The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying offering memorandum are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Preliminary Pricing Supplement dated January 6, 2025

Pricing Supplement No. 5 dated January , 2025 to Offering Memorandum, dated March 12, 2024, and Offering Memorandum Supplement, dated December 12, 2024

CONFIDENTIAL

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Hyundai Capital America

Medium-Term Notes, Series A

$ % Notes due 2028
$ % Notes due 2030
$ Floating Rate Notes due 2028

Hyundai Capital America is offering $ aggregate principal amount of % notes due 2028 (the "Notes due 2028"), $ aggregate principal amount of % notes due 2030 (the "Notes due 2030" and, together with the Notes due 2028, the "Fixed Rate Notes") and $ aggregate principal amount of floating rate notes due 2028 (the "Floating Rate Notes" and, together with the Fixed Rate Notes, the "Notes"). This document constitutes the Pricing Supplement relating to the Notes and the offering. This Pricing Supplement should be read in conjunction with the Offering Memorandum, dated March 12, 2024, and the Offering Memorandum Supplement, dated December 12, 2024 (together, the "Offering Memorandum"). Terms used but not defined herein shall be deemed to be defined as set forth in the Offering Memorandum. The provisions of the Offering Memorandum to which this Pricing Supplement relates are modified and supplemented by the information contained herein and shall be construed to such extent as may be necessary to give effect to such information.

In this document, the words "Company," "HCA," "we," "us" and "our" refer only to Hyundai Capital America and to our subsidiaries.

Notes due 2028 Offering Price:	**% plus accrued interest, if any, from**	**, 2025**
Notes due 2030 Offering Price:	**% plus accrued interest, if any, from**	**, 2025**
Floating Rate Notes Offering Price:	**% plus accrued interest, if any, from**	**, 2025**

Joint Book-Running Managers

BofA Securities HSBC SMBC Nikko TD Securities Wells Fargo Securities

SUPPLEMENTAL DESCRIPTION OF FIXED RATE NOTES

		% Notes due 2028	% Notes due 2030
1.	Aggregate Principal Amount:	$	$
2.	Issue Price:	%, plus accrued interest, if any, from January , 2025	%, plus accrued interest, if any, from January , 2025
3.	Trade Date:	January , 2025	January , 2025
4.	Original Issue Date (Settlement Date):	January , 2025 (T+2)	January , 2025 (T+2)
5.	Form of the Fixed Rate Notes:	Global form only	Global form only
6.	Authorized Denomination(s):	$2,000 and integral multiples of $1,000 in excess thereof	$2,000 and integral multiples of $1,000 in excess thereof
7.	Specified Currency:	U.S. Dollars (“$”)	U.S. Dollars (“$”)
8.	Maturity Date:	January , 2028	January , 2030
9.	Indenture Trustee:	U.S. Bank Trust Company, National Association	U.S. Bank Trust Company, National Association
10.	Interest Basis:	Fixed Interest Rate	Fixed Interest Rate
11.	Interest Commencement Date (if different from the Settlement Date):	N/A	N/A
12.	Interest Payment Dates:	Each January and July , commencing July , 2025	Each January and July , commencing July , 2025
13.	Day Count Convention:	30/360, Unadjusted	30/360, Unadjusted
14.	Interest Rate:	% per annum	% per annum
15.	Redemption at the Option of the Company:	Yes, as provided below:	Yes, as provided below:

Redemption at the Option of the Company

Prior to (i) with respect to the Notes due 2028, the maturity date of such Notes and (ii) with respect to the Notes due 2030, , 2029 (one month prior to the maturity date of such Notes) (such date with respect to the Notes due 2030, the “Par Call Date”), each series of the Fixed Rate Notes will be redeemable at any time in whole or from time to time in part at the Company’s option at a redemption price equal to the greater of:

(1) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming, in the case of the Notes due 2030, that such Notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus basis points, in the case of the Notes due 2028, or plus basis points, in the case of the Notes due 2030, less (b) interest accrued to, but excluding, the redemption date, and

(2) 100% of the principal amount of the Fixed Rate Notes to be redeemed,

plus, in either case, accrued and unpaid interest on the Fixed Rate Notes to be redeemed to, but excluding, the redemption date.

On and after the Par Call Date, the Company may redeem the Notes due 2030, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of such Notes to be redeemed, plus accrued and unpaid interest thereon to, but excluding, the redemption date.

