3) Key financial information of subsidiaries

Key financial information of subsidiaries as of and for the year ended December 31, 2021 and 2020 is summarized as follows:

(in millions of Korean won)	December 31, 2021					
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the period	Total comprehensive income (loss)
Hyundai Capital Europe GmbH	₩ 24,941	1,607	23,334	10,696	2,493	3,578
Hyundai Capital India Private Ltd.	892	172	720	1,298	81	126
Hyundai Capital Brasil LTDA	235	—	235	346	(81)	(76)
Hyundai Capital Australia Pty Limited	1,067	65	1,002	1,253	18	44
PT. Hyundai Capital Indonesia	204	14	190	311	(14)	(7)
Autopia ABS SPCs	4,676,751	4,668,679	8,072	193,752	2,480	17,357
Zavurov First Co., Ltd.	21,527	21,538	(11)	1,363	(11)	(11)
Specified money trusts	365,125	—	365,125	(475)	(475)	(475)

(in millions of Korean won)	December 31, 2020					
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the period	Total comprehensive income (loss)
Hyundai Capital Europe GmbH	₩ 21,259	1,502	19,757	11,846	3,095	468
Hyundai Capital India Private Ltd.	749	155	594	1,194	69	16
Hyundai Capital Brasil LTDA	312	—	312	80	(254)	(434)
Hyundai Capital Australia Pty Limited	1,012	53	959	1,070	33	63
PT. Hyundai Capital Indonesia	197	—	197	—	(8)	—
Autopia ABS SPCs	3,942,723	3,951,857	(9,134)	180,070	(204)	(18,358)
Autopia ABS trusts	5,629,891	5,596,446	33,445	196,898	5,162	5,162
Zavurov First Co., Ltd.	40,211	40,264	(53)	862	(53)	(53)
Specified money trusts	537,145	—	537,145	145	145	145

(4) Nature of risks related to structured entities consolidated into the group

As of December 31, 2021, the Company provides guarantees to the counterparties of currency swaps in relation to asset backed securitized notes issued by Autopia 68th and 69th ABS SPCs, structured entities that the Group consolidates. 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.

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 Stock Companies, Etc. 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 to be measured at fair value through profit or loss
- Financial instruments to be measured at fair value through other comprehensive income
- 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 Group'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.

The COVID-19 impact on the macroeconomic factors is reflected in the forward-looking information in calculation of the expected credit loss (ECL) allowance. The Group has been monitoring the impact of the pandemic on the global economy, the Group's business and its financial position.

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 3. (2) – Consolidation of structured entities
- Note 3. (5) – Financial assets
- Note 3. (7) – Leases
- Note 3. (13) – 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 – Investments in Associates and Joint Ventures
- Note 10 – Allowance for loan losses
- Note 17 – Employment benefit liabilities
- Note 18 – Provisions
- Note 26 – Income taxes - recognition of deferred tax assets

- Note 30 – Commitments and contingencies
- Note 34 – Fair value measurements of financial instruments

(5) Measurement of fair value

The Group has established fair value assessment policies and procedures. These policies and procedures include the operation of the department responsible for reviewing all significant fair value measurements, including those classified as Level 3 of the fair value hierarchy, and the results are reported directly to the finance executive.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used in measuring 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 in measuring the fair value of an asset or a liability are from the different levels of the fair value hierarchy, 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 34.

(6) Approval of financial statements

The Group's consolidated financial statements were authorized for issue by the board of directors on February 7, 2022 and will be submitted for approval at the annual meeting of shareholders on March 29, 2022.

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below.

The consolidated comprehensive income statement of the Group for the years ended December 31, 2020, presented for comparative purposes, has been restated to separately present the results of the discontinued operation from that of the continuing operations.

(1) Changes in accounting policies

(a) Change in accounting policies from January 1, 2021

Changes in accounting policies from 2020 to 2021 are described below. Except for the changes listed below, all other accounting policies applied in 2021 are consistent with the accounting policies applied in 2020. The Group has applied the following standards with initial application date of January 1, 2021, and the application of the standards has no significant effect on the financial statements.

K-IFRS No.1109, 'Financial Instruments', K-IFRS No.1039 Financial Instruments: Recognition and Measurement, K-IFRS No.1107, 'Financial Instruments: Disclosures', K-IFRS 1104 'Insurance Contracts, and K-IFRS No.1116, 'Leases'- Interest rate benchmark reform

The amendments permit changes required by interest rate benchmark reform to be made to financial instrument measured at amortized cost by updating the effective interest rate (EIR) without adjusting the carrying amount, and to hedge designations and hedge documentation without the hedging relationship being discontinued.

Further information about interest rate benchmark reform is included in Note 19, 30, 36.

(b) Change in accounting policies from January 1, 2020

Changes in accounting policies from 2019 to 2020 are described below. Except for the changes listed below, all other accounting policies applied in 2020 are consistent with the accounting policies applied in 2019. The Group has applied the following standards with initial application date of January 1, 2020.

K-IFRS No.1103, 'Business Combinations'- Amendments

The definitions of input and process have been amended to clarify that a business can exist without including all inputs and processes required to create outputs. Also, the definition of the output of business combinations has been narrower and more clearly defined, and the intensive test has been added to assess whether an acquired set of activities and assets is not a business. If it passes the test, the set of activities and assets is determined not to be a business and no further assessment is needed. There is no material impact on the financial statements from application of this standard.

K-IFRS No.1001, 'Presentation of Financial Statements', K-IFRS No.1008, 'Accounting Policies, Changes in Accounting Estimates and Errors' – Amendments

The definition of materiality in K-IFRS No.1001, 'Presentation of Financial Statements' and K-IFRS No.1008, 'Accounting Policies, Changes in Accounting Estimates and Errors' has been clarified by aligning the wording in IFRS Standards with the 'Conceptual Framework for Financial Reporting'. There is no material impact on the financial statements from application of this standard.

K-IFRS No.1107, 'Financial Instruments: Disclosures', K-IFRS No.1109, 'Financial Instruments'- Amendments

The amendments provide targeted relief that allows hedge accounting to be applied while

uncertainty exists related to the ongoing reform of interbank offered rates. In a hedging relationship, it is assumed that the interest rate benchmark on which the hedged cash flow is based is not changed by the interest rate benchmark reform when assessing the probability of occurrence of forecast transaction and the prospective assessment of the hedge effectiveness. For hedges of non-contractually specified interest rate risk components, the requirement that the hedged risk should be separately identifiable applies only at the inception of the hedging relationship. This application of exception is ended when the uncertainty arising from interest rate benchmark reform is no longer present with the respect to the timing and the amount of the interest rate benchmark-based cash flow of hedged item, or the hedging relationship is discontinued. The Group's significant interest rate benchmark for hedging relationships is LIBOR rates. The effect of the adoption of this amendment is described in Note 19.

K-IFRS No.1116, 'Leases'- Amendments

The spread of COVID-19 has led to the frequent case of rent concession by lessors, such as rent reductions or deferrals of lease payments. In order to ease the administrative burden of lease accounting for lessees, the practical expedient has been added in K-IFRS No.1116. The lessee can apply the practical expedient if the rent concessions are a direct consequence of the COVID-19 pandemic, meet certain conditions, and can be recognized in profit or loss for the period in which the change in lease payments occurs. There is no material impact on the financial statements from application of the standard.

(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.

(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 and Joint Ventures

An associate is an entity over which the Group has significant influence, but not a joint venture or a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The investment in an associate or a joint venture is initially recognized at cost and accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture.

When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

Investment in associate or joint venture is accounted for using the equity method from the date that the investee becomes the associate or joint venture. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of K-IFRS No.1028 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When there is any indication of impairment, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS No.1036 as a single asset by comparing its

recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS No.1036 to the extent that the recoverable amount of the investment subsequently increases.

Unrealized gains from transactions between the Group and its associates or joint ventures are eliminated up to the shares in associate (joint venture) stocks. Unrealized losses are also eliminated, unless evidence of impairment in assets transferred is produced. If the accounting policy of associates or joint ventures differs from the Group, financial statements are adjusted accordingly before applying equity method of accounting.

The Group's share of the associate or joint venture's profit or loss is recognized in the Group's profit or loss. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. When the Group's share of loss in an associate or joint venture equals or exceeds its interest in the associate or joint venture, 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 or joint ventures. 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 or joint venture.

(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

The Group classifies financial assets as financial assets measured at fair value through profit or loss, amortized costs or fair value through other comprehensive income. The classification depends on the Group's business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument at initial recognition.

Financial assets measured at fair value through profit or loss

A Financial asset held for trading and a financial asset designated as at fair value through profit or loss are classified in this category. A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized costs or at fair value through other comprehensive income. Regarding a derivative, it shall be classified as a financial asset measured at fair value through profit or loss unless hedge accounting is applied.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on difference bases.

Financial assets measured at amortized costs

If financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows and meets the condition that the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the financial asset is measured at amortized costs.

Financial assets measured at fair value through other comprehensive income

Debt instruments shall be measured at fair value through other comprehensive income if the instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset and the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity instruments held by the Group not for trading but for the purposes of strategic alliance can be designated as a financial asset measured at fair value through other comprehensive income.

(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 measured 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. Subsequently, financial assets measured at fair value through profit or loss and other comprehensive income are measured at fair value. Subsequent to the initial recognition, financial assets measured at amortized costs are measured at their amortized cost using the effective interest rate method.

Gains or losses arising from a change in fair value, dividends and interest income on the financial assets measured at fair value through profit or loss are recognized in profit or loss.

Interest income on financial assets measured at amortized costs using the effective interest rate method is recognized in profit or loss.

Gains or losses arising from a change in fair value on the financial assets measured at fair value through other comprehensive income, other than interest income using the effective interest rate method, dividend income and exchange differences arising on monetary items which are recognized in profit or loss are recognized as other comprehensive income in equity. Upon disposal of financial assets at fair value through other comprehensive income, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss at disposal. The cumulative gain or loss previously recognized in other comprehensive income of equity instrument designated as at fair value through other comprehensive income is not reclassified to profit or loss at disposal.

Financial assets measured at fair value through other comprehensive income denominated in foreign currencies are translated at the closing date. Exchange differences resulting from changes in amortized costs are recognized in profit or loss, and other changes are recognized as equity.

(c) Derecognition 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.

(d) Expected credit losses

Recognition of expected credit losses (loss allowance)

The Group measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized costs and fair value through other comprehensive income.

Expected credit losses are estimated at present value of probability-weighted amount that is determined by evaluating a range of possible outcomes. The Group measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The approaches of measuring expected credit losses in accordance with K-IFRS No.1109 are as

follows:

- General approach: for financial assets not subject to the below approaches and unused loan commitments off-balance sheet

- Simplified approach: for financial assets that are trade receivables, contract assets and lease receivables

- Credit-impaired approach: for financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. After initial recognition, loss allowances for the assets without significant increase in credit risk are measured at the amount of 12 month expected credit losses, whereas the loss allowances for the assets with significant increase in credit risk are measured at the amount of lifetime expected credit losses. Lifetime is presumed to be a period to the contractual maturity date of financial assets (the expected life of financial assets).

In simplified approach, loss allowances are measured at an amount equal to lifetime expected credit losses. In case of credit-impaired approach, only the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance are recognized.

The Group determines whether the credit risk has increased significantly using the following information, and if one or more of the following conditions are met, it is deemed as significant increase in credit risk.

- More than 30 days past due

- Decline in credit rating at the end of period by more than certain notches as compared to that at initial recognition

- At certain internal credit rating or below at the end of period

- Classification of asset soundness as certain grade or below in accordance with Regulations on Supervision of Specialized Credit Finance Business

- Correspond to other qualitative indicator which the Group defines as indices of significant increase in credit risk upon consideration of borrower, loan, market characteristic and others

The Group defines default same with bankruptcy in accordance with risk management policies. If one or more of the following items are met, it is deemed as that a borrower is in default.

- More than 90 days past due

- Charge-off of a loan resulted from deterioration of credit

- Sale of a credit loan according as deterioration of credit rating notwithstanding significant economic losses

- Decrease in an amount of a loan resulted from exemption of principal, interest or related fees or an extension of debt maturity due to debt restructuring

- Being declared bankruptcy or the Group filing a related law suit against a borrower

- Declaration of bankruptcy or taking similar measure in order for a borrower to delay or suspend payment schedule

- Correspond to other indicators defined as impairment upon consideration of characteristics for borrower, loan, market and others not subject to the above items

The Group judges the recognition of loss allowance is the best estimation which is consistent with risk management policies of the Group.

Forward-looking information

The Group uses forward-looking information, when it measures the expected credit losses. The Group assumes the risk component has a certain correlation with the economic cycle, and calculates the expected credit loss by reflecting the forward-looking information using modeling of macroeconomic variables and the risk component. The Group periodically reviews the methodology and hypothesis in order to reduce the gap between actual and estimated components, and the primary factors the Group considers are as follows:

- Changes in unemployment rate
- Unemployment rate change rate
- Employment rate
- Consumer price index (CPI)
- CPI change rate
- Composite credit risk
- Household credit change rate
- Household credit risk
- Leading composite index change rate
- Changes in large corporation credit risk
- Retail sales index change rate
- Change rate of Seoul housing sale price index
- Change rate of equipment investment index

Measuring expected credit losses on financial assets measured at amortized costs

The expected credit losses on financial assets at amortized cost are measured as the difference between the asset's contractual terms of cash flow and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, the Group collectively estimates expected credit loss by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

Individual assessment of impairment

Individual assessment of impairment is calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan’s current carrying amount. This process normally encompasses management’s best estimate, such as operating cash flow of the borrower and net realizable value of any collateral held.

Collective assessment of impairment

Collective assessment of impairment is performed by using estimation model based on historical loss experience and reflecting forward-looking information in order to measure expected credit losses

inherent in portfolio. The estimation model applies probability of default estimated for assets (or each group of assets) and loss given default by type of collateral by considering factors such as product and borrowers, credit rating, portfolio size and recovery period. Additionally, consistent assumptions are applied to form a formula-based model in estimating expected credit loss and to determine factors on the basis of historical loss experience and forward-looking information. The methodology and assumptions used for collective assessment of impairment are reviewed regularly to reduce any differences between estimated and actual losses.

The Group shall recognize a loss allowance for expected credit losses on financial assets measure at amortized costs. When the Group has no reasonable expectations of recovering the financial assets in its entirety or a portion thereof, the Group shall directly reduce the gross carrying amount and the loss allowance recognized. If the portion of financial assets the Group already write-offs is recovered, the Group shall increase the loss allowance and recognize changes of the loss allowance amount in profit or loss.

Measurement of expected credit losses on financial assets measured at fair value through other comprehensive income

The Group measures expected credit losses on financial assets measured at fair value through other comprehensive income in the same with the measurement for financial assets measured at amortized costs. Changes in loss allowances shall be recognized in other comprehensive income. When the financial assets are derecognized due to disposal or repayments, the cumulative loss allowance previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(e) Write-off policy

The Group writes off loans and receivables when the assets are deemed unrecoverable. This decision considers the information about significant changes of financial position such when a borrower or an obligor is in default, or the amount recoverable from security is insufficient. In general, the decision for write-offs for homogenous consumer loans with relatively smaller balances is made based on the delinquent status of the loan.

(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 prepaid 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.

(7) Leases

The Group determines whether a contract is a lease or contains a lease at an inception date. The contract is, or contains, the lease if the contract conveys the rights to control the use of an identified asset for a period of time in exchange for consideration. The Group shall assess, based on K-IFRS No.1116, whether the contract is, or contains, a lease.

(a) Lessee

The Group allocates the consideration to those components on the basis of the relative stand-alone price at the inception date or the date of reassessment. As the Group decided to apply the practical expedient, the Group elects not to separate non-lease components from lease components, and instead

accounts for each lease component and any associated non-lease components as a single lease component.

The Group decided to apply the practical expedient not to recognize a right-of-use asset and a lease liability for short-term leases and leases for which the underlying asset is of low value. The Group shall recognize the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable period of a lease with periods covered by an option to extend the lease. The assessment whether the Group is reasonably certain to exercise the option to extend the lease or not affects the determination of the lease term. The carrying amounts of the right-of-use asset and the lease liability are significantly affected by the assessment.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The Group initially measures the right-of-use asset at cost which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located of restoring the underlying asset to the condition required by the terms and conditions.

The right-of-use assets are depreciated on a straight-line basis over the lease term. However, in case the ownership of the right-of-use assets transfer to at the ended date of the lease term, or the exercise price of purchase option reflected in the price of the right-of-use assets, the right-of-use assets are depreciated over useful lives on the same basis as property and equipment. Also, the right-of-use asset could be subsequently deducted or adjusted due to depreciation or impairment losses.

At the commencement date, the Group shall recognize the lease liability at the present value of the lease payments that are not paid at the date. The lease payments shall be discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, the Group′s incremental borrowing rate shall be used. The Group uses the incremental borrowing rate.

The Group calculates the incremental borrowing interest rate by adjusting the interest rate obtained from various external financial information to reflect the conditions of the lease and the characteristics of the leased asset.

Lease payments included in the measurement of the lease liabilities consist of the following:

- Fixed lease payments (including substantial fixed payments)

- Variable lease payments depending on an index or a rate. (Initially, measured using the index or rate of the lease at an inception date.)

- The amounts expected to be payable under a residual value guarantee

- The exercise price of a purchase option if the lessee is reasonably certain to exercise a purchase option, payments of extended term if the lessee is reasonably certain to exercise an option to extend the lease, and payments of penalties for early termination of lease unless the lessee is reasonably certain not to terminate early.

Lease liabilities are amortized under the effective interest method. The Group remeasures the lease liability when there is a change in future lease payments resulting from changes in an index or a rate used to determine those payments, the amounts expected to be payable under a residual value guarantee, an assessment whether the Group is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease or a change in

substantial fixed lease payments. When the lease liabilities are remeasured, the right-of-use assets related to the lease liabilities are adjusted, and if the carrying amount of the right-of-use assets decreases under zero (0), remeasurements are recognized in profit or loss.

(b) Lessor

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.

The following factors indicate that substantially all of the risks and rewards incidental to the ownership of the asset are transferred to the lessee, resulting in classification as a financial lease:

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.

Finance leases

Where the Group has transferred 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.

Operating leases

The property on operating leases where the Group is the lessor is stated at acquisition cost, net of *accumulated depreciation and* impairment. 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 lease 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.

(8) 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	4-15 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.

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.

(9) 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
Software development costs	Straight-line	5 years
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.

(10) 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 disposal group, the asset is no longer depreciated.

(11) 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.

(12) Financial liability

The Group classifies non-derivative financial liabilities into financial liabilities measured at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(b) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities measured at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include deposits, debts, debentures and others. Upon of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method and interest expenses calculated by using the effective interest rate method are recognized in profit or loss.

(c) Derecognition 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.

(13) 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.

(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 amounts that exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess amount 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 expense and other expenses related to defined benefit plans are recognized in personnel expenses in profit or loss.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), 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.

(14) 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.

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.

(15) 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 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.

(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 with financial asset hosts and 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.

(16) 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, associates and joint ventures, 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.

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.

(17) 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 Group 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.

(18) 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 No.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 segment are immaterial as they are approximately less than 1% of 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, 2021 and 2020.

(19) Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders.

(20) Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest rate 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.

For presentation purposes, for each of the principal lending products, interest income and fees and commission income are presented together in the Statement of Comprehensive Income.

(21) Fees and commission income

Fees and commission income are recognized as follows according to related regulations:

- The Group transfers control of a good or service over time, therefore, fees and commission income charged in exchange for performance obligations satisfied over time are recognized over time.
- Fees and commission charged in exchange for performance obligation satisfied at a point in time are recognized at the time at which a customer obtains control of a promised asset and the Group satisfies a performance obligation.
- Fees that are an integral part of the effective interest of a financial instrument are generally treated as adjustments of effective interest. However, fees and commission related to the creation or acquisition of a financial instrument measured at fair value through profit or loss are recognized as revenue immediately.

For presentation purposes, for each of the principal lending products, interest income and fees and commission income are presented together in the Statement of Comprehensive Income.

(22) Dividend income

Dividend income is recognized when the Group's right to receive the payment is established.

(23) 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.

(24) Discontinued operations

The Group classifies a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, and has been already disposed of or is classified as held for sale, as a discontinued operation if the component is in any of the following categories:

- Separate major business line or geographic area of operations
- Part of a single plan to dispose of a separate major business line or geographic area of operations; or
- A subsidiary acquired solely for the purpose of resale

When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative year.

(25) New accounting standards issued but not yet effective

A number of new standards and amendments are issued but not yet effective from annual period beginning after January 1, 2021, where early adoption is allowed. The followings are newly required standards and amendments that the Group decided not to early adopt in preparation of these consolidated financial statements.

K-IFRS No.1037, 'Provisions, Contingent Liabilities and Contingent Assets'

In identifying onerous contracts, the amendments added a principle about the extent to which contract costs should be unavoidable costs directly related to the contract and other cost allocations.

K-IFRS No.1016, 'Property, Plant and Equipment'

The amendment prohibits deducting the net sale amount of goods produced in the test process from the acquisition cost before using the property, plant and equipment in the intended manner, and requires the sale and related costs to be recognized in profit or loss.

K-IFRS No.1103, 'Business Combinations'

The framework referred in the definition of assets and liabilities in K-IFRS No.1103 is replaced with the framework revised in 2018. When measuring liabilities and contingent liabilities where K-IFRS No.1037 'Provisions, Contingent Liabilities and Contingent Asset' and K-IFRS No.2121 'Levies' are applicable, the definition follows each standard instead of K-IFRS No.1103.

K-IFRS No.1008, 'Accounting Policies, Changes in Accounting Estimates and Errors'

The definition of 'changes in accounting estimates' are deleted and the term 'accounting estimates' are added to define it as 'amount of money in financial statements affected by measurement uncertainty'. It is also clarified that changes in inputs or measurement techniques used in development of accounting estimates are changes in accounting estimates unless they are correction of error.

K-IFRS No.1012, 'Income Taxes'

The scope of the Deferred Tax Exemption Regulation is clarified by revising the recognition of deferred tax only for transactions where assets and liabilities are recognized for the first time at the same time except for business combinations and where the same amount of offsetable temporary difference occurs at the transaction date.

4. Due from Banks

Restricted accounts in due from banks as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020	Restriction
Nonghyup Bank and 1 other	₩	15,700	16,400	Loans secured by saving accounts
Hana Bank and 2 others		10	10	Key money deposits for checking account
Citi Bank and 7 others		92,880	29,404	Deposits in trust of ABS SPCs
	₩	108,590	45,814	

5. Short-term Financial Investments

Short-term financial investments as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)			Carrying amount	
		Acquisition cost	December 31, 2021	December 31, 2020
Commercial paper	₩	840,725	840,566	1,037,986
Bank debenture		223,643	224,719	126,870
Government and public bonds		83,500	83,498	90,360
	₩	1,147,868	1,148,783	1,255,216

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.

6. Securities Measured at Fair Value through Profit or Loss

Securities measured at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	Carrying amount	
	December 31, 2021	December 31, 2020
Debt securities (*1)	₩	
Multi asset KDB Ocean value up Private Fund Special Asset Trust 8	4,304	5,216
Asia Pacific No.49 Ship Investment Co., Ltd.	—	374
Wooricard Auto 1st Private Placing Corporate Bond (*2)	3,000	3,000
KB Capital Auto 3rd ABS SPC (Equity tranche) (*2)	3,000	3,000
KB Capital Auto 4th ABS SPC (Equity tranche) (*2)	1,800	—
JB Woori Capital Auto 23rd ABS SPC (Equity tranche) (*2)	1,800	—
Mirae Asset NPL Private Real Estate Investment Trust 8	613	—
	₩ 14,517	11,590

(*1) The fair values of the debt securities are quoted from an independent valuation service provider, using the valuation technique based on the NAV (net asset value) approach or the dividend discount model.

(*2) It is measured at acquisition cost as the information is not enough for fair value measurement.

7. Securities Measured at Fair Value through Other Comprehensive Income

Securities measured at fair value through other comprehensive income as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Equity securities (*1)			
Listed equity securities	₩	32,453	43,437
Unlisted equity securities		13,954	16,708
		46,407	60,145
Debt securities			
Government and public bonds		1,230	1,668
Corporate bonds		5,905	2,507
		7,135	4,175
	₩	53,542	64,320

(*1) The equity securities the Group holds for the purposes of strategic alliance and others are designated as securities measured at fair value through other comprehensive income.

(1) Equity Securities

(in millions of Korean won)	Number of shares	Ownership (%)		Carrying amount: December 31, 2021	Carrying amount: December 31, 2020
Listed equity securities					
NICE Information Service Co., Ltd.	1,365,930	2.25	₩	24,587	33,875
NICE Holdings Co., Ltd.	491,620	1.30		7,866	9,562
Unlisted equity securities					
HYUNDAI M Partners Co., Ltd. (*1)	1,700,000	9.29		13,954	16,708
			₩	46,407	60,145

(*1) The fair value of HYUNDAI M Partners Co., Ltd. is estimated at the appraisal value quoted from an independent valuation service provider.

Dividend income occurred from equity securities measured at fair value through other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020	
(in millions of Korean won)		Eliminated securities	Holding securities	Eliminated securities	Holding securities
Listed equity securities	₩	—	508	—	427
Unlisted equity securities		—	—	—	—
	₩	—	508	—	427

There is no equity security measured at fair value through other comprehensive income which was derecognized for the years ended December 31, 2021 and 2020.

(2) Debt Securities

(in millions of Korean won)	Issuer	Carrying amount	
		December 31, 2021	December 31, 2020
Government and public bonds (*1)	Seoul Metropolitan Rapid Transit Corp. and other Korean municipal bonds	₩ 1,230	1,668
Corporate bonds (*2)	Veritas 1st ABS SPC	—	1,007
	KB Capital Auto 3rd ABS SPC (Mezzanine tranche)	1,477	1,500
	KB Capital Auto 4th ABS SPC (Mezzanine tranche)	2,950	—
	JB Woori Capital Auto 23rd ABS SPC (Mezzanine tranche)	1,478	—
		₩ 7,135	4,175

(*1) The fair value of Seoul Metropolitan Rapid Transit Corp. and other Korean municipal bonds is quoted from broker and dealer companies. The fair values of corporate bonds are quoted from an independent valuation service provider.

(*2) The fair value of KB Capital Auto 3rd ABS SPC (Mezzanine tranche), KB Capital Auto 4th ABS SPC (Mezzanine tranche) and JB Woori Capital Auto 23rd ABS SPC (Mezzanine tranche) are quoted from an independent valuation service provider. The fair value of Veritas 1st ABS SPC was measured as acquisition cost considering the insignificant amount.

The following table presents changes in the carrying amount of loss allowance for expected credit losses on debt securities for the years ended December 31, 2021 and 2020.

(in millions of Korean won)	12-month expected credit losses	
	2021	2020
Opening balance	₩ 20	227
Release of allowance	(15)	(207)
Closing balance	₩ 5	20

8. Investments in Associates and Joint Ventures

(1) Details of investments in Associates and Joint Ventures

Details of investments in associates and joint ventures as of December 31, 2021 and 2020 are as follows:

	December 31, 2021			
	Ownership (%)	Principal place of business	Date of financial statements	Industry
Korea Credit Bureau (*1)	7.00	Korea	12/31/2021	Credit information service
Hyundai Capital UK Ltd.	29.99	U.K.	12/31/2021	Credit finance business
Beijing Hyundai Auto Finance Co., Ltd. (*3)	46.00	China	12/31/2021	Credit finance business
Hyundai Capital Canada Inc.	20.00	Canada	12/31/2021	Credit finance business
Hyundai Capital Bank Europe GmbH	49.00	Germany	12/31/2021	Credit finance business
BANCO HYUNDAI CAPITAL BRASIL S.A. (*2)	50.00	Brazil	12/31/2021	Credit finance business
Hyundai Corretora de Seguros LTDA.(*2,3)	50.00	Brazil	12/31/2021	Insurance brokerage
BAIC Hyundai Leasing Co., Ltd. (*3)	40.00	China	12/31/2021	Financial leasing

(*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) The Group and other participants have mutual rights to purchase or sell all shares held by each party in case of termination of the joint venture agreement, or violation of any local laws and regulation. The Group judged that the rights are not substantive as of December 31, 2021.

(*3) Beijing Hyundai Auto Finance Co., Ltd., Hyundai Corretora de Seguros LTDA. and BAIC Hyundai Leasing Co. Ltd. are joint ventures.

	December 31, 2020			
	Ownership (%)	Principal place of business	Date of financial statements	Industry
Korea Credit Bureau (*1)	7.00	Korea	12/31/2020	Credit information service
Hyundai Capital UK Ltd.	29.99	U.K.	12/31/2020	Credit finance business
Beijing Hyundai Auto Finance Co., Ltd. (*3)	46.00	China	12/31/2020	Credit finance business
Hyundai Capital Canada Inc.	20.00	Canada	12/31/2020	Credit finance business
Hyundai Capital Bank Europe GmbH (*4)	49.00	Germany	12/31/2020	Credit finance business
BANCO HYUNDAI CAPITAL BRASIL S.A. (*2)	50.00	Brazil	12/31/2020	Credit finance business
Hyundai Corretora de Seguros LTDA.(*2,3)	50.00	Brazil	12/31/2020	Insurance brokerage
BAIC Hyundai Leasing Co., Ltd. (*3)	40.00	China	12/31/2020	Financial leasing

(*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) The Group and other participants have mutual rights to purchase or sell all shares held by each party in case of termination of the joint venture agreement, or violation of any local laws and regulation. The Group judged that the rights are not substantive as of December 31, 2020.

(*3) Beijing Hyundai Auto Finance Co., Ltd., Hyundai Corretora de Seguros LTDA. and BAIC Hyundai Leasing Co. Ltd. are joint ventures.

(*4) Hyundai Capital Bank Europe GmbH acquired 92.07% of shares of Allane SE(formerly Sixt Leasing SE) in Germany during the year ended December 31, 2020.

(2) Summary of financial information of investees

Summary of financial information of investees as of December 31, 2021 and 2020, for assets and liabilities, for the years ended December 31, 2021 and 2020, 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, 2021							
	Total assets	Total liabilities	Issued capital	Total equity	The Group's share in net assets	Goodwill	Impairment	Carrying amount
Korea Credit Bureau	₩ 127,474	72,628	10,000	54,846	3,839	1,037	—	4,876
Hyundai Capital UK Ltd.	5,852,818	5,312,436	96,055	540,382	162,061	—	—	162,061
Beijing Hyundai Auto Finance Co., Ltd.	5,648,345	4,258,337	708,965	1,390,008	639,404	—	—	639,404
Hyundai Capital Canada Inc.	4,642,638	4,200,629	346,758	442,009	88,402	2,392	—	90,794
Hyundai Capital Bank Europe GmbH	6,910,165	5,916,354	14,282	993,811	474,523	23,527	(13,332)	484,718
BANCO HYUNDAI CAPITAL BRASIL S.A.	892,224	814,663	91,529	77,561	38,781	—	—	38,781
Hyundai Corretora de Seguros LTDA.	940	1,005	617	(65)	—	—	—	—
BAIC Hyundai Leasing Co., Ltd.	109,996	67,594	50,603	42,402	16,961	—	—	16,961

(in millions of Korean won)	2021						
	Operating revenue	Interest income	Interest expense	Net income(loss)	Other compre-hensive income	Total compre-hensive income(loss)	Dividends
Korea Credit Bureau	₩ 128,150	174	—	(22,451)	—	(22,451)	1,000
Hyundai Capital UK Ltd.	149,357	150,439	30,630	104,709	33,705	138,414	—
Beijing Hyundai Auto Finance Co., Ltd.	423,428	419,207	175,408	95,706	139,602	235,308	30,006
Hyundai Capital Canada Inc.	571,861	541,763	453,820	50,220	30,563	80,783	—
Hyundai Capital Bank Europe GmbH	711,616	84,146	26,512	(325)	4,241	3,916	—
BANCO HYUNDAI CAPITAL BRASIL S.A.	94,024	94,024	40,600	8,661	1,090	9,751	—
Hyundai Corretora de Seguros LTDA.	251	—	—	(221)	2	(219)	—
BAIC Hyundai Leasing Co., Ltd.	8,277	—	—	(9,701)	4,866	(4,835)	—

(in millions of Korean won)	December 31, 2020						
	Total assets	Total liabilities	Issued capital	Total equity	The Group's share in net assets	Goodwill	Carrying amount
Korea Credit Bureau	₩ 117,077	37,599	10,000	79,478	5,564	1,037	6,601
Hyundai Capital UK Ltd.	5,081,734	4,679,765	96,055	401,969	120,550	—	120,550
Beijing Hyundai Auto Finance Co., Ltd.	6,077,427	4,892,720	708,965	1,184,707	544,965	—	544,965
Hyundai Capital Canada Inc.	2,707,455	2,484,379	208,608	223,076	44,616	2,193	46,809
Hyundai Capital Bank Europe GmbH	5,635,284	4,648,027	14,282	987,257	472,534	23,465	495,999
BANCO HYUNDAI CAPITAL BRASIL S.A.	627,638	559,914	91,529	67,724	33,862	—	33,862
Hyundai Corretora de Seguros LTDA.	665	510	617	155	77	—	77
BAIC Hyundai Leasing Co., Ltd.	58,655	13,120	50,603	45,535	18,214	—	18,214

(in millions of Korean won)	2020						
	Operating revenue	Interest income	Interest expense	Net income(loss)	Other compre-hensive income(loss)	Total compre-hensive income(loss)	Dividends
Korea Credit Bureau	₩ 107,810	131	—	13,391	—	13,391	1,000
Hyundai Capital UK Ltd.	144,827	141,634	40,579	61,778	(9,610)	52,168	—
Beijing Hyundai Auto Finance Co., Ltd.	437,775	428,846	185,582	88,505	5,995	94,500	—
Hyundai Capital Canada Inc.	505,306	432,688	370,492	20,716	(11,462)	9,254	—
Hyundai Capital Bank Europe GmbH	540,080	69,778	23,197	5,216	8,080	13,296	—
BANCO HYUNDAI CAPITAL BRASIL S.A.	63,842	63,842	25,217	6,978	(23,681)	(16,703)	—
Hyundai Corretora de Seguros LTDA.	59	—	—	(261)	(122)	(383)	—
BAIC Hyundai Leasing Co., Ltd.	436	—	—	(4,592)	(8)	(4,600)	—

(3) Changes in the carrying amount of investments in associates and joint ventures

The following tables present changes in the carrying amounts of investments in associates and joint ventures for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021						
	Opening balance	Acquisition	Share in net income	Share in other comprehensive income	Dividends	Others (*1)	Closing balance
Korea Credit Bureau	₩ 6,601	—	(1,655)	—	(70)	—	4,876
Hyundai Capital UK Ltd.	120,550	—	31,403	10,108	—	—	162,061
Beijing Hyundai Auto Finance Co., Ltd.	544,965	—	44,024	64,216	(13,801)	—	639,404
Hyundai Capital Canada Inc.	46,809	27,630	10,044	6,311	—	—	90,794
Hyundai Capital Bank Europe GmbH (*1)	495,999	—	(99)	2,150	—	(13,332)	484,718
BANCO HYUNDAI CAPITAL BRASIL S.A.	33,862	—	4,373	546	—	—	38,781
Hyundai Corretora de Seguros LTDA.	77	—	(78)	1	—	—	—
BAIC Hyundai Leasing Co., Ltd.	18,214	—	(3,199)	1,946	—	—	16,961
	₩ 1,267,077	27,630	84,813	85,278	(13,871)	(13,332)	1,437,595

(*1) For the year ended December 31, 2021, impairment was assessed for investment stocks of Hyundai Capital Bank Europe GmbH, and an impairment loss of ₩13,332 million was recognized as the recoverable amount was less than the carrying amount. The recoverable amount was determined on the basis of value in use, and the discount rate applied to measure value in use is 8.83%.