"Treasury Rate" means, with respect to any redemption date, the yield determined by the Company in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Company after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) – H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading) ("H.15 TCM"). In determining the Treasury Rate, the Company shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the maturity date, in the case of the Notes due 2028, or the Par Call Date, in the case of the Notes due 2030 (the "Remaining Life"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the maturity date, in the case of the Notes due 2028, or the Par Call Date, in the case of the Notes due 2030, on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 TCM is no longer published, the Company shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the maturity date, in the case of the Notes due 2028, or the Par Call Date, in the case of the Notes due 2030. If there is no United States Treasury security maturing on such maturity date or Par Call Date, as applicable, but there are two or more United States Treasury securities with a maturity date equally distant from such maturity date or Par Call Date, one with a maturity date preceding such maturity date or Par Call Date and one with a maturity date following such maturity date or Par Call Date, the Company shall select the United States Treasury security with a maturity date preceding such maturity date or Par Call Date. If there are two or more United States Treasury securities maturing on such maturity date or Par Call Date, as applicable, or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Company shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Company's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depositary's procedures) at least 30 days but not more than 60 days before the redemption date to each holder of the Fixed Rate Notes to be redeemed.

In the case of a partial redemption, selection of the Fixed Rate Notes for redemption will be made pro rata, by lot or by such other method as the Trustee in its sole discretion deems appropriate and fair. No Fixed Rate Notes of a principal amount of $2,000 or less will be redeemed in part. If any series of the Fixed Rate Notes are to be redeemed in part only, the notice of redemption that relates to such Fixed Rate Notes will state the portion of the principal amount of such series of the Fixed Rate Notes to be redeemed. In the case of certificated Fixed Rate Notes, a new fixed rate note of the applicable series in a principal amount equal to the unredeemed portion of the applicable series of the Fixed Rate Notes will be issued in the name of the holder of the Fixed Rate Notes upon surrender for cancellation of the original Fixed Rate Notes. For so long as the Fixed Rate Notes are held by DTC (or another depositary), the redemption of the Fixed Rate Notes shall be done in accordance with the policies and procedures of the depositary.

Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption.

16.	Redemption at the Option of the Holders:	No	No
17.	Additional Provisions Relating to the Fixed Rate Notes:	None	None
18.	Rule 144A CUSIP / ISIN:	44891ADL8 / US44891ADL89	44891ADM6 / US44891ADM62
19.	Regulation S CUSIP / ISIN:	44891CDL4 / US44891CDL46	44891CDM2 / US44891CDM29

SUPPLEMENTAL DESCRIPTION OF FLOATING RATE NOTES

1.	Aggregate Principal Amount:	$
2.	Issue Price:	%, plus accrued interest, if any, from January , 2025
3.	Trade Date:	January , 2025
4.	Original Issue Date (Settlement Date):	January , 2025 (T+2)
5.	Form of the Floating Rate Notes:	Global form only
6.	Authorized Denomination(s):	$2,000 and integral multiples of $1,000 in excess thereof
7.	Specified Currency:	U.S. Dollars (“$”)
8.	Maturity Date:	January , 2028
9.	Indenture Trustee:	U.S. Bank Trust Company, National Association
10.	Calculation Agent:	U.S. Bank Trust Company, National Association
11.	Interest Basis:	Compounded SOFR
12.	Spread:	+ bps
13.	Initial Interest Rate:	The initial interest rate will be based on compounded SOFR determined as of , 2025, plus the Spread
14.	Interest Reset Dates:	Each Interest Payment Date
15	Interest Determination Dates:	Two U.S. Government Securities Business Days prior to each Interest Payment Date
16.	Interest Payment Calculation Period:	The period from and including one Interest Payment Date to but excluding the immediately following Interest Payment Date, provided that the first Interest Payment Calculation Period shall be from and including the Original Issue Date to but excluding the first Interest Payment Date
17.	Interest Commencement Date (if different from the Settlement Date):	N/A
18.	Interest Payment Dates:	Each January , April , July and October , commencing April , 2025 and ending on the Maturity Date
19.	Day Count Convention:	Actual/360, Modified Following, Adjusted
20.	Observation Period:	The period from and including two U.S. Government Securities Business Days preceding an Interest Payment Date to but excluding two U.S. Government Securities Business Days preceding the next Interest Payment Date, provided that the first Observation Period shall be from and including two U.S. Government Securities Business Days preceding the Settlement Date to but excluding two U.S. Government Securities Business Days preceding the first Interest Payment Date
21.	U.S. Government Securities Business Day:	Any day except for a Saturday, 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
22.	Redemption at the Option of the Company:	No
23.	Redemption at the Option of the Holders:	No
24.	Additional Provisions Relating to the Floating Rate Notes:	The minimum interest rate shall be zero
25.	Rule 144A CUSIP / ISIN:	44891ADN4 / US44891ADN46
26.	Regulation S CUSIP / ISIN:	44891CDN0 / US44891CDN02