(in millions of Korean won)	2020					
	Opening balance	Acquisition	Share in net income	Share in other comprehensive income (loss)	Dividends	Closing balance
Korea Credit Bureau	₩ 5,697	—	974	—	(70)	6,601
Hyundai Capital UK Ltd.	104,905	—	18,527	(2,882)	—	120,550
Beijing Hyundai Auto Finance Co., Ltd.	501,495	—	40,712	2,758	—	544,965
Hyundai Capital Canada Inc.	44,439	—	4,748	(2,378)	—	46,809
Hyundai Capital Bank Europe GmbH	159,948	330,158	1,219	4,674	—	495,999
BANCO HYUNDAI CAPITAL BRASIL S.A.	42,194	—	3,508	(11,840)	—	33,862
Hyundai Corretora de Seguros LTDA.	269	—	(131)	(61)	—	77
BAIC Hyundai Leasing Co., Ltd.	11,252	8,810	(1,845)	(3)	—	18,214
	₩ 870,199	338,968	67,712	(9,732)	(70)	1,267,077

(4) Suspension of recognizing loss of equity method

The accumulated unrecognized change in shares in the equity of the investees due to the suspension of the equity method as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	Accumulated unreflected loss of equity method	
	December 31, 2021	December 31, 2020
Hyundai Corretora de Seguros LTDA	₩ (32)	—

(in millions of Korean won)	Unreflected loss of equity method	
	2021	2020
Hyundai Corretora de Seguros LTDA	₩ (32)	—

9. 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 extension.

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 lending money, investing in equity, or providing credit extension.

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, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021			
		Asset securitization vehicles	Project financing	Investment fund	Total
Total assets(*1)	₩	138,513	19,487,944	671,089	20,297,546

(in millions of Korean won)		December 31, 2020			
		Asset securitization vehicles	Project financing	Investment fund	Total
Total assets(*1)	₩	3,111,224	8,900,659	716,419	12,728,302

(*1) It includes unaudited information.

(3) Income from unconsolidated structured entities

Income from unconsolidated structured entities for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	2021			
	Asset securitization vehicles	Project financing	Investment fund	Total
Operating revenue				
Interest income	₩ —	—	837	837
Income on loans	600	19,460	—	20,060
	₩ 600	19,460	837	20,897

(in millions of Korean won)	2020			
	Asset securitization vehicles	Project financing	Investment fund	Total
Operating revenue				
Interest income	₩ —	—	556	556
Income on loans	766	11,239	—	12,005
	₩ 766	11,239	556	12,561

(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, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021			
	Asset securitization vehicles	Project financing	Investment fund	Total
Assets				
Securities measured at fair value through profit or loss	₩ —	—	14,518	14,518
Securities measured at fair value through other comprehensive income	—	—	5,905	5,905
Loans receivable	18,797	826,221	—	845,018
	18,797	826,221	20,423	865,441
Lending and other commitments				
Unused commitments	5,203	291,379	—	296,582
Maximum exposure to loss(*1)	₩ 24,000	1,117,600	20,423	1,162,023

(in millions of Korean won)	December 31, 2020			
	Asset securiti-zation vehicles	Project financing	Investment fund	Total
Assets				
Securities measured at fair value through profit or loss	₩ —	—	11,192	11,192
Securities measured at fair value through other comprehensive income	—	—	2,500	2,500
Loans receivable	13,909	429,519	—	443,428
	13,909	429,519	13,692	457,120
Lending and other commitments				
Unused commitments	17,091	252,995	—	270,086
Maximum exposure to loss(*1)	₩ 31,000	682,514	13,692	727,206

(*1) The maximum exposure to loss is the sum of the carrying amount of the assets held, including the credit extension and other commitments provided.

10. Financial Receivables

Financial receivables measured at amortized costs as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021				
	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	₩ 10,452,088	43,195	(1,287)	(376,006)	10,117,990
Installment financial assets					
Automobile	14,160,773	(257,443)	—	(151,301)	13,752,029
Durable goods	1	—	—	(1)	—
Mortgage	102	1	—	(17)	86
	14,160,876	(257,442)	—	(151,319)	13,752,115
Lease receivables					
Finance lease receivables	2,141,865	(225)	—	(42,156)	2,099,484
Cancelled lease receivables	35,293	—	—	(26,463)	8,830
	2,177,158	(225)	—	(68,619)	2,108,314
	₩ 26,790,122	(214,472)	(1,287)	(595,944)	25,978,419

(in millions of Korean won)	December 31, 2020				
	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	₩ 9,652,684	44,568	(1,955)	(482,923)	9,212,374
Installment financial assets					
Automobile	14,991,589	(326,639)	—	(141,848)	14,523,102
Durable goods	1	—	—	(1)	—
Mortgage	363	1	—	(20)	344
	14,991,953	(326,638)	—	(141,869)	14,523,446
Lease receivables					
Finance lease receivables	2,447,610	(185)	—	(46,881)	2,400,544
Cancelled lease receivables	34,411	—	—	(27,809)	6,602
	2,482,021	(185)	—	(74,690)	2,407,146
	₩ 27,126,658	(282,255)	(1,955)	(699,482)	26,142,966

The following tables present changes in allowance for loan losses including allowance for doubtful accounts for other assets for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021											
	Loans receivable				Installment financial assets			Lease receivables				
	12-month expected credit losses	Lifetime expected credit losses		Purchased or originated credit-impaired financial assets	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		Other assets	Total
		Not credit-impaired	Credit-impaired			Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired		
Opening balance	₩ 142,326	79,241	230,315	31,041	62,061	29,066	50,742	18,169	6,294	50,227	29,872	729,354
Movements between the three stages												
Transferred to 12-month expected credit losses	17,047	(13,709)	(3,338)	—	6,695	(5,379)	(1,316)	3,649	(1,461)	(2,188)	—	—
Transferred to lifetime expected credit losses	(29,991)	32,626	(2,635)	—	(13,172)	14,455	(1,283)	(1,879)	2,388	(509)	—	—
Transferred to credit-impaired	(2,186)	(4,142)	6,328	—	(428)	(1,044)	1,472	(144)	(233)	377	—	—
Repurchases	—	—	107	80	—	—	46	—	—	—	—	233
Charge-offs	—	—	(216,878)	(21,351)	—	—	(59,846)	—	—	(2,131)	(866)	(301,072)
Recoveries	—	—	33,222	25,680	—	—	12,192	—	—	2,104	1,631	74,829
Unwinding of discounts	—	—	(17,033)	(347)	—	—	(656)	—	—	(293)	—	(18,329)
Provision for (release of) allowance	(27,920)	21,516	116,523	(20,516)	4,035	13,390	40,289	(5,497)	1,131	(1,385)	(2,017)	139,549
Closing balance	₩ 99,276	115,532	146,611	14,587	59,191	50,488	41,640	14,298	8,119	46,202	28,620	624,564

The Group is collecting receivables that were previously charged off for which the statute of limitation has not legally elapsed or due to other reasons. The contractual amounts of such receivables written off but not yet collected as of December 31, 2021 were ₩311,976 million.

(in millions of Korean won)	2020											
	Loans receivable				Installment financial assets			Lease receivables				
	12-month expected credit losses	Lifetime expected credit losses		Purchased or originated credit-impaired financial assets	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		Other assets	Total
		Not credit-impaired	Credit-impaired			Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired		
Opening balance	₩ 154,645	97,018	217,666	61,128	58,976	27,419	39,861	15,582	9,024	47,687	29,041	758,047
Movements between the three stages												
Transferred to 12-month expected credit losses	22,614	(20,249)	(2,365)	—	8,037	(6,817)	(1,220)	5,099	(2,647)	(2,452)	—	—
Transferred to lifetime expected credit losses	(14,716)	16,034	(1,318)	—	(4,918)	5,686	(768)	(1,331)	2,228	(897)	—	—
Transferred to credit-impaired	(3,540)	(8,571)	12,111	—	(475)	(1,522)	1,997	(208)	(840)	1,048	—	—
Disposals	—	—	(83,059)	(40,571)	—	—	(25,048)	(2,226)	(821)	(57)	—	(151,782)
Charge-offs	—	—	(120,993)	(49,868)	—	—	(37,777)	—	—	(747)	(1,241)	(210,626)
Recoveries	—	—	31,271	38,667	—	—	10,450	—	—	270	1,549	82,207
Unwinding of discounts	—	—	(18,089)	(436)	—	—	(688)	—	—	(321)	—	(19,534)
Provision for (release of) allowance	(16,677)	(4,991)	195,091	22,121	441	4,300	63,935	1,253	(650)	5,696	523	271,042
Closing balance	₩ 142,326	79,241	230,315	31,041	62,061	29,066	50,742	18,169	6,294	50,227	29,872	729,354

The Group is collecting receivables that were previously charged off for which the statute of limitation has not legally elapsed or due to other reasons. The contractual amounts of such receivables written off but not yet collected as of December 31, 2020 were ₩293,388 million.

The following table presents changes in carrying amount of financial receivables measured at amortized costs that significantly affect changes in allowances for loan losses for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021											
	Loans receivable				Installment financial assets			Lease receivables				
	12-month expected credit losses	Lifetime expected credit losses		Purchased or originated credit-impaired financial assets	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		Other assets	Total
		Not credit-impaired	Credit-impaired			Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired		
Financial receivables newly originated (*1)	₩ 6,379,839	1,530,843	50,788	10,392	5,909,632	1,004,039	7,558	930,259	130,704	3,206	13,553	15,970,813
Repurchases(Disposals)	—	—	119	(143)	—	—	58	—	—	—	—	34
Charge-offs	—	—	(216,878)	(21,351)	—	—	(59,846)	—	—	(2,131)	(866)	(301,072)

(*1) The amount of financial receivables newly originated of other assets are net increase (decrease) amount during the year ended December 31, 2021.

(in millions of Korean won)	2020											
	Loans receivable				Installment financial assets			Lease receivables				
	12-month expected credit losses	Lifetime expected credit losses		Purchased or originated credit-impaired financial assets	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		Other assets	Total
		Not credit-impaired	Credit-impaired			Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired		
Financial receivables newly originated (*1)	₩ 6,315,675	499,303	60,882	88,370	7,392,833	380,450	12,128	1,201,735	91,479	2,615	(6,238)	16,039,232
Disposals	—	—	(103,307)	(52,424)	—	—	(30,935)	(336,168)	(25,859)	(42)	—	(548,735)
Charge-offs	—	—	(120,993)	(49,868)	—	—	(37,776)	—	—	(747)	(1,241)	(210,625)

(*1) The amount of financial receivables newly originated of other assets are net increase (decrease) amount during the year ended December 31, 2020.

11. Finance Lease Receivables

(1) Minimum lease payments

Details of gross investment in the lease and present value of minimum lease payments as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021		December 31, 2020	
	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	₩ 897,887	798,215	988,699	884,935
One to two years	649,745	594,649	689,314	630,808
Two to three years	443,598	415,388	528,165	498,673
Three to four years	239,369	227,772	293,818	282,380
Four to five years	97,752	95,817	141,494	139,752
Over five years	6,366	6,126	6,908	6,691
	₩ 2,334,717	2,137,967	2,648,398	2,443,239

(2) Unearned interest income

Details of unearned interest income as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021	December 31, 2020
Gross investment in the lease	₩ 2,334,717	2,648,398
Net lease investments:		
Present value of minimum lease payments	2,137,967	2,443,239
Present value of unguaranteed residual value	3,672	4,186
	2,141,639	2,447,425
Unearned interest income	₩ 193,078	200,973

12. Leased Assets

(1) Carrying amount

Leased assets as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Operating leased assets	₩ 5,998,525	(1,411,526)	(39,245)	4,547,754
Cancelled leased assets	17,933	—	(6,667)	11,266
	₩ 6,016,458	(1,411,526)	(45,912)	4,559,020

(in millions of Korean won)	December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Operating leased assets	₩ 4,648,386	(1,045,594)	(721)	3,602,071
Cancelled leased assets	25,872	—	(6,263)	19,609
	₩ 4,674,258	(1,045,594)	(6,984)	3,621,680

(2) Changes in carrying amount of leased assets

The following tables present changes in the carrying amounts of leased assets for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021					
	Opening balance	Addition	Disposal	Depreciation	Impairment Loss	Closing balance
Vehicles	₩ 3,602,071	1,967,503	(244,988)	(738,308)	(38,524)	4,547,754

(in millions of Korean won)	2020					
	Opening balance	Addition	Disposal	Depreciation	Impairment Loss	Closing balance
Vehicles	₩ 2,338,995	2,029,429	(220,271)	(546,063)	(19)	3,602,071
Machine equipment	1,490	—	(1,134)	(356)	—	—
	₩ 2,340,485	2,029,429	(221,405)	(546,419)	(19)	3,602,071

(3) Minimum lease payments

Future minimum lease payments under operating lease as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Less than one year	₩	958,656	747,144
One to two years		759,042	593,474
Two to three years		527,348	432,920
Three to four years		282,682	233,958
Four to five years		87,013	70,602
Over five years		77	—
	₩	2,614,818	2,078,098

13. Lessee

(1) Carrying amount

Amounts recognized for leases in consolidated financial statements as of December 31, 2021 and December 31, 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Right-of-use assets			
Buildings	₩	13,473	34,617
Vehicles		158	303
Fixture and furniture		725	1,967
		14,356	36,887
Lease liabilities			
Lease liabilities (*1)	₩	13,239	35,183

(*1) The incremental borrowing rate on weighted average the Group used when measuring the lease liabilities as of December 31, 2021 was 1.72%.

(2) Changes in the carrying amount of right-of-use asset

The following table presents changes in the carrying amount of the right-of-use assets for the years ended December 31, 2021 and 2020:

(in millions of Korean won)		2021					
		Opening balance	Addition	Depreciation	Cancellation or termination	Others (*1)	Closing balance
Buildings	₩	34,617	13,252	(14,986)	(332)	(19,078)	13,473
Vehicles		303	—	(145)	—	—	158
Fixture and furniture		1,967	—	(1,242)	—	—	725
	₩	36,887	13,252	(16,373)	(332)	(19,078)	14,356

(*1) For the year ended December 31, 2021, the lease liabilities were remeasured due to the lease change in accordance with K-IFRS No. 1116, and the right-of-use assets were adjusted accordingly.

(in millions of Korean won)	2020				
	Opening balance	Addition	Depreciation	Cancellation or termination	Closing balance
Buildings	₩ 39,631	12,391	(16,954)	(451)	34,617
Vehicles	42	384	(123)	—	303
Fixture and furniture	3,208	—	(1,241)	—	1,967
	₩ 42,881	12,775	(18,318)	(451)	36,887

(3) Expenses on lease

The following table presents expenses on lease liabilities for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021 (*1)	2020 (*1)
Interest expense from lease liabilities (belongs to interest expense)	₩ 720	815
Lease payment for leases of low value items (belongs to general and administrative expenses)	413	365

(*1) The Group had no income from variable lease payment or subleasing right-of-use assets for the years ended December 31, 2021 and 2020.

(4) Total cash outflows for lease liabilities

Total cash outflows for lease liabilities for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	2021	2020
Total cash outflows for lease liabilities	₩ 16,489	15,572

(5) Gains or losses arising from sale and leaseback transactions

Gains or losses arising from sale and leaseback transactions for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	2021	2020 (*1)
Gains or losses arising from sale and leaseback transactions	₩ —	2,917

(*1) The Group sold buildings in a sale and leaseback transaction with a two-year or five-year contract for the year ended December 31, 2020.

14. Property and Equipment

(1) Carrying amount

Property and equipment as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 79,121	—	79,121	84,361	—	84,361
Buildings	112,722	(24,404)	88,318	112,832	(21,588)	91,244
Vehicles	6,142	(2,916)	3,226	5,766	(2,477)	3,289
Fixture and furniture	176,791	(154,858)	21,933	168,887	(149,234)	19,653
Others	1,004	—	1,004	2,429	—	2,429
Construction in progress	3,187	—	3,187	807	—	807
	₩ 378,967	(182,178)	196,789	375,082	(173,299)	201,783

(2) Changes in the carrying amount of property and equipment

The following tables present changes in the carrying amounts of property and equipment for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021							
	Opening balance	Addition	Transfer	Disposal	Depreciation(*1)	Translation differences	Transferred to assets held for sale	Closing balance
Land	₩ 84,361	—	—	(59)	—	—	(5,181)	79,121
Buildings	91,244	21	—	(106)	(2,841)	—	—	88,318
Vehicles	3,289	1,119	—	(389)	(793)	—	—	3,226
Fixture and furniture	19,653	10,030	2,171	(176)	(9,754)	9	—	21,933
Others	2,429	—	—	(1,425)	—	—	—	1,004
Construction in progress	807	4,551	(2,171)	—	—	—	—	3,187
	₩ 201,783	15,721	—	(2,155)	(13,388)	9	(5,181)	196,789

(*1) Including amounts related to discontinued operations.

(in millions of Korean won)	2020							
	Opening balance	Addition	Transfer	Disposal	Depreciation(*1)	Translation differences	Transferred to assets held for sale	Closing balance
Land	₩ 89,290	—	—	(3,065)	—	—	(1,864)	84,361
Buildings	99,296	12	—	(1,242)	(2,935)	—	(3,887)	91,244
Vehicles	3,372	869	—	(218)	(734)	—	—	3,289
Fixture and furniture	21,154	8,788	1,269	(10)	(11,527)	(21)	—	19,653
Others	2,429	—	—	—	—	—	—	2,429
Construction in progress	—	2,076	(1,269)	—	—	—	—	807
	₩ 215,541	11,745	—	(4,535)	(15,196)	(21)	(5,751)	201,783

(*1) Including amounts related to discontinued operations.

15. Intangible Assets

(1) Carrying amount

Intangible assets as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021			December 31, 2020		
	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Software development costs	₩ 337,332	(275,748)	61,584	324,308	(249,563)	74,745
Trademark	69	(69)	—	69	(69)	—
Memberships	24,165	—	24,165	28,534	—	28,534
Other intangible assets	68,650	(55,717)	12,933	61,445	(52,108)	9,337
Software under development	9,759	—	9,759	2,434	—	2,434
	₩ 439,975	(331,534)	108,441	416,790	(301,740)	115,050

(2) Changes in the carrying amount of intangible assets

The following tables present changes in the carrying amounts of intangible assets for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021							
	Opening balance	Addition	Transfer	Disposal	Amortization(*1)	Transferred to assets of a disposal group classified as held for sale	Translation differences	Closing balance
Software development costs	₩ 74,745	204	20,973	—	(30,842)	(3,496)	—	61,584
Memberships	28,534	—	—	(4,366)	—	—	(3)	24,165
Other intangible assets	9,337	685	6,897	—	(3,824)	(162)	—	12,933
Software under development	2,434	35,195	(27,870)	—	—	—	—	9,759
	₩ 115,050	36,084	—	(4,366)	(34,666)	(3,658)	(3)	108,441

(*1) Including amounts related to discontinued operations.

(in millions of Korean won)	2020						
	Opening balance	Addition	Transfer	Disposal	Amortization(*1)	Translation differences	Closing balance
Software development costs	₩ 92,178	462	24,041	(71)	(41,865)	—	74,745
Memberships	28,811	—	—	(267)	—	(10)	28,534
Other intangible assets	9,040	2,536	2,416	—	(4,655)	—	9,337
Software under development	6,805	22,086	(26,457)	—	—	—	2,434
	₩ 136,834	25,084	—	(338)	(46,520)	(10)	115,050

(*1) Including amounts related to discontinued operations.

16. Borrowed Funds

(1) Borrowings

Borrowings as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	Lender	Annual interest rate (%)	Maturity		Carrying amount December 31, 2021	Carrying amount December 31, 2020
Short-term borrowings:						
Commercial paper	Shinhan Bank and 6 others	0.94 ~ 2.05	January 18, 2022 through May 13, 2022	₩	360,000	330,000
General loans	Korea Development Bank and 5 others	1.65 ~ 2.52	January 5, 2022 through December 9, 2022		590,000	568,368
					950,000	898,368
Current portion of long-term borrowings:						
Commercial paper	Kiwoom Securities Co., Ltd. and 2 others	1.40 ~ 2.12	March 7, 2022 through December 16, 2022		250,000	—
General loans	Nonghyup Bank and 10 others	1.23 ~ 3.03	January 3, 2022 through December 7, 2022		1,139,000	657,033
					1,389,000	657,033
Long-term borrowings:						
Commercial paper	BNK Securities Co., Ltd. and 3 others	1.45 ~ 1.65	March 16, 2023 through September 13, 2024		450,000	700,000
General loans	Woori Bank and 7 others	1.16 ~ 4.00	January 2, 2023 through July 10, 2024		499,512	1,269,842
					949,512	1,969,842
				₩	3,288,512	3,525,243

(2) Bonds issued

Bonds issued as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	Annual interest rate (%)	Maturity		Carrying amount December 31, 2021	Carrying amount December 31, 2020
Short-term bonds:					
Bonds	1.66 ~ 2.31	January 4, 2022 through November 11, 2022	₩	540,000	520,000
Less: discount on bonds				(422)	(449)
				539,578	519,551
Current portion of long-term bonds:					
Bonds	1.00 ~ 2.90	January 5, 2022 through December 29, 2022		5,858,829	4,889,788
Less: discount on bonds				(2,543)	(1,710)
				5,856,286	4,888,078
Long-term bonds:					
Bonds	0.96 ~ 3.38	January 10, 2023 through November 12, 2030		18,858,088	18,434,919
Less: discount on bonds				(23,384)	(28,135)
				18,834,704	18,406,784
			₩	25,230,568	23,814,413

17. Employee benefit liabilities

(1) Defined contribution plans

The Group recognized ₩1,704 million and ₩1,583 million in the statement of comprehensive income for retirement benefits based on the defined contribution plan for the years ended December 31, 2021 and 2020, 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.

(b) Defined benefit liability

The amounts of net defined benefit liability recognized in the statements of financial position as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Present value of defined benefit obligations	₩	108,110	109,920
Fair value of plan assets (*1)		(121,832)	(113,239)
Defined benefit assets, net	₩	(13,722)	(3,319)

(*1) Including contribution to the National Pension Fund of ₩26 million as of December 31, 2021 and ₩26 million as of December 31, 2020, respectively.

(c) Changes in the present value of defined benefit obligations

The following tables present changes in the present value of defined benefit obligations for the years ended December 31, 2021 and 2020:

(in millions of Korean won)		2021	2020
Opening balance	₩	109,920	103,766
Current service costs (*1)		12,999	13,438
Interest cost (*1)		2,628	2,306
Actuarial losses (gains):			
Experience adjustments		5,482	(426)
Changes in economic assumptions		(6,049)	(174)
Changes in demographic assumptions		2,490	1,063
Transfer of severance benefits from (to) related parties, net		(5,319)	693
Benefits paid		(14,041)	(10,746)
Closing balance	₩	108,110	109,920

(*1) Including amounts related to discontinued operations.

(d) Changes in the fair value of plan assets

The following tables present changes in the fair value of plan assets for the years ended December 31, 2021 and 2020:

(in millions of Korean won)		2021	2020
Opening balance	₩	113,239	110,812
Contributions		21,600	10,500
Expected return on plan assets (*1)		2,640	2,468
Actuarial losses		(570)	(519)
Transfer of severance benefits from (to) related parties, net		(5,310)	666
Benefits paid		(9,767)	(10,688)
Closing balance	₩	121,832	113,239

(*1) Including amounts related to discontinued operations.

(e) Severance benefits

Details of severance benefits recognized as profit and loss for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		2021	2020
Current service costs	₩	12,999	13,438
Interest cost		2,628	2,306
Expected return on plan assets		(2,640)	(2,468)
	₩	12,987	13,276

(f) Details of plan assets

Details of plan assets as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021		December 31, 2020	
		Amount	Ratio (%)	Amount	Ratio (%)
Cash and Cash Equivalents	₩	3	0.00	—	0.00
Deposits		101	0.08	1,946	1.72
Interest-bearing financial assets with fixed rates		121,728	99.91	111,293	98.28
	₩	121,832	100.00	113,239	100.00

(g) Actuarial assumptions

The following are the principal actuarial assumptions used for measuring defined benefit liabilities as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Discount rate	2.94%	2.33%
Future salary growth	3.99%	4.06%
Mortality rate (*1)	0.03%	0.03%

(*1) Assumptions regarding future mortality rate are based on published statistics and mortality tables by the Korean Insurance Development Institute.

(h) Sensitivity analysis

Sensitivity analysis of the present value of defined benefit obligations as of December 31, 2021 and 2020 is as follows:

(in millions of Korean won)	Effect on present value of defined benefit obligations			
	December 31, 2021		December 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1%P movement)	₩ (9,341)	10,738	(8,592)	9,806
Future salary growth (1%P movement)	10,732	(9,508)	9,741	(8,699)

(i) Duration and expected contributions

The expected weighted-average duration of the defined benefit obligations as of December 31, 2021 is 9.52 years (2020: 8.53 years). The Group is expected to pay contributions of ₩21,600 million to its defined benefit plans in 2022. 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, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021	December 31, 2020
Less than one year	₩ 4,517	6,801
One to two years	6,184	7,311
Two to five years	16,470	21,603
Five to ten years	31,645	31,759
Ten years and more	49,294	42,446
	₩ 108,110	109,920

(3) Other long-term employee benefit plans

(a) Other long-term employee benefit liability

The following tables present changes in the other long-term benefit liability for the years ended December 31, 2021 and 2020:

(in millions of Korean won)

		2021	2020
Opening balance	₩	7,587	6,994
Current service costs (*1)		535	543
Interest cost (*1)		160	146
Actuarial losses		2,381	296
Benefits paid		(591)	(392)
Closing balance	₩	10,072	7,587

(*1) Including amounts related to discontinued operations.

(b) Actuarial assumptions

The following are the principal actuarial assumptions required to measure other long-term employee benefit liabilities as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Discount rate	2.59%	1.99%
Future salary growth	3.99%	4.06%
Mortality rate (*1)	0.03%	0.03%

(*1) Assumptions regarding future mortality rate are based on published statistics and mortality tables by the Korean Insurance Development Institute.

18. Provisions

The following tables present changes in the provisions for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021				
	Unused loan commit-ments (*1)	Residual value guaran-tees (*2)	Asset retirement obliga-tions (*3)	Litigations	Total
Opening balance	₩ 157	79,810	6,559	—	86,526
Provision for (release of) allowance	54	(20,267)	(1,243)	21	(21,435)
Provisions made for AROs and capitalized to related assets	—	—	543	—	543
Unwinding of interests	—	—	63	—	63
Closing balance	₩ 211	59,543	5,922	21	65,697

(in millions of Korean won)	2020				
	Unused loan commit-ments (*1)	Residual value guaran-tees (*2)	Asset retirement obliga-tions (*3)	Litigations	Total
Opening balance	₩ 504	54,447	5,860	—	60,811
Provision for (release of) allowance	(347)	25,363	(881)	—	24,135
Provisions made for AROs and capitalized to related assets	—	—	1,466	—	1,466
Unwinding of interests	—	—	114	—	114
Closing balance	₩ 157	79,810	6,559	—	86,526

(*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. The Group also contracts with third party guarantor to guarantee residual value of automobiles returned by consumers. Provision is made for estimated expected 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. In order to estimate expected restoration expense, the average actual costs incurred for the past three years and five-year average inflation rate are used.

19. Derivative Financial Instruments and Hedge Accounting

(1) Trading derivatives

The Group had no balance of trading derivatives as of December 31, 2021 and 2020.

(2) Derivatives designated and qualified 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. There was no change in overall strategy of the Group for cash flow hedges.

The Group applies cash flow hedge accounting and the hedging relationship is affected by interest rate benchmark reform. The Group currently enters into currency swap contracts and designate them as hedging instruments for cash flow hedging accounting to avoid the volatility in cash flows of borrowing due to changes of the interest rate benchmark, the one-month and three-month USD LIBOR. However, the USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate (SOFR) based on actual transactions for specific periods (1M, 3M, 6M, 12M) from July 2023. The Group assumes that interest rate benchmarks do not change due to interest rate benchmarks reform in this hedging relationship. The Group is closely monitoring market and industry discussions regarding applicable alternative base interest rates on exposed interest rate benchmarks. This uncertainty is no longer expected when the exposed interest rate benchmark is replaced by an applicable interest rate.

Financial instruments related to LIBOR that are scheduled to reach maturity after July 2023 and those which have not been converted to alternative interest rate benchmarks as of December 31, 2021 are as follows:

(in millions of Korean won)		December 31, 2021	
Interest rate benchmark	Currency	Book value of Non-derivative financial liability	Nominal value of Hedging instument
USD 1M LIBOR	USD	₩ 1,166,532	1,176,381
USD 3M LIBOR	USD	154,115	145,122

Details of cash flow hedged items as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021				
	Carrying amount		Line item	Changes in	Accumulated other comprehensive
	Assets	Liabilities	in the financial statements	fair value	income
Interest rate risk	₩ —	4,380,000	Borrowings and Bonds issued	—	9,022
Foreign exchange risk	29,531	7,349,435	Loans, Borrowings and Bonds issued	(472,370)	29,208
	₩ 29,531	11,729,435		(472,370)	38,230

(in millions of Korean won)	December 31, 2020				
	Carrying amount		Line item	Changes in	Accumulated other comprehensive
	Assets	Liabilities	in the financial statements	fair value	income (loss)
Interest rate risk	₩ —	5,043,000	Borrowings and Bonds issued	—	(56,833)
Foreign exchange risk	29,441	6,766,282	Loans, Borrowings and Bonds issued	281,426	14,704
	₩ 29,441	11,809,282		281,426	(42,129)

Derivatives that are designated and qualify as hedging instruments for cash flow hedges as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021				
		Notional principal amount (*1)	Carrying amount		Line item in the financial statements	Changes in fair value
			Assets	Liabilities		
Interest rate swaps	₩	4,380,000	25,356	8,819	Derivative	90,478
Currency swaps		7,378,966	392,040	13,991	assets (liabilities)	552,843
	₩	11,758,966	417,396	22,810		643,321

(*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.

(in millions of Korean won)		December 31, 2020				
		Notional principal amount (*1)	Carrying amount		Line item in the financial statements	Changes in fair value
			Assets	Liabilities		
Interest rate swaps	₩	5,043,000	944	74,112	Derivative	(9,462)
Currency swaps		6,795,723	92,589	284,983	assets (liabilities)	(231,341)
	₩	11,838,723	93,533	359,095		(240,803)

(*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 derivatives that are designated and qualify as hedging instruments for cash flow hedges for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		**2021**			
		Opening balance	**Changes in fair value recognized in other comprehensive income**	**Reclassified to profit or loss**	**Closing balance**
Effective portion of cash flow hedges	₩	(55,578)	643,321	(537,306)	50,437
Income tax effects		13,449			(12,207)
Effective portion of cash flow hedges, net of income taxes	₩	(42,129)			38,230

(in millions of Korean won)		**2020**			
		Opening balance	**Changes in fair value recognized in other comprehensive income**	**Reclassified to profit or loss**	**Closing balance**
Effective portion of cash flow hedges	₩	(77,898)	(240,803)	263,123	(55,578)
Income tax effects		18,851			13,449
Effective portion of cash flow hedges, net of income taxes	₩	(59,047)			(42,129)

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 7, 2029. There were no cash flow hedges discontinued for the years ended December 31, 2021 and 2020.

The ineffective portion recognized in profit or loss related to cash flow hedge for the years ended December 31, 2021 and 2020, are ₩12,915 million and ₩3,243 million respectively.

20. Equity

(1) Issued capital

Details of issued capital as of December 31, 2021 and 2020 are as follows:

		December 31, 2021 and 2020
Type		Common stock
Number of authorized shares to issue (in shares)		500,000,000
Par value of share (in won)	₩	5,000
Number of issued shares (in shares)		99,307,435
Issued capital (in won)	₩	496,537,175,000

(2) Legal reserve

Korean Commercial Act requires the Company 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.

According to the Specialized Credit Finance Business Act 11, the Company makes regulatory reserves for loan losses if there is a shortfall in provisions prepared in accordance with K-IFRS. The amount required by the regulation is 120% of the minimum amount specified in the Specialized Credit Finance Business Act, but less than the total outstanding amount of the loans.

The reserve for loan loss is a discretionary reserve, and any excess amount beyond legally required reserve can be reversed. If there is an accumulated deficit, the reserve is made only after when there is no accumulated deficit balance.

Details of regulatory reserve for loan losses as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Appropriated regulatory reserve for loan losses	₩	213,477	218,712
Expected release of regulatory reserve for loan losses		(20,269)	(5,235)
Regulatory reserve for loan losses (*1)	₩	193,208	213,477

(*1) Regulatory reserve for loan losses as of December 31, 2021 and 2020 represents the amount which reflects the expected release of regulatory reserve for loan losses to appropriated regulatory reserve for loan losses at the beginning of the year.