SUPPLEMENTAL PLAN OF DISTRIBUTION

Subject to the terms of the Private Placement Agency Agreement, dated as of March 13, 2015, between the Company and the agents named therein, as amended and supplemented from time to time by the dealer accession letters between the Company and the agents named therein, as further supplemented by a Terms Agreement, dated January , 2025 (the "Terms Agreement"), between the Company and BofA Securities, Inc., HSBC Securities (USA) Inc., SMBC Nikko Securities America, Inc., TD Securities (USA) LLC and Wells Fargo Securities, LLC, as the purchasing agents named therein (collectively, the "Purchasing Agents"), the Company has agreed to sell to the Purchasing Agents, and each of the Purchasing Agents has agreed, severally and not jointly, to purchase the principal amount of Notes set forth opposite its name below:

Purchasing Agents	Principal Amount of the Notes due 2028	Principal Amount of the Notes due 2030	Principal Amount of the Floating Rate Notes
BofA Securities, Inc.	$	$	$
HSBC Securities (USA) Inc.			
SMBC Nikko Securities America, Inc.			
TD Securities (USA) LLC			
Wells Fargo Securities, LLC			
Total:	$	$	$

Under the terms and conditions of the Terms Agreement, the Purchasing Agents are committed to take and pay for all of the Notes, if any are taken. The Purchasing Agents propose to offer the Notes initially at offering prices equal to the offering prices set forth on the cover page of this pricing supplement. After the initial offering, the offering prices and other selling terms may from time to time be varied by the Purchasing Agents.

We expect that delivery of the Notes will be made to investors on or about January , 2025, which will be the second business day following the date of pricing of the Notes (such settlement being referred to as "T+2"). Under Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the business day before the settlement date will be required, by virtue of the fact that the Notes initially will settle in T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade Notes prior to the business day before the settlement date should consult their own advisor.

OFFERING MEMORANDUM SUPPLEMENT **CONFIDENTIAL**
(TO THE OFFERING MEMORANDUM DATED MARCH 12, 2024)

$60,000,000,000
Hyundai Capital America

Medium-Term Notes, Series A
General Terms of Sale

This offering memorandum supplement (this "Offering Memorandum Supplement") is supplemental to, and should be read in conjunction with, the Offering Memorandum dated March 12, 2024 (the "Offering Memorandum"), and any other supplements to the Offering Memorandum that we may issue. Unless defined herein, terms included in this Offering Memorandum Supplement shall have the definitions ascribed to them in the Offering Memorandum. The aggregate principal amount of Notes outstanding at any one time under the Medium-Term Notes, Series A program (the "Program") will not exceed $60,000,000,000. As of the date of this Offering Memorandum Supplement, we have $31,300,000,000 aggregate principal amount of Notes outstanding under the Program.

Investing in the Notes involves risks that are described in the "Risk Factors" section beginning on page 8 of the Offering Memorandum.

The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes are being initially offered in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and outside the United States to non-U.S. persons in compliance with Regulation S of the Securities Act. For further details about eligible offerees and resale restrictions, see "Plan of Distribution" and "Transfer Restrictions" in the Offering Memorandum.

Unless otherwise specified in an applicable Pricing Supplement, the Notes will not be listed on any securities exchange or any automated quotation system.

We may sell Notes to the agents referred to below as principals for resale at varying or fixed offering prices or through the agents as agents using their reasonable efforts on our behalf. We may also sell Notes without the assistance of the agents. For further details, see "Plan of Distribution" in the Offering Memorandum.