Release of regulatory reserve for loan losses and profit for the period and earnings per share adjusted with release of regulatory reserve for loan losses for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021	2020
Profit for the year	₩	432,600	348,571
Add: release of regulatory reserve for loan losses (*1)		(20,269)	(5,235)
Profit for the period adjusted with release of regulatory reserve for loan losses (*2)	₩	452,869	353,806
Basic and diluted earnings per share adjusted with release of regulatory reserve for loan losses (in won)	₩	4,560	3,563

(*1) Release of regulatory reserve for loan losses represents additional reserves expected to be made for the years ended December 31, 2021 and 2020.

(*2) Profit for the year adjusted with regulatory reserve is not prepared in accordance with K-IFRS, but the amount reflects the expected 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, 2021 and 2020 are as follows:

(in millions of Korean won)		**December 31, 2021**	**December 31, 2020**
Legal reserves:			
Earned surplus reserve	₩	176,286	167,110
Discretionary reserves:			
Regulatory reserve for loan losses		213,477	218,712
Reserve for electronic financial transactions		100	100
Reserve for business rationalization		74	74
		213,651	218,886
Retained earnings before appropriation		3,838,882	3,501,983
	₩	4,228,819	3,887,979

(5) Dividends

The Company has a plan to declare the year-end dividends for the year ended December 31, 2021 at annual meeting of shareholders which is expected to be held on March 29, 2022. The dividends payable is not recognized in the accompanying consolidated financial statements as of December 31, 2021. Dividends declared and paid by the Company for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		2021 (expected)	2020
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
Dividends rate		0.00%	18.48%
Dividends	₩	—	91,760
Profit for the year	₩	432,600	348,571
Dividends payout ratio (Dividends/ Profit for the year)		0.00%	26.32%

21. Net Interest Income

Net interest income for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021	2020
Interest income:			
Interest income recognized by using the effective interest method			
Cash and due from other financial institutions	₩	11,047	14,524
Securities measured at FVOCI		203	882
Loans receivable		775,197	784,611
Installment financial assets		588,783	601,607
Lease receivables (*1)		127,794	128,737
Others (*2)		302	1,707
		1,503,326	1,532,068
Interest expense:			
Borrowings		61,394	68,793
Bonds issued		490,153	512,167
Others (*2)		6,196	7,402
		557,743	588,362
Net interest income	₩	945,583	943,706

(*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.

22. Net Fee Income

Net fee income for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021	2020
Fee income:			
Loans receivable	₩	17,369	22,635
Installment financial assets		21,098	23,288
Lease receivables		122,511	120,778
		160,978	166,701
Fee expenses:			
Lease expenses		160,145	123,520
Net fee income	₩	833	43,181

23. Net Lease Income

Net lease income and expenses for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021	2020
Income on leases (*1)			
Income on operating leases	₩	909,159	697,313
Gain on sale of lease assets		23,278	49,325
Fee income on operating leases		176,996	141,404
		1,109,433	888,042
Lease expense (*1)			
Depreciation		738,308	546,419
Loss on sale of lease assets		30,088	73,628
(Release of)Impairment provision on lease assets		38,928	(1,087)
Fee expenses on operating leases		91,099	82,484
Others		8,295	18,562
		906,718	720,006
Net lease income	₩	202,715	168,036

(*1) Excluding interest income and net fee income.

24. Other Operating Income and Expenses

Other operating income and expenses for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021	2020
Other operating income:			
Gain on valuation of derivatives	₩	486,692	55,495
Gain on derivatives transactions		53,054	17,336
Gain on valuation of short-term financial investments		915	2,310
Gain on purchased loan		10,899	27,892
Shared services income		24,095	22,075
Other fee and commission		23,313	27,100
Advisory fee		46,122	46,148
Release of allowance		39,987	1,253
Others		12,886	21,817
	₩	697,963	221,426
Other operating expenses:			
Loss on valuation of derivatives	₩	1,426	333,679
Loss on derivatives transactions		1,014	2,275
Shared services expense		28,996	27,695
Indirect financing cost		9,782	11,153
Provision for allowance		18,552	25,388
Others		27,661	32,123
	₩	87,431	432,313

25. General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

	2021	2020
Salaries	₩ 227,541	212,443
Severance benefits	16,805	21,111
Employee benefits	38,221	37,432
Advertising	39,689	40,092
Sales promotion	49,375	47,110
Rents	18,495	17,239
Utilities	8,337	9,244
Communication	11,514	12,473
Travel and transportation	3,162	3,370
Professional and other service fees	59,797	65,109
Outsourcing service charges	24,972	29,826
Commissions and charges	18,929	19,033
Depreciation	29,660	33,267
Amortization	34,309	44,522
Others	39,383	41,028
	₩ 620,189	633,299

26. Income Taxes

(1) Income tax expense

Income tax expense for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021	2020
Current income tax expense	₩	118,566	91,924
Change in deferred income tax due to temporary differences		67,110	32,593
Income tax expense recognized directly to equity		(42,334)	(7,805)
Income tax expense associated with discontinued operations		(174)	—
Income tax expense	₩	143,168	116,712

(2) Deferred income taxes recognized directly in equity

Deferred income taxes recognized directly in equity for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021		
		Opening balance	Closing balance	Changes
Unrealized gains and losses on equity securities measured at FVOCI	₩	(10,516)	(7,192)	3,324
Unrealized gains and losses on valuation of debt securities measured at FVOCI		(24)	7	31
Share in other comprehensive income of associates and joint ventures under the equity method		3,120	(17,516)	(20,636)
Effective portion of cash flow hedges		13,449	(12,207)	(25,656)
Remeasurements of defined benefit plans		4,705	5,308	603
	₩	10,734	(31,600)	(42,334)

(in millions of Korean won)

		2020		
		Opening balance	Closing balance	Changes
Unrealized gains and losses on equity securities measured at FVOCI	₩	(5,406)	(10,516)	(5,110)
Unrealized gains and losses on valuation of debt securities measured at FVOCI		(139)	(24)	115
Share in other comprehensive income of associates and joint ventures under the equity method		765	3,120	2,355
Effective portion of cash flow hedges		18,851	13,449	(5,402)
Remeasurements of defined benefit plans		4,468	4,705	237
	₩	18,539	10,734	(7,805)

(3) Effective tax rate reconciliation

The relationship between profit before income tax and income tax expense is as follows:

(in millions of Korean won)

		2021	2020
Profit before income taxes (A)	₩	575,942	465,283
Income taxes at statutory tax rates		148,021	117,591
Adjustments:			
Non-deductible expense		1,646	531
Changes in estimates for tax provisions of the prior year		(422)	144
Others including tax credits and foreign subsidiaries		(5,903)	(1,554)
Income tax expense of discontinued operations		(174)	—
Income tax expense (B)	₩	143,168	116,712
Effective tax rate (B/A)		24.86%	25.08%

(4) Temporary differences and deferred tax balances

Changes in temporary differences and deferred tax balances for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021				
		Temporary differences			Deferred tax assets (liabilities)	
		Opening balance	Increase (Decrease)	Closing balance	Opening balance	Closing balance
Derivative financial instruments	₩	55,579	(109,743)	(54,164)	13,450	(13,108)
Deferred fees		(137,957)	2,977	(134,980)	(33,386)	(32,665)
Initial direct costs for lease assets		(138,368)	(39,957)	(178,325)	(33,485)	(43,155)
Accounts payables		19,783	(818)	18,965	4,788	4,590
Depreciation		10,495	41,803	52,298	2,540	12,656
Present value discounts		11,606	(562)	11,044	2,809	2,673
Provisions		86,526	(20,829)	65,697	20,939	15,899
Investments in associates		(349,476)	(147,408)	(496,884)	(84,573)	(120,246)
Plan assets		(67,234)	(7,008)	(74,242)	(16,271)	(17,967)
Others		(24,346)	4,229	(20,117)	(5,892)	(4,868)
	₩	(533,392)	(277,316)	(810,708)	(129,081)	(196,191)

The Group did not recognize a deferred tax liability of ₩4,790 million as of December 31, 2021 for taxable temporary differences associated with investments in subsidiaries as it is probable that the temporary differences will not reverse in the foreseeable future.

(in millions of Korean won)	2020				
	Temporary differences			Deferred tax assets (liabilities)	
	Opening balance	Increase (Decrease)	Closing balance	Opening balance	Closing balance
Derivative financial instruments	₩ 77,899	(22,320)	55,579	18,852	13,450
Deferred fees	(131,217)	(6,740)	(137,957)	(31,755)	(33,386)
Initial direct costs for lease assets	(93,087)	(45,281)	(138,368)	(22,527)	(33,485)
Accounts payables	20,412	(629)	19,783	4,940	4,788
Depreciation	8,903	1,592	10,495	2,154	2,540
Present value discounts	12,160	(554)	11,606	2,943	2,809
Provisions	60,811	25,715	86,526	14,716	20,939
Investments in associates	(282,755)	(66,721)	(349,476)	(68,427)	(84,573)
Plan assets	(73,351)	6,117	(67,234)	(17,751)	(16,271)
Others	1,515	(25,861)	(24,346)	367	(5,892)
	₩ (398,710)	(134,682)	(533,392)	(96,488)	(129,081)

The Group did not recognize a deferred tax liability of ₩4,181 million as of December 31, 2020 for taxable temporary differences associated with investments in subsidiaries as it is probable that the temporary differences will not reverse in the foreseeable future.

(5) 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 ₩5 million as of December 31, 2021 have not been recognized, because it is not probable that the temporary differences would reverse in the foreseeable future.

27. 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, 2021 and 2020 are as follows:

		2021	
		Continuing Operations	Discontiuned Operations
Profit for the year attributable to owners of the Company (in won) (A)	₩	432,054,834,432	545,124,502
Weighted average of number of outstanding common stocks (B)		99,307,435 shares	99,307,435 shares
Basic earnings per share (in won) (A/B)	₩	4,351	5

		2020	
		Continuing Operations	Discontiuned Operations
Profit(loss) for the year attributable to owners of the Company (in won) (A)	₩	360,286,308,819	(11,715,314,281)
Weighted average of number of outstanding common stocks (B)		99,307,435 shares	99,307,435 shares
Basic earnings(loss) per share (in won) (A/B)	₩	3,628	(118)

(2) Diluted earnings per share

There are no potential common stocks as of December 31, 2021 and 2020. Therefore, the diluted earnings per share is equal to basic earnings per share for the years ended December 31, 2021 and 2020.

28. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	2021				
		Changes			
	Opening balance	Reclassification to profit or loss	Other changes	Income tax effects	Closing balance
Net change in unrealized gains and losses on equity securities measured at FVOCI	₩ 32,938	—	(13,738)	3,324	22,524
Net change in unrealized gains and losses on valuation of debt securities measured at FVOCI	71	(75)	(52)	31	(25)
Share in other comprehensive income (loss) of associates and joint ventures under the equity method	(9,775)	—	85,278	(20,636)	54,867
Net change in effective portion of cash flow hedges	(42,129)	(537,306)	643,321	(25,656)	38,230
Net change in foreign currency translation adjustments	(7,372)	—	1,167	—	(6,205)
Remeasurements of defined benefit plans	(14,739)	—	(2,493)	603	(16,629)
	₩ (41,006)	(537,381)	713,483	(42,334)	92,762

(in millions of Korean won)	2020				
		Changes			
	Opening balance	Reclassification to profit or loss	Other changes	Income tax effects	Closing balance
Net change in unrealized gains and losses on equity securities measured at FVOCI	₩ 16,934	—	21,114	(5,110)	32,938
Net change in unrealized gains and losses on valuation of debt securities measured at FVOCI	602	(752)	106	115	71
Share in other comprehensive income (loss) of associates and joint ventures under the equity method	(2,398)	—	(9,732)	2,355	(9,775)
Net change in effective portion of cash flow hedges	(59,047)	263,123	(240,803)	(5,402)	(42,129)
Net change in foreign currency translation adjustments	(4,550)	—	(2,822)	—	(7,372)
Remeasurements of defined benefit plans	(13,994)	—	(982)	237	(14,739)
	₩ (62,453)	262,371	(233,119)	(7,805)	(41,006)

29. Supplemental Cash Flow Information

(1) Cash and cash equivalents

Details of cash and cash equivalents as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Ordinary deposits (*1)	₩	220,960	86,791
Checking deposits		2,235	2,398
Other cash equivalents (*2)		285,975	316,876
	₩	509,170	406,065

(*1) Ordinary deposits include restricted cash at reserve accounts of Autopia ABS trusts due from other banks in the amount of ₩82,180 million and ₩18,404 million as of December 31, 2021 and 2020, respectively, for the Autopia asset securitization program.

(*2) Other cash equivalents include demand deposits, MMDA, MMW, MMT and time deposits 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. Other cash equivalents include restricted cash at reserve accounts of Autopia ABS trusts due from other banks in the amount of ₩10,700 million and ₩11,000 million as of December 31, 2021 and 2020, respectively, for the Autopia asset securitization program.

(2) Cash generated from operations

Cash generated from operations for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

	2021	2020
Profit for the period	₩ 432,600	348,571
Adjustments:		
Gain on sale of securities measured at FVTPL	—	(15)
Loss on sale of securities measured at FVTPL	31	1,435
Loss on valuation of securities measured at FVTPL	474	34
Gain on sale of debt securities measured at FVOCI	(646)	(790)
Impairment loss on securities measured at FVOCI	3	—
Reversal of impairment loss on securities measured at FVOCI	(18)	(207)
Income on loans	42,573	28,470
Income on installment financial assets	99,367	80,234
Income on leases	23,028	36,525
Gain on foreign currency translation	(2,748)	(333,353)
Dividend income	(519)	(1,173)
Gain on valuation of derivatives	(486,692)	(55,495)
Gain on valuation of short-term financial investments	(915)	(2,310)
Net interest expenses	546,192	571,247
Lease expenses	777,236	545,332
Provision for loan losses	139,549	271,042
Loss on foreign currency translation	473,599	54,467
Severance benefits	14,434	14,399
Long-term employee benefits	3,072	973
Depreciation	29,660	33,267
Amortization	34,309	44,522
Loss on valuation of derivatives	1,426	333,679
Impairment loss on investments in associates and joint ventures	13,332	—
Provision for(release of) allowance	(21,435)	24,135
Share in net income of associates and joint ventures under the equity method	(89,844)	(69,689)
Share in net loss of associates and joint ventures under the equity method	5,031	1,976
Gain on sale of property and equipment	(396)	(357)
Loss on sale of property and equipment	640	655
Gain on sale of intangible assets	—	(89)
Loss on sale of intangible assets	68	73
Loss on cancellation of lease	84	313
Gain on sale of non-current assets held for sale	(293)	(3,397)
Income tax expense	143,168	116,712
Adjustments associated with discontinued operations	(3,686)	2,598
	1,740,084	1,695,213

(in millions of Korean won)

		2021	2020
Changes in operating assets and liabilities:			
Decrease in due from banks	₩	10,800	50,426
Decrease (increase) in short-term financial investments		107,348	(33,993)
Decrease (increase) in securities measured at FVTPL		(3,432)	20,553
Decrease (increase) in securities measured at FVOCI		(2,426)	21,756
Decrease (increase) in loans receivable		(1,037,702)	102,421
Decrease (increase) in installment financial assets		614,250	(713,557)
Increase in finance lease receivables		(205,357)	(163,786)
Decrease in cancelled lease receivables		14,683	17,473
Increase in operating lease assets		(1,722,518)	(1,808,023)
Decrease in cancelled lease assets		274,941	392,289
Decrease in non-trade receivables		4,332	20,427
Increase in accrued revenues		(15,084)	(15,746)
Decrease (increase) in advance payments		(1,988)	5,056
Decrease (increase) in prepaid expenses		8,697	(11,811)
Increase (decrease) in non-trade payables		36,528	(40,713)
Increase (decrease) in accrued expenses		1,355	(2,957)
Increase (decrease) in unearned revenue		(2,734)	749
Increase in withholdings		28,929	59,079
Decrease in deposits received		(12,445)	(29,673)
Severance payments		(4,267)	(58)
Increase in plan assets		(21,600)	(10,500)
Transfer of severance benefits from(to) related parties, net		(9)	27
Decrease in long-term employee benefits		(591)	(392)
Changes in assets and liabilities associated with discontinued operations		(7)	—
		(1,928,297)	(2,140,953)
	₩	244,387	(97,169)

(3) Interest received

Cash flows from interest received on interest-bearing assets such as loans receivables, installment financial assets and lease receivables are ₩1,631,642 million and ₩1,642,141 million for the years ended December 31, 2021 and 2020, respectively.

(4) Non-cash transactions

Significant transactions not involving cash flows for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		2021	2020
Charge-offs of financial receivables and other assets	₩	301,072	210,627
Reclassification from Construction in Progress		30,041	27,726

(5) Changes in liabilities arising from financing activities

Changes in liabilities and assets that hedge liabilities arising from financing activities for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	2021					
			Non-cash changes			
	Opening balance	Net cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	Closing balance
Borrowings	₩ 3,525,243	(248,431)	11,309	—	391	3,288,512
Bonds issued	23,814,413	935,995	461,151	—	19,009	25,230,568
Net derivate liabilities (assets) held to hedge borrowed funds	264,670	(68,868)	(485,412)	(106,312)	—	(395,922)
Lease liabilities	35,183	(16,076)	—	—	(5,868)	13,239
	₩ 27,639,509	602,620	(12,952)	(106,312)	13,532	28,136,397

(in millions of Korean won)	2020					
			Non-cash changes			
	Opening balance	Net cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	Closing balance
Borrowings	₩ 2,835,017	699,546	(9,679)	—	359	3,525,243
Bonds issued	23,549,212	521,341	(270,850)	—	14,710	23,814,413
Net derivate liabilities (assets) held to hedge borrowed funds	(13,407)	23,069	277,260	(22,252)	—	264,670
Lease liabilities	38,472	(15,207)	—	—	11,918	35,183
	₩ 26,409,294	1,228,749	(3,269)	(22,252)	26,987	27,639,509

30. Commitments and Contingencies

(1) Credit Facility Agreement

As of December 31, 2021, the Group has line-of-credit commitments from Shinhan Bank and other banks with up to ₩48,500 million in the aggregate. The Group also has revolving credit facility agreements up to USD 200 million, JPY 70,000 million, EUR 250 million and ₩2,544,500 million with Kookmin Bank and other financial institutions.

The Group is exposed to interest rates benchmarks (USD 3M LIBOR, JPY 1M LIBOR, KRW CD interest rates) subject to interest rate benchmarks reform. Among the Group's contract, the limit related to USD 3M LIBOR, JPY 1M LIBOR and KRW CD interest rates are USD 200 million, JPY 70,000 million and ₩1,904,500 million, respectively. The USD LIBOR interest rate will be replaced by the Secured Overnight Financing Rate (SOFR) based on actual transactions from July 2023, while the JPY LIBOR will be replaced by the TOKYO Overnight Average Rate (TONA) from January 2022. The Group has added replacement clauses to the existing contracts for USD LIBOR and JPY LIBOR, which have been discontinued. In the case of CD interest rates, there is no separate schedule to stop the calculation, and unlike USD LIBOR, conversion is not compulsory, so no substitution clause was added. The Group is closely monitoring market and industry discussions regarding applicable alternative base interest rates on exposed interest rate benchmarks. This uncertainty is no longer expected when the exposed interest rate benchmark is replaced by an applicable interest rate.

The Group offers line-of-credit commitments to a number of customers and the unused amount of line-of-credit is ₩142,300 million as of December 31, 2021.

(2) Guarantees

Details of guarantees provided to the Group as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won) Guarantor	Details		December 31, 2021	December 31, 2020
Seoul Guarantee Insurance Co., Ltd.	Guarantee for debt collection deposit and others	₩	42,907	50,731

The Group has residual value guarantee insurance policies with DB INSURANCE CO., LTD, and another insurance carrier 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, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Loans and leases insured	₩	554,030	707,199
Residual value guaranteed by the insurance policies		147,348	186,027

(3) Pending litigations

Pending litigations include 44 cases with aggregated claim amounts of ₩26,453 million where the Group is the defendant, 24 cases with aggregated claim amount of ₩3,913 million where the Group is the plaintiff, and litigations against a number of debtors to collect receivables as of December 31, 2021. The Group appropriates ₩ 21 million for provision to cover a lost case in first trial. The Group concluded that rest of the cases will not have significant influence on the financial statements.

(4) Receivables transfer agreement

The Group entered into an agreement with Hyundai Commercial Co., Ltd., and Fubon Hyundai Life Insurance Co., Ltd. to purchase certain delinquent receivables on a regular basis at amount agreed with the transferors.

(5) Borrowed funds agreement

As of December 31, 2021, the Group has agreements including triggering clauses regarding borrowed funds and related credit commitments, ₩1,320,000 million for creditors' credit enhancement. When the Group's credibility declines below certain level, the Group is required for advanced redemption or agreements with creditors can be invalid or cancelled.

(6) Purchase option

The Group can exercise the purchase option regarding the headquarters building which the Group is leasing when the lessor intends to sell the building or at the date when it is 4 years and 5 months from the lease inception date. In case a party with pre-emption decide not to exercise purchase option for the building, then the Group can exercise its purchase option.

(7) Agreement related to asset-backed securities

The Group needs to maintain a certain ratio of securitized asset to securities and provides additional assets for any shortfalls. The asset back securitization contract includes triggering clauses requiring early redemptions. It provides credit enhancement to the asset back securities and therefore limits the investor's risk in case of changes in the asset quality. When triggering events occur, the Group has to redeem the securities for its ABS SPC. As of December 31, 2021, if Autopia 68th and 69th ABS SPCs default on the settlement of derivatives contracts in relation to asset backed securities, the Company has an obligation to compensate counterparties for any losses.

31. Related Party Transactions

(1) Relationships between parents and subsidiaries

The parent company is Hyundai Motor Company. Related parties include associates, joint ventures, 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

Related parties that have transactions, and receivables and payables with the Group as of December 31, 2021 are as follows:

Type	Company
The Parent	Hyundai Motor Company
Associates and Joint ventures	Korea Credit Bureau, Hyundai Capital Bank Europe GmbH, Hyundai Capital Canada Inc., BANCO HYUNDAI CAPITAL BRASIL S.A., BAIC Hyundai Leasing Co., Ltd.
Others	Kia Corp., Hyundai Card Co., Ltd., Hyundai Commercial Inc., Hyundai Autoever Corp., Hyundai Glovis Co., Ltd., Hyundai Construction & Engineering Co., Ltd., Hyundai Steel Company, Hyundai Engineering Co., Ltd., Hyundai Mobis Co., Ltd., Hyundai Capital America and 61 others

(3) Transactions with related parties

Significant transactions occurred with related companies for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	2021							
	Operating revenue	Operating expenses (*1)	Non-operating income	Disposal of leased assets	Purchase of leased assets	Purchase of loans and receivables	Disposal of Others assets	Purchase of Others assets
The Parent								
Hyundai Motor Company	₩ 126,783	1,062	—	—	1,414,841	—	—	—
Associates and Joint ventures								
Korea Credit Bureau	—	3,167	—	—	—	—	—	5
Hyundai Capital Canada Inc.	12	—	—	—	—	—	—	—
Hyundai Capital Bank Europe GmbH	1,211	837	—	—	—	—	—	—
BANCO HYUNDAI CAPITAL BRASIL S.A.	4	—	—	—	—	—	—	—
BAIC Hyundai Leasing Co., Ltd.	307	—	—	—	—	—	—	—
	1,534	4,004	—	—	—	—	—	5
Other related parties								
Kia Corp.	101,516	431	—	—	759,361	—	—	—
Hyundai Card Co., Ltd.	76,352	27,826	1,469	—	—	—	1,451	7
Hyundai Commercial Inc.	2,278	2,495	79	—	—	29,178	5	—
Hyundai Glovis Co., Ltd.	335	2,417	—	60,993	—	—	—	—
Hyundai Autoever Corp.	258	28,292	—	—	—	—	—	26,082
Hyundai Capital America	33,483	40	—	—	—	—	—	—
Hyundai Engineering Co., Ltd.	1,185	7,158	—	—	—	—	—	—
Hyundai Construction & Engineering Co., Ltd.	1,776	(1)	—	—	—	—	4,020	—
Hyundai Mobis Co., Ltd.	1,455	(3)	—	—	—	—	—	—
Hyundai Steel Company	2,726	5	—	—	—	—	—	—
Others	9,486	1,343	—	—	—	—	—	—
	230,850	70,003	1,548	60,993	759,361	29,178	5,476	26,089
	₩ 359,167	75,069	1,548	60,993	2,174,202	29,178	5,476	26,094

(*1) Including provision for (release of) loan losses.

(in millions of Korean won)	2020						
	Operating revenue	Operating expenses (*1)	Non-operating income	Disposal of leased assets	Purchase of leased assets	Purchase of loans and receivables	Others
The Parent							
Hyundai Motor Company	₩ 129,159	556	—	—	1,573,451	—	—
Associates and Joint ventures							
Korea Credit Bureau	—	2,954	—	—	—	—	—
Hyundai Capital Canada Inc.	17	—	—	—	—	—	—
Hyundai Capital Bank Europe GmbH	1,301	844	—	—	—	—	—
BANCO HYUNDAI CAPITAL BRASIL S.A.	5	—	—	—	—	—	—
BAIC Hyundai Leasing Co., Ltd.	364	—	—	—	—	—	—
	1,687	3,798	—	—	—	—	—
Other related parties							
Kia Corp.	99,429	416	—	—	668,494	—	—
Hyundai Card Co., Ltd.	75,258	27,007	1,832	—	—	48,157	—
Hyundai Commercial Inc.	2,056	2,217	133	—	—	51,505	—
Hyundai Glovis Co., Ltd.	382	1,509	—	96,201	—	—	—
Hyundai Autoever Corp.	249	28,362	—	—	—	—	21,856
Hyundai Capital America	34,256	(14)	—	—	—	—	—
Hyundai Engineering Co., Ltd.	1,078	8,126	26	—	—	—	—
Hyundai Construction & Engineering Co., Ltd.	1,853	(3)	—	—	—	—	—
Hyundai Mobis Co., Ltd.	1,339	—	—	—	—	—	—
Hyundai Steel Company	2,876	(5)	—	—	—	—	—
Others	7,691	1,118	—	—	—	—	192
	226,467	68,733	1,991	96,201	668,494	99,662	22,048
	₩ 357,313	73,087	1,991	96,201	2,241,945	99,662	22,048

(*1) Including provision for (release of) loan losses.

Receivables and payables with related parties as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021				
	Installment financial assets and others	Allowance	Other assets	Allowance	Other liabilities(*1)
The Parent					
Hyundai Motor Company	₩ 227,406	—	636	(5)	2,312
Associates					
Hyundai Capital Bank Europe GmbH	29,531	(75)	1,184	—	—
Other related parties					
Hyundai Card Co., Ltd.	276	—	5,360	(47)	63,315
Hyundai Construction & Engineering Co., Ltd.	2,298	(1)	—	—	—
Hyundai Glovis Co., Ltd.	690	—	3,455	(17)	—
Kia Corp.	130,882	—	—	—	36,652
Hyundai Capital America	—	—	34,040	(340)	—
Hyundai Steel Company	7,317	(9)	266	—	—
Hyundai Commercial Inc.	20	—	6	—	8,441
Hyundai Autoever Corp.	260	—	42	—	26
Hyundai Mobis Co., Ltd.	2,390	(2)	57	—	—
Hyundai Engineering Co., Ltd.	1,869	(1)	—	—	—
Others	2,721	(13)	578	—	1
	148,723	(26)	43,804	(404)	108,435
	₩ 405,660	(101)	45,624	(409)	110,747

(*1) The lease payments that the Group made related to the lease liabilities included in other liabilities were ₩830 million for the year ended December 31, 2021.

(in millions of Korean won)	December 31, 2020				
	Installment financial assets and others	Allowance	Other assets	Allowance	Other liabilities(*1)
The Parent					
Hyundai Motor Company	₩ 253,970	—	355	—	2,044
Associates					
Hyundai Capital Canada Inc.	—	—	4	—	—
Hyundai Capital Bank Europe GmbH	29,441	(75)	1,194	—	—
	29,441	(75)	1,198	—	—
Other related parties					
Hyundai Card Co., Ltd.	391	(9)	3,627	(31)	38,053
Hyundai Construction & Engineering Co., Ltd.	3,775	(2)	—	—	9
Hyundai Glovis Co., Ltd.	683	(15)	4,674	(23)	6
Kia Corp.	179,093	—	34	—	40,736
Hyundai Capital America	—	—	30,015	(300)	—
Hyundai Steel Company	6,586	(4)	241	—	—
Hyundai Commercial Inc.	122	(3)	3	—	16,070
Hyundai Autoever Corp.	345	—	3	—	26
Hyundai Mobis Co., Ltd.	3,104	(5)	25	—	—
Hyundai Engineering Co., Ltd.	2,485	(1)	—	—	—
Others	3,700	(10)	20,323	—	1
	200,284	(49)	58,945	(354)	94,901
	₩ 483,695	(124)	60,498	(354)	96,945

(*1) The lease payments that the Group made related to the lease liabilities included in other liabilities were ₩641 million for the year ended December 31, 2020.

Transactions of lending with related parties for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		2021				
Transactions of lending:		Opening balance	Increase	Decrease	Other changes(*1)	Closing balance
Associates						
Hyundai Capital Bank Europe GmbH	₩	29,441	—	—	90	29,531
Transactions of borrowing:						
Other related parties						
Hyundai Commercial Inc.	₩	16,000	—	(7,600)	—	8,400

(*1) Including effects of changes in exchange rate and others.

(in millions of Korean won)		2020				
Transactions of lending:		Opening balance	Increase	Decrease	Other changes(*1)	Closing balance
Associates						
Hyundai Capital Bank Europe GmbH	₩	28,543	—	—	898	29,441
Transactions of borrowing:						
Other related parties						
Hyundai Commercial Inc.	₩	—	16,000	—	—	16,000

(*1) Including effects of changes in exchange rate and others.

Contribution in cash and redemption with related parties for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		2021	
Contribution in cash and redemption:		Contribution in cash	Redemption
Associates			
Hyundai Capital Canada Inc.	₩	27,630	—

(in millions of Korean won)		2020	
Contribution in cash and redemption:		Contribution in cash	Redemption
Associates and joint ventures			
Hyundai Capital Bank Europe GmbH	₩	330,158	—
BAIC Hyundai Leasing Co. Ltd		8,810	—

Hyundai Motor Securities acquired ₩30,000 million and ₩30,000 million of corporate bonds issued by the Group for the years ended December 31, 2021 and 2020, respectively.

(4) Key management remuneration

Compensation to key management for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		2021	2020
Short-term employee benefits	₩	15,329	16,744
Severance benefits		3,762	4,983
Other long-term employee benefits		17	14

The key management above consists of directors (including outside directors), who have significant authority and responsibilities for planning, operating and controlling the Group.

32. Transfer of Financial Assets

The Group issued senior and subordinated asset-backed securities collateralized by installment financial assets 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, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Carrying amount of assets:			
Installment financial assets	₩	6,920,775	5,283,164
Carrying amount of associated liabilities (*1)	₩	(4,650,293)	(3,813,145)
For those liabilities that have recourse only to the transferred financial assets:			
Fair value of assets	₩	7,092,273	5,552,501
Fair value of associated liabilities (*1)		(4,613,910)	(3,851,705)
Net position	₩	2,478,363	1,700,796

(*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.

33. 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, 2021 and 2020:

(in millions of Korean won)	December 31, 2021					
	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	₩ 417,396	—	417,396	16,696	—	400,700
Financial liabilities:						
Derivative liabilities	22,810	—	22,810	16,696	—	6,114

(in millions of Korean won)	December 31, 2020					
	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	₩ 93,533	—	93,533	68,069	—	25,464
Financial liabilities:						
Derivative liabilities	359,095	—	359,095	68,069	—	291,026

34. Fair Value Measurements of Financial Instruments

(1) Fair value of financial instruments

The fair values of financial instruments, together with carrying amounts in the statements of financial position, as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and due from other financial institutions	₩ 1,673,884	1,673,884	1,688,012	1,688,012
Securities measured at FVTPL	14,517	14,517	11,590	11,590
Securities measured at FVOCI	53,542	53,542	64,320	64,320
Loans receivable	10,117,990	10,178,722	9,212,374	9,464,850
Installment financial assets	13,752,115	13,728,477	14,523,446	14,708,757
Lease receivables	2,108,314	2,163,871	2,407,146	2,504,602
Derivative assets	417,396	417,396	93,533	93,533
Non-trade receivables	95,750	95,750	98,188	98,188
Accrued revenues	156,041	156,041	139,668	139,668
Leasehold deposits	22,952	22,138	20,045	19,505
	₩ 28,412,501	28,504,338	28,258,322	28,793,025
Financial liabilities:				
Borrowings	₩ 3,288,512	3,294,195	3,525,243	3,556,044
Bonds issued	25,230,568	25,297,046	23,814,413	24,164,086
Derivative liabilities	22,810	22,810	359,095	359,095
Non-trade payables (*1)	292,928	292,928	244,563	244,563
Accrued expenses	108,056	108,056	113,153	113,153
Withholdings (*1)	80,170	80,170	260,395	260,395
Deposits received	233,439	221,582	245,885	238,798
Other	12	12	—	—
	₩ 29,256,495	29,316,799	28,562,747	28,936,134

(*1) Excluding liabilities for taxes and dues.

The following methods and assumptions were used for estimation of 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 and securities measured at fair value through profit or loss

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. The fair value of the debt securities is determined by an independent valuation service provider, using the valuation technique based on the net asset value approach (NAV model) and the dividend discount model.

Securities measured at fair value through other comprehensive income

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 includes the discounted cash flow (DCF) model, the imputed market value (IMV) model, the free cash flow to equity (FCFE) model, the dividend discount model, the risk adjusted discount rate method, the market-based valuation 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 (Financial receivables measured at amortized costs)

The fair value is determined by using the discounted cash flow model that incorporates 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 closing foreign exchange price.

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. However, if it is difficult to reliably calculate the cash flow, the carrying amount is regarded as fair value.