U.S. Agents

Barclays **Mizuho**
BNP PARIBAS **MUFG**
BofA Securities **RBC Capital Markets**
Citigroup **Santander**
COMMERZBANK **Scotiabank**
Credit Agricole CIB **SMBC Nikko**
HSBC **SOCIETE GENERALE**
J.P. Morgan **TD Securities**
Lloyds Securities **US Bancorp**
Wells Fargo Securities

International Agents

Barclays **Mizuho**
BNP PARIBAS **MUFG**
BofA Securities **RBC Capital Markets**
Citigroup **Santander**
Commerzbank **Scotiabank**
Crédit Agricole CIB **SMBC**
HSBC **Société Générale Corporate & Investment Banking**
J.P. Morgan **TD Securities**
Lloyds Bank Corporate Markets **US Bancorp**
Wells Fargo Securities

The date of this Offering Memorandum Supplement is December 12, 2024.

No agent, dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum Supplement and the Offering Memorandum. Neither we nor any of the agents named on the cover of the Offering Memorandum or this Offering Memorandum Supplement or in any amendment or supplement thereto and hereto (collectively, the "Agents") or our or their respective affiliates take any responsibility for, or provide assurance as to the reliability of, any information that others may give you. This Offering Memorandum Supplement and the Offering Memorandum do not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Offering Memorandum Supplement and the Offering Memorandum at any time, nor any sale made in connection with this Offering Memorandum Supplement and the Offering Memorandum, shall, in any circumstances, create an implication that there has been no change in our affairs or the affairs of Hyundai Motor Company since the date of this Offering Memorandum Supplement or that the information contained in the Offering Memorandum or this Offering Memorandum Supplement is correct as of any time subsequent to the date of this Offering Memorandum Supplement.

Table of Contents

In this Offering Memorandum Supplement and the Offering Memorandum, references to "HCA," the "Company," "we," "us" and "our" refer to Hyundai Capital America, a California corporation and the issuer of the Notes, and to its subsidiaries, except where otherwise indicated or where the context otherwise requires, including in the sections of the Offering Memorandum entitled "Summary—General Terms of the Notes" and "Description of the Notes."

This Offering Memorandum Supplement and the Offering Memorandum have been prepared by us solely for use in connection with the proposed offering of Notes described in this Offering Memorandum Supplement and the Offering Memorandum. This Offering Memorandum Supplement and the Offering Memorandum are personal to each offeree and do not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum Supplement and the Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum Supplement and the Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum Supplement or any documents referred to in this Offering Memorandum Supplement or the Offering Memorandum.

Notwithstanding anything in this Offering Memorandum Supplement or the Offering Memorandum to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation Section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions between us, the Agents or their respective representatives and each prospective investor regarding the transactions described in this Offering Memorandum Supplement.

We have furnished the information contained in this Offering Memorandum Supplement and the Offering Memorandum. The Agents make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum Supplement or the Offering Memorandum (financial, legal or otherwise) and assume no responsibility for such information. Nothing contained in this Offering Memorandum Supplement or the Offering Memorandum is, or should be relied upon as, a promise or representation by the Agents as to the past or future.

Neither the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission nor any other regulatory authority has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum Supplement or the Offering Memorandum. Any representation to the contrary is a criminal offense.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in the Offering Memorandum entitled "Transfer Restrictions" and "Plan of Distribution."

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the Notes, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum Supplement or the Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

In this Offering Memorandum Supplement and the Offering Memorandum, we rely on and refer to information and statistics regarding our industry. We obtained this market data from independent industry publications or other publicly available information. Although we believe that these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

This Offering Memorandum Supplement and the Offering Memorandum contain summaries of the indenture, Notes and support agreement that are believed to be accurate, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum Supplement and the Offering Memorandum constitute "forward-looking statements," including statements regarding HCA'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 Memorandum Supplement and the Offering Memorandum, including, without limitation, those regarding HCA's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to HCA's products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Offering Memorandum Supplement and the Offering Memorandum (whether made by HCA or any third party) involve known and unknown risks, uncertainties and other factors that may cause HCA's actual results, performance or achievements to be materially different from any 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 HCA's present and future business strategies and the environment in which HCA will operate in the future. Factors that could cause HCA's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" in the Offering Memorandum. Any forward-looking statements contained in this Offering Memorandum Supplement speak only as of the date of this Offering Memorandum Supplement. HCA 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 HCA's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents selected consolidated financial and other data as of and for the nine months ended September 30, 2024 and 2023. The selected consolidated financial and other data have been derived from our unaudited consolidated interim financial statements appearing elsewhere in this Offering Memorandum Supplement. In the opinion of our management, the unaudited consolidated interim financial statements have been prepared on the same basis as our audited consolidated financial statements included in our Offering Memorandum and, in the opinion of our management, include all adjustments necessary for a fair presentation of the information set forth therein. Results for the nine months ended September 30, 2024 are not necessarily indicative of full year results. These selected consolidated financial and other data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited consolidated interim financial statements and notes thereto included elsewhere in this Offering Memorandum Supplement.