(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 statements of financial position as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	**December 31, 2021**				
	Carrying amount	**Fair value**	**Fair value hierarchy**		
			Level 1	**Level 2**	**Level 3**
Financial assets measured at fair value:					
Cash and cash equivalents					
Short-term financial investments	₩ 1,148,783	1,148,783	—	1,148,783	—
Securities measured at FVTPL	14,517	14,517	—	—	14,517
Securities measured at FVOCI	53,542	53,542	32,453	1,230	19,859
Derivative assets					
Designated as hedging instruments for cash flow hedges	417,396	417,396	—	417,396	—
	₩ 1,634,238	1,634,238	32,453	1,567,409	34,376
Financial liabilities measured at fair value:					
Derivative liabilities					
Designated as hedging instruments for cash flow hedges	₩ 22,810	22,810	—	22,810	—

(in millions of Korean won)	**December 31, 2020**				
	Carrying amount	**Fair value**	**Fair value hierarchy**		
			Level 1	**Level 2**	**Level 3**
Financial assets measured at fair value:					
Cash and cash equivalents					
Short-term financial investments	₩ 1,255,216	1,255,216	—	1,255,216	—
Securities measured at FVTPL	11,590	11,590	—	—	11,590
Securities measured at FVOCI	64,320	64,320	43,437	2,676	18,207
Derivative assets					
Designated as hedging instruments for cash flow hedges	93,533	93,533	—	93,533	—
	₩ 1,424,659	1,424,659	43,437	1,351,425	29,797
Financial liabilities measured at fair value:					
Derivative liabilities					
Designated as hedging instruments for cash flow hedges	₩ 359,095	359,095	—	359,095	—

The valuation techniques and inputs for measuring the fair value of financial assets and liabilities measured at fair value in the statement of financial position and classified as Level 2 as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	Fair value			
	December 31, 2021	December 31, 2020	Valuation technique	Inputs
Financial assets measured at fair value:				
Cash and cash equivalents				
Short-term financial investments	₩ 1,148,783	1,255,216	DCF model	Discount rate, forward rate and others
Securities measured at FVOCI	1,230	2,676	DCF model	Discount rate
Derivative assets				
Designated as hedging instruments				
for cash flow hedges	417,396	93,533	DCF model	Discount rate, forward rate, foreign exchange rate and others
	₩ 1,567,409	1,351,425		
Financial liabilities measured at fair value:				
Derivative liabilities				
Designated as hedging instruments				
for cash flow hedges	₩ 22,810	359,095	DCF model	Discount rate, forward rate, foreign exchange rate and others

The following tables present a reconciliation of changes in the fair value of Level 3 instruments for the years ended December 31, 2021 and 2020:

(in millions of Korean won)	2021		2020	
	Securities measured at FVTPL	Securities measured at FVOCI	Securities measured at FVTPL	Securities measured at FVOCI
Opening balance	₩ 11,590	18,207	33,597	9,704
Acquisition	4,215	4,500	3,000	1,500
Gains (losses) recognized as profit (loss)	(474)	—	(1,468)	—
Gains (losses) recognized as other comprehensive income (loss)	—	(2,848)	—	7,003
Redemption of principal	(814)	—	(23,539)	—
Closing balance	₩ 14,517	19,859	11,590	18,207

The valuation techniques and quantitative information of significant unobserved inputs for financial assets and liabilities measured at fair value in the statement of financial position and classified as Level 3 as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021				
	Fair value	Valuation technique	Unobservable inputs	Estimated range of unobservable inputs	Impacts on fair value
Financial assets measured at fair value:					
Securities measured at FVTPL					
Debt securities	₩ 4,917	Net asset value model	Discount rate	2.83% ~ 11.43%	Fair value is likely to increase while discount rate of loan receivables decreases
	9,600	Carrying amount	—	—	—
Securities measured at FVOCI					
Equity securities	13,954	Asset-based value model	Growth rate	1.00% ~ 22.94%	Fair value is likely to increase while growth rate increases
			Discount rate	11.37% ~ 16.73%	Fair value is likely to increase while discount rate of loan receivables decreases
Debt securities	5,905	DCF model	Discount rate	4.32% ~ 4.70%	Fair value is likely to increase while discount rate of loan receivables decreases
	₩ 34,376				

(in millions of Korean won)	December 31, 2020				
	Fair value	Valuation technique	Unobservable inputs	Estimated range of unobservable inputs	Impacts on fair value
Financial assets measured at fair value:					
Securities measured at FVTPL					
Debt securities	₩ 5,216	Net asset value model	Discount rate	4.78%	Fair value is likely to increase while discount rate of loan receivables decreases
	374	Dividend discount model	Discount rate	5.04%	Fair value is likely to increase while discount rate of loan receivables decreases
	6,000	Carrying amount	—	—	—
Securities measured at FVOCI					
Equity securities	16,707	Market-based valuation method	PBR	1.11	Fair value is likely to increase while PBR increase
Debt securities	1,500	DCF model	Discount rate	4.26%	Fair value is likely to increase while discount rate of loan receivables decreases
	₩ 29,797				

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, 2021 and 2020 are as follows:

(in millions of Korean won)	Net income (loss)		Other comprehensive income (loss)	
	December 31, 2021		December 31, 2021	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Securities measured at FVTPL (*1)	₩ 159	(115)	—	—
Securities measured at FVOCI (*2)	—	—	260	(383)

(*1) For securities measured at FVTPL, debt securities, the changes in fair value are calculated by increasing or decreasing discount rate (-1% ~ 1%).

(*2) For equity securities measured at FVOCI using the valuation technique based on the net asset value approach (NAV model) and DCF model, the changes in fair value are calculated by increasing or decreasing growth rate and discount rate (-1% ~ 1%) of contracts and expected cash flows.

(in millions of Korean won)	Net income (loss)		Other comprehensive income (loss)	
	December 31, 2020		December 31, 2020	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Securities measured at FVTPL (*1)	₩ 119	(115)	—	—
Securities measured at FVOCI (*2)	—	—	15,110	(15,107)

(*1) For securities measured at FVTPL, debt securities, the changes in fair value are calculated by increasing or decreasing discount rate (-1% ~ 1%).

(*2) For equity securities measured at FVOCI using the valuation technique based on the market-based valuation method and DCF model, the changes in fair value are calculated by increasing or decreasing market multiples (-1 ~ 1 multiple) and 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, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021				
	Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial assets measured at amortized cost:					
Cash and cash equivalents	₩ 509,170	509,170	—	509,170	—
Due from banks	15,931	15,931	—	15,931	—
Loan receivables	10,117,990	10,178,722	—	—	10,178,722
Installment financial assets	13,752,115	13,728,477	—	—	13,728,477
Lease receivables	2,108,314	2,163,871	—	—	2,163,871
Non-trade receivables	95,750	95,750	—	—	95,750
Accrued revenues	156,041	156,041	—	—	156,041
Leasehold deposits	22,952	22,138	—	22,138	—
	₩ 26,778,263	26,870,100	—	547,239	26,322,861
Financial liabilities measured at amortized cost:					
Borrowings	₩ 3,288,512	3,294,195	—	3,294,195	—
Bonds issued	25,230,568	25,297,046	—	25,297,046	—
Non-trade payables (*1)	292,928	292,928	—	—	292,928
Accrued expenses	108,056	108,056	—	—	108,056
Withholdings (*1)	80,170	80,170	—	—	80,170
Deposits received	233,439	221,582	—	221,582	—
Other	12	12	—	—	12
	₩ 29,233,685	29,293,989	—	28,812,823	481,166

(*1) Excluding liabilities for taxes and dues.

(in millions of Korean won)	December 31, 2020				
	Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial assets measured at amortized cost:					
Cash and cash equivalents	₩ 406,065	406,065	—	406,065	—
Due from banks	26,731	26,731	—	26,731	—
Loan receivables	9,212,374	9,464,850	—	—	9,464,850
Installment financial assets	14,523,446	14,708,757	—	—	14,708,757
Lease receivables	2,407,146	2,504,602	—	—	2,504,602
Non-trade receivables	98,188	98,188	—	—	98,188
Accrued revenues	139,668	139,668	—	—	139,668
Leasehold deposits	20,045	19,505	—	19,505	—
	₩ 26,833,663	27,368,366	—	452,301	26,916,065
Financial liabilities measured at amortized cost:					
Borrowings	₩ 3,525,243	3,556,044	—	3,556,044	—
Bonds issued	23,814,413	24,164,086	—	24,164,086	—
Non-trade payables (*1)	244,563	244,563	—	—	244,563
Accrued expenses	113,153	113,153	—	—	113,153
Withholdings (*1)	260,395	260,395	—	—	260,395
Deposits received	245,885	238,798	—	238,798	—
	₩ 28,203,652	28,577,039	—	27,958,928	618,111

(*1) Excluding liabilities for taxes and dues.

The valuation techniques and inputs related to cash and cash equivalents, due from banks, non-trade receivables, accrued revenues, non-trade payables, accrued expenses and withholdings 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 measured at amortized cost in the statement of financial position and classified as Level 2 as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	Fair value			
	December 31, 2021	December 31, 2020	Valuation technique	Inputs
Financial assets measured at amortized cost:				
Leasehold deposits	₩ 22,138	19,505	DCF model	Market benchmark interest rate
Financial liabilities measured at amortized cost:				
Borrowings	₩ 3,294,195	3,556,044	DCF model	Financing interest rate, other spreads
Bonds issued	25,297,046	24,164,086	DCF model	Discount rate
Deposits received	221,582	238,798	DCF model	Market benchmark interest rate
	₩ 28,812,823	27,958,928		

The valuation techniques and inputs for the fair value measurements of financial assets and liabilities measured at amortized cost in the statement of financial position and classified as Level 3 as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	Fair value			
	December 31, 2021	December 31, 2020	Valuation technique	Inputs
Financial assets measured at amortized cost:				
Loans and receivables	₩ 10,178,722	9,464,850	DCF model	Financing interest rate, credit spread and other spreads
Installment financial assets	13,728,477	14,708,757	DCF model	Financing interest rate, credit spread and other spreads
Lease receivables	2,163,871	2,504,602	DCF model	Financing interest rate, credit spread and other spreads
	₩ 26,071,070	26,678,209		

35. 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, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021					
		Financial assets measured at fair value through other comprehensive income				
	Financial assets measured at fair value through profit or loss	Debt securities	Equity securities	Financial assets measured at amortised costs	Designated as hedging instru-ments for cash flow hedges	Total
Financial assets:						
Cash and due from other financial institutions	₩ 1,148,783	—	—	525,101	—	1,673,884
Securities measured at FVTPL	14,517	—	—	—	—	14,517
Securities measured at FVOCI	—	7,135	46,407	—	—	53,542
Loans receivable	—	—	—	10,117,990	—	10,117,990
Installment financial assets	—	—	—	13,752,115	—	13,752,115
Lease receivables	—	—	—	2,108,314	—	2,108,314
Derivative assets	—	—	—	—	417,396	417,396
Non-trade receivables	—	—	—	95,750	—	95,750
Accrued revenues	—	—	—	156,041	—	156,041
Leasehold deposits	—	—	—	22,952	—	22,952
	₩ 1,163,300	7,135	46,407	26,778,263	417,396	28,412,501

(in millions of Korean won)	December 31, 2021			
	Financial liabilities measured 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	₩ —	3,288,512	—	3,288,512
Bonds issued	—	25,230,568	—	25,230,568
Derivative liabilities	—	—	22,810	22,810
Lease liabilities	—	13,239	—	13,239
Non-trade payables (*1)	—	292,928	—	292,928
Accrued expense	—	108,056	—	108,056
Withholdings (*1)	—	80,170	—	80,170
Deposits received	—	233,439	—	233,439
Others	—	12	—	12
	₩ —	29,246,924	22,810	29,269,734

(*1) Excluding liabilities for taxes and dues.

(in millions of Korean won)	December 31, 2020					
		Financial assets measured at fair value through other comprehensive income				
	Financial assets measured at fair value through profit or loss	Debt securities	Equity securities	Financial assets measured at amortised costs	Designated as hedging instru-ments for cash flow hedges	Total
Financial assets:						
Cash and due from other financial institutions	₩ 1,255,216	—	—	432,796	—	1,688,012
Securities measured at FVTPL	11,590	—	—	—	—	11,590
Securities measured at FVOCI	—	4,175	60,145	—	—	64,320
Loans receivable	—	—	—	9,212,374	—	9,212,374
Installment financial assets	—	—	—	14,523,446	—	14,523,446
Lease receivables	—	—	—	2,407,146	—	2,407,146
Derivative assets	—	—	—	—	93,533	93,533
Non-trade receivables	—	—	—	98,188	—	98,188
Accrued revenues	—	—	—	139,668	—	139,668
Leasehold deposits	—	—	—	20,045	—	20,045
	₩ 1,266,806	4,175	60,145	26,833,663	93,533	28,258,322

(in millions of Korean won)	December 31, 2020			
	Financial liabilities measured 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	₩ —	3,525,243	—	3,525,243
Bonds issued	—	23,814,413	—	23,814,413
Derivative liabilities	—	—	359,095	359,095
Lease liabilities	—	35,183	—	35,183
Non-trade payables (*1)	—	244,563	—	244,563
Accrued expense	—	113,153	—	113,153
Withholdings (*1)	—	260,395	—	260,395
Deposits received	—	245,885	—	245,885
	₩ —	28,238,835	359,095	28,597,930

(*1) Excluding liabilities for taxes and dues.

(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, 2021 and 2020 are as follows:

(in millions of Korean won)	2021											
	Interest income	Interest expense	Income on loans	Income on inst-allment financial assets	Income on leases	Lease expense	Impair-ment loss(gain)	Gain on valuation	Gain (loss) on disposal	Dividend Income	Gain (loss) on foreign currency translation	Gain (loss) on foreign currency trades
Financial assets:												
Financial assets measured at fair value through profit or loss	₩ 659	—	—	—	—	—	—	441	(31)	—	—	—
Debt securities measured at fair value through other comprehensive income	203	—	—	—	—	—	(15)	—	646	—	—	—
Equity securities measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	508	—	—
Financial assets measured at amortised costs	11,349	—	792,566	609,881	1,359,738	1,066,863	139,549	—	7,901	—	1,609	1,085
Designated as hedging instruments for cash flow hedges	—	—	—	—	—	—	—	429,600	—	—	—	—
Financial liabilities:												
Financial liabilities measured at fair value through profit or loss	—	—	—	—	—	—	—	—	—	—	—	—
Financial liabilities measured at amortised costs	—	557,743	—	—	—	—	—	—	—	—	(472,460)	(52,671)
Designated as hedging instruments for cash flow hedges	—	—	—	—	—	—	—	55,666	52,040	—	—	—
	₩ 12,211	557,743	792,566	609,881	1,359,738	1,066,863	139,534	485,707	60,556	508	(470,851)	(51,586)

(in millions of Korean won)	2020											
	Interest income	Interest expense	Income on loans	Income on inst-allment financial assets	Income on leases	Lease expense	Impair-ment loss(gain)	Gain (loss) on valuation	Gain (loss) on disposal	Dividend Income	Gain (loss) on foreign currency translation	Gain (loss) on foreign currency trades
Financial assets:												
Financial assets measured at fair value through profit or loss	₩ 1,188	—	—	—	—	—	—	2,276	(1,420)	—	—	—
Debt securities measured at fair value through other comprehensive income	882	—	—	—	—	—	(207)	—	790	—	—	—
Equity securities measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	427	—	—
Financial assets measured at amortised costs	16,231	—	807,246	624,895	1,137,557	843,526	271,042	—	92,152	—	(1,642)	1,532
Designated as hedging instruments for cash flow hedges	—	—	—	—	—	—	—	(175)	—	—	—	—
Financial liabilities:												
Financial liabilities measured at fair value through profit or loss	—	—	—	—	—	—	—	—	—	—	—	—
Financial liabilities measured at amortised costs	—	588,362	—	—	—	—	—	—	—	—	280,527	(15,065)
Designated as hedging instruments for cash flow hedges	—	—	—	—	—	—	—	(278,009)	15,061	—	—	—
	₩ 18,301	588,362	807,246	624,895	1,137,557	843,526	270,835	(275,908)	106,583	427	278,885	(13,533)

36. Financial Risk Management

(1) Credit Risk

(a) Management of credit risk

The Group is exposed to credit risk, liquidity risk and market risk (foreign exchange risk and interest rate risk). The risk management policies of the Group are decided by the risk management committee. The risk management committee, composed of three directors, is the highest decision-making body which generalizes possible risks occurred from the business. The committee also establishes basic policies and strategies, decides risk level the Group can bear, approve limit of acceptable loss and proper investment and resolve an enactment or revision of risk management regulation. In order to perform risk management efficiently, the committee has risk management operating committee. The operating committee aims to accomplish sound business practices and stabilization of revenues through comprehensive risk management. The operating committee reviews results by product portfolios, decides whether major risk indicators can be permitted and which measures will be taken, performs stress test and examine risk-based capital and contingencies and related actions.

(b) Exposures to credit risk

The Group's exposures to credit risk as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Cash and due from other financial institutions	₩	1,673,884	1,688,012
Debt securities measured at FVTPL		14,517	11,590
Debt securities measured at FVOCI		7,135	4,175
Loans receivable		10,117,990	9,212,374
Installment financial assets		13,752,115	14,523,446
Lease receivables		2,108,314	2,407,146
Non-trade receivables		95,750	98,188
Accrued revenue		156,041	139,668
Leasehold deposits		22,952	20,045
Derivative assets		417,396	93,533
Unused loan commitments		142,390	126,069
	₩	28,508,484	28,324,246

(c) Credit quality of Financial Assets

Credit quality according to internal credit rating of financial assets as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021										
	Loans receivable				Installment financial assets			Lease receivables			
	12-month expected credit losses	Lifetime expected credit losses		Purchased or originated credit-impaired financial assets	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		Total
		Not credit-impaired	Credit-impaired			Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired	
Grade 1	₩ 5	2	—	—	—	—	—	81,005	—	—	81,012
Grade 2	151,913	19,254	—	—	7,823,832	1,126,325	4	323,864	21,957	—	9,467,149
Grade 3	3,440,503	847,941	201	—	1,743,360	253,592	10	926,296	128,714	22	7,340,639
Grade 4	1,268,610	550,424	61	—	1,323,141	1,013,100	135	94,821	46,530	—	4,296,822
Grade 5	1,197,573	806,869	137	—	245,807	69,533	22	299,060	134,005	29	2,753,035
Grade 6	185,178	513,521	265,812	12,015	27,128	97,210	20,885	7,836	15,653	6,254	1,151,492
No rating	838,765	12,886	52	6,268	8,040	—	(9)	22,210	—	58	888,270
	₩ 7,082,547	2,750,897	266,263	18,283	11,171,308	2,559,760	21,047	1,755,092	346,859	6,363	25,978,419

(in millions of Korean won)	December 31, 2020										
	Loans receivable				Installment financial assets			Lease receivables			
	12-month expected credit losses	Lifetime expected credit losses		Purchased or originated credit-impaired financial assets	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		Total
		Not credit-impaired	Credit-impaired			Not credit-impaired	Credit-impaired		Not credit-impaired	Credit-impaired	
Grade 1	₩ 29	3	—	—	—	—	—	3,749	—	—	3,781
Grade 2	92,219	2,858	—	—	9,474,452	311,224	23	387,062	13,600	—	10,281,438
Grade 3	3,424,018	236,423	203	—	1,793,781	106,459	4	1,030,737	61,053	—	6,652,678
Grade 4	1,592,917	138,249	76	—	1,847,708	456,027	199	150,573	32,058	—	4,217,807
Grade 5	1,554,439	453,308	159	—	295,157	69,984	27	538,326	112,934	2	3,024,336
Grade 6	324,012	584,208	318,171	23,005	35,210	103,176	22,667	6,071	23,592	5,658	1,445,770
No rating	454,703	8,196	57	5,121	7,357	—	(9)	41,643	—	88	517,156
	₩ 7,442,337	1,423,245	318,666	28,126	13,453,665	1,046,870	22,911	2,158,161	243,237	5,748	26,142,966

The Group classifies financial assets 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 assets do not have credit ratings as sufficient information is not yet available at the reporting date.

(d) Credit quality of other financial assets

Credit quality according to external credit rating of other major financial assets other than financial receivables as of December 31, 2021 and 2020 are as follows:

Cash and due from other financial institutions

(in millions of Korean won)	December 31, 2021			
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
AAA	₩ 656,989	—	—	656,989
AA+	283,851	—	—	283,851
AA	220,137	—	—	220,137
AA-	279,498	—	—	279,498
A+	140,069	—	—	140,069
A	80,005	—	—	80,005
No rating	13,335	—	—	13,335
	₩ 1,673,884	—	—	1,673,884

(in millions of Korean won)	December 31, 2020			
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
AAA	₩ 449,915	—	—	449,915
AA+	232,031	—	—	232,031
AA	400,144	—	—	400,144
AA-	279,976	—	—	279,976
A+	215,755	—	—	215,755
A	100,029	—	—	100,029
No rating	10,162	—	—	10,162
	₩ 1,688,012	—	—	1,688,012

Average rating of three domestic credit rating agencies is applied.

Unused loan commitments

(in millions of Korean won)	December 31, 2021			
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
Grade 1	₩ 240	42	—	282
Grade 2	84,427	—	—	84,427
Grade 3	54,643	1,806	—	56,449
Grade 4	—	—	—	—
Grade 5	997	138	—	1,135
Grade 6	—	—	75	75
No rating	22	—	—	22
	₩ 140,329	1,986	75	142,390

(in millions of Korean won)	December 31, 2020			
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
Grade 1	₩ 800	170	—	970
Grade 2	75,026	—	—	75,026
Grade 3	45,929	1,986	—	47,915
Grade 4	—	—	—	—
Grade 5	1,663	234	—	1,897
Grade 6	—	51	145	196
No rating	65	—	—	65
	₩ 123,483	2,441	145	126,069

(e) Collateral held and other credit enhancements

The assets pledged as collateral for financial receivables as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021				
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total
Total financial receivables	₩ 20,008,947	5,657,516	293,673	18,283	25,978,419
Assets pledged as collateral :					
Automobiles	2,306,111	904,863	56,074	—	3,267,048
Real estates	6,881	4,984	2,952	—	14,817
	₩ 2,312,992	909,847	59,026	—	3,281,865

(in millions of Korean won)	December 31, 2020				
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total
Total financial receivables	₩ 23,054,163	2,713,352	347,325	28,126	26,142,966
Assets pledged as collateral :					
Automobiles	3,007,976	509,240	66,306	—	3,583,522
Real estates	10,331	6,445	3,695	—	20,471
	₩ 3,018,307	515,685	70,001	—	3,603,993

(f) Concentrations of credit risk

An analysis of concentrations of credit risk from financial receivables by debtors as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021			
	Gross carrying amount	Ratio	Allowance for loan losses	Carrying amount
Individual	₩ 22,850,026	85.99%	(525,070)	22,324,956
Corporate:				
Financial services	202,637	0.76%	(733)	201,904
Manufacturing	362,848	1.37%	(67)	362,781
Business services	852,987	3.21%	(12,751)	840,236
Public	641,374	2.41%	(19,261)	622,113
Others	1,664,491	6.26%	(38,062)	1,626,429
	3,724,337	14.01%	(70,874)	3,653,463
	₩ 26,574,363	100.00%	(595,944)	25,978,419

(in millions of Korean won)	December 31, 2020			
	Gross carrying amount	Ratio	Allowance for loan losses	Carrying amount
Individual	₩ 23,141,407	86.21%	(624,174)	22,517,233
Corporate:				
Financial services	206,206	0.77%	(2,089)	204,117
Manufacturing	438,582	1.63%	(66)	438,516
Business services	753,824	2.81%	(14,135)	739,689
Public	665,340	2.48%	(16,433)	648,907
Others	1,637,089	6.10%	(42,585)	1,594,504
	3,701,041	13.79%	(75,308)	3,625,733
	₩ 26,842,448	100.00%	(699,482)	26,142,966

(2) Liquidity Risk

Cash flows of financial liabilities based on remaining contractual maturities as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021					
	On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
Borrowings	₩ —	941,279	1,432,159	956,853	—	3,330,291
Bonds issued	—	2,316,931	4,528,084	17,967,692	1,617,851	26,430,558
Other liabilities	8,619	339,957	51,638	178,870	247	579,331
Lease liabilities	—	3,424	5,482	4,604	—	13,510
Derivative liabilities subject to net settlement	—	2,356	5,021	2,867	—	10,244
Derivative liabilities subject to gross settlement						
Inflow	—	(3,519)	(178,639)	(636,966)	—	(819,124)
Oufolw	—	3,356	182,358	646,926	—	832,640
	₩ 8,619	3,603,784	6,026,103	19,120,846	1,618,098	30,377,450

(in millions of Korean won)	December 31, 2020					
	On demand	Up to three months	Three months to one year	One year to five years	Over five years	Total
Borrowings	₩ —	765,069	829,462	2,006,329	—	3,600,860
Bonds issued	—	1,639,360	4,216,882	17,053,810	2,558,561	25,468,613
Other liabilities	9,984	510,343	59,134	178,394	326	758,181
Lease liabilities	—	3,623	7,167	18,314	8,392	37,496
Derivative liabilities subject to net settlement	—	11,602	26,431	43,254	623	81,910
Derivative liabilities subject to gross settlement						
Inflow	—	(587,738)	(584,219)	(3,731,372)	(350,064)	(5,253,393)
Oufolw	—	638,923	597,995	3,941,170	361,809	5,539,897
	₩ 9,984	2,981,182	5,152,852	19,509,899	2,579,647	30,233,564

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.

The carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months and within 12 months after the reporting date as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021		December 31, 2020	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months
Financial assets:				
Cash and due from other financial institutions	₩ 1,673,640	244	1,687,692	320
Securities measured at FVTPL	—	14,517	—	11,590
Securities measured at FVOCI	1,230	52,312	1,668	62,652
Financial receivables	9,581,460	16,396,959	9,795,341	16,347,625
Non-trade receivables	95,750	—	98,188	—
Accrued revenues	156,041	—	139,668	—
Leasehold deposits	8,853	14,099	9,682	10,363
	₩ 11,516,974	16,478,131	11,732,239	16,432,550
Financial liabilities:				
Borrowings	₩ 2,373,438	915,074	1,555,402	1,969,841
Bonds issued	6,842,050	18,388,518	5,407,630	18,406,783
Non-trade payables(*1)	292,928	—	244,563	—
Accrued expenses	108,056	—	113,153	—
Withholdings(*1)	80,170	—	260,395	—
Lease liabilities	8,759	4,480	10,148	25,035
Deposits received	59,889	173,550	72,487	173,398
Other liabilities	—	12	—	—
	₩ 9,765,290	19,481,634	7,663,778	20,575,057

(*1) Excluding liabilities for taxes and dues.

(3) Market Risk

(a) Risks related to IBOR reform

The Group is closely monitoring market and industry discussions related to the interest rate benchmark reform("IBOR reform"), including announcements made by the IBOR regulator. As some interbank lending rates are being replaced by new risk-free rates due to IBOR reform, the USD LIBOR rate (next-day, 1M, 3M, 6M, 12M only) will be discontinued from July 1, 2023 and will be replaced with the Secured Overnight Financing Rate (SOFR) based on actual transactions, and JPY LIBOR will discontinued from January 1, 2022 and will be replaced with TONA (Tokyo Overnight Average Rate). Meanwhile, in the case of CD interest rates, an alternative interest rate benchmark has been selected as the KOFR (Korea Overnight Financing Repo Rate), and the interest rate has been disclosed through the Korea Securities Depository from November 26, 2021. However, unlike LIBOR, CD interest rates are not scheduled to be discontinued, so it is not clear when and how the reform to KOFR will take place.

As of December 31, 2021, financial instruments and agreements of the Group exposed to risk from IBOR reform use USD LIBOR, JPY LIBOR, and CD interest rates as interest rates benchmark. The Group is exposed to the legal risk of changing the contract of financial instruments due to the IBOR reform, as well as the process and operational risk to deal with such changes. In addition, the Group is also exposed to the risk of monitoring the market trend on the alternative interest rate benchmark and establishing a risk management strategy accordingly to manage the risk of the new alternative interest rate benchmark. If a hedging relationship was applied using the existing IBOR as the hedged risk, the effect on the hedging relationship should be reviewed by changing the new alternative interest rate benchmark to the hedged risk. It is also exposed to the risk of minimizing the ineffective part of hedging by matching the method and timing of reform to an alternative interest rate benchmark for the hedged item and the hedging instrument.

The Group manages the reform to an alternative interest rate benchmark by inserting an alternative clause for IBORs for which interest rate reform has not yet been completed. In order to manage the progress of transition to an alternative interest rate benchmark, the Group compares the amount of financial instruments that have not been converted to those for which the contracts have been amended with replacement clauses. The Group regards the transition for a financial instrument as incomplete if the interest rate of the financial instrument is still IBOR even if the replacement clause has been included.

The financial instruments that have not been converted to an alternative interest rate as of December 31, 2021 are as follows:

(in millions of Korean won)	December 31, 2021											
	USD LIBOR (*4)				JPY LIBOR				CD Interest Rates			
	Unreformed contracts		Contracts with fallback clause		Unreformed contracts		Contracts with fallback clause		Unreformed contracts		Contracts with fallback clause	
	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#
Non-derivative financial assets:												
Loans receivable (*1)	₩ —	—	—	—	—	—	—	—	3,837,109	32,435	—	—
Non-derivative financial liabilities:												
Borrowings (*1)	—	—	—	—	—	—	—	—	1,817,917	26	—	—
Bonds (*1)	1,320,647	7	1,320,647	7	—	—	—	—	2,635,000	125	—	—
Derivative financial assets:												
Currency swaps (*2)	770,703	4	770,703	4	—	—	—	—	—	—	—	—
Interest rate swaps (*2)	—	—	—	—	—	—	—	—	2,390,000	90	—	—
Derivative financial liabilities:												
Currency swaps (*2)	550,800	3	550,800	3	—	—	—	—	—	—	—	—
Interest rate swaps (*2)	—	—	—	—	—	—	—	—	560,000	38	—	—
Line of credit (*2,3)	U$200,000,000	1	U$200,000,000	1	¥70,000,000,000	1	¥70,000,000,000	1	1,904,500	23	—	—

(*1) It is based on the carrying amount.

(*2) It is based on the nominal amount.

(*3) For foreign currency credit lines, the amounts listed are in foreign currency.

(*4) For USD LIBOR, financial instruments with maturities before June 30, 2023 are excluded.

(b) Interest rate risk

The Group monitors and manages its interest rate risk by measuring Value at Risk (VaR), 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, 2021 and 2020 are as follows:

(in millions of Korean won)	December 31, 2021	December 31, 2020
Interest rate VaR	₩ 45,024	75,048

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.

(c) 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, 2021 and 2020 are as follows:

(in millions of Korean won)		**December 31, 2021**	**December 31, 2020**
Cash and due from other financial institutions:			
EUR	₩	20,962	17,552
IDR		141	197
INR		207	58
BRL		234	310
AUD		772	864
		22,316	18,981
Borrowings and bonds issued:			
USD		4,860,550	4,291,573
JPY		42,240	101,209
CHF		1,492,091	1,419,480
AUD		343,556	627,420
EUR		—	100,368
SGD		248,757	244,804
CNH		242,138	100,176
HKD		120,104	—
		7,349,436	6,885,030
Other assets:			
USD		34,040	30,015
EUR		33,220	32,478
IDR		40	—
INR		146	228
AUD		273	91
		67,719	62,812
Other liabilities:			
EUR		1,607	1,186
IDR		14	—
INR		172	122
AUD		65	5
		1,858	1,313

The Group's exposures to foreign exchange risk are being hedged by derivatives. Foreign exchange risk of the Group is not significant.

37. 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 equity divided by adjusted total assets based on the Company's financial position in the separate financial statements.

Adjusted capital adequacy ratios of the Group as of December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		December 31, 2021	December 31, 2020
Adjusted total assets (A)	₩	33,808,111	32,838,866
Adjusted equity (B)		5,003,669	4,656,598
Adjusted capital adequacy ratio (B/A) (*1)		14.80%	14.18%

(*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 Group should maintain the adjusted capital adequacy ratio of 7% or above in accordance with the Regulation.

38. Discontinued Operation

The Group approved the sale of 'Delivery Car' business (online car rental platform providing rental reservation and payment service, and rental replacement car after an accident) and has concluded a contract of transferring the business on March 17, 2021. The Group has completed the sale during for the year ended December 31, 2021. Profit and loss related to the Delivery Car business is classified as profit and loss from discontinued operations, and the consolidated statement of comprehensive income for comparative period has been restated.

Details of profit and loss for the discontinued operation for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)		2021	2020
Operating revenue:			
Other operating income	₩	364	1,164
Operating expense:			
General and administrative expenses		4,090	12,876
Other operating expenses		1	4
		4,091	12,880
Operating loss		(3,727)	(11,716)
Non-operating income:			
Gain on sale of assets held-for-sale		4,446	—
Profit(Loss) before income taxes		719	(11,716)
Income tax expense		174	—
Income(Loss) from discontinued operations	₩	545	(11,716)

Net cash flows related to discontinued operations for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Korean won)

		2021	2020
Cash flows from operating activities	₩	(3,148)	(9,118)

39. Events after the reporting period

The Group approved the Joint Venture Agreement and Share Purchase Agreement for investment in Hyundai Capital France pursuant to a resolution of the board of directors on June 23, 2021. The acquisition of shares was completed on January 11, 2022. The acquisition consideration is ₩ 75,680 million, and the percentage of shares acquired is 50%.

THE COMPANY

Hyundai Capital Services, Inc.
14 Sejong-daero, Jung-gu
Seoul, 04527
Korea

FISCAL AGENT, PRINCIPAL PAYING AGENT AND PRINCIPAL TRANSFER AGENT

Citibank, N.A., London Branch
1 North Wall Quay
Dublin 1
Ireland

REGISTRAR

Citicorp International Limited
9/F, Citi Tower
One Bay East, 83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISORS

To the Company as to Korean law
Lee & Ko
18F Hanjin Building
63 Namdaemun-ro, Jung-gu
Seoul, 04532
Korea

To the Arranger and Dealers as to U.S. law
Paul Hastings LLP
33/F West Tower, Mirae Asset Center 1
26 Eulji-ro 5-gil, Jung-gu
Seoul, 04539
Korea

INDEPENDENT AUDITORS

Deloitte Anjin LLC
9th Floor, One IFC
10, Gukjegeumyung-ro, Yeongdeungpo-gu
Seoul 07326
Korea

KPMG Samjong Accounting Corp.
27th Floor, Gangnam Finance Center
152 Teheran-ro, Gangnam-gu
Seoul, 06236
Korea

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542