	Nine Months Ended September 30,	
	2024	**2023**
	(dollars in thousands)	
Income Statement Data:		
Financing Revenue		
Operating leases	$ 2,842,608	$ 2,514,139
Retail	1,921,944	1,327,198
Wholesale	259,437	133,139
Finance Lease	3,581	1,329
Total financing revenue	5,027,570	3,975,805
Depreciation on operating leases	1,901,369	1,857,650
Interest expense	2,114,971	1,292,316
Total depreciation and interest expense	4,016,340	3,149,966
Net financing revenue	1,011,230	825,839
Other revenue	278,070	205,103
Total net financing margin and other revenue	1,289,300	1,030,942
Expenses		
Operating expenses	451,752	442,593
Provision for credit losses	334,595	268,030
Total expenses	786,347	710,623
Income before provision for income taxes	502,953	320,319
Provision for income taxes	119,227	70,558
Net income	$ 383,726	$ 249,761

	Nine Months Ended September 30,	
	2024	2023
	(dollars in thousands)	
Balance Sheet Data (as of period end):		
Finance receivables, net		
Retail	$ 41,388,287	$ 36,630,856
Wholesale	5,679,359	2,944,557
Finance Lease	37,545	13,383
Total finance receivables	47,105,191	39,588,796
Allowance for credit losses	(724,213)	(656,476)
Total finance receivables, net	$ 46,380,978	$ 38,932,320
Investments in operating leases, net		
Vehicles and initial direct costs	$ 24,328,257	$ 19,801,242
Accumulated depreciation	(3,452,275)	(3,737,190)
Allowance for credit losses	(69,905)	(78,149)
Total investment in operating leases, net	$ 20,806,077	$ 15,985,903
Total assets	$ 73,311,230	$ 59,831,078
Total debt, net	$ 61,330,600	$ 48,929,738
Total liabilities	$ 66,955,251	$ 53,903,620
Total shareholders' equity	$ 6,355,979	$ 5,927,458
Total liabilities and shareholders' equity	$ 73,311,230	$ 59,831,078
Other Financial Data		
Net Income to Total Assets ratio (1)	0.7%	0.6%
Net Income to Equity ratio (1)	8.0%	5.6%
Loss to Receivables ratio (1)(2)	0.8%	0.7%
Allowance for Credit Losses to Finance Receivable ratio (3)	1.5%	1.7%
Allowance for Credit Losses to Investment in Operating Leases ratio (4)	0.3%	0.5%

(1) All ratios have been annualized.
(2) Calculated based on net charge-offs divided by the average amount of receivables outstanding, excluding the allowance for credit losses, unearned interest supplements and other deferred items related to finance receivables.
(3) Calculated based on allowance for credit losses related to finance receivables divided by total finance receivables.
(4) Calculated based on allowance for credit losses related to operating leases divided by total net investment in operating leases, excluding the allowance for credit losses.

RISK FACTORS

Our financial position, results of operations and cash flows are subject to numerous risks. You should carefully consider the risks described under "Risk Factors" starting on page 8 of the accompanying Offering Memorandum, as well as the other information contained in the Offering Memorandum.

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

Overview

HCA is a majority-owned subsidiary of Hyundai Motor America ("HMA"), the primary distributor of Hyundai vehicles in the United States. HMA is a wholly owned subsidiary of Hyundai Motor Company ("HMC"), which is a worldwide manufacturer and distributor of motor vehicles headquartered in South Korea. As of September 30, 2024, HMA owns 80% of the outstanding common stock of HCA, and Kia America, Inc. ("KUS"), a wholly owned subsidiary of Kia Corporation ("KC"), owns 20% of the outstanding common stock of HCA. KUS is the primary distributor of Kia vehicles in the United States. KC is an affiliate of HMC, and both companies have outstanding common stock listed on the Korea Exchange but are not registered with the SEC in the United States. HCA offers indirect automotive consumer loan and lease financing and direct dealer financing through its retail dealer agreements with HMA, KUS and Genesis Motor America LLC ("GMA"), a subsidiary of HMA, dealerships, and a small number of other dealerships, all of which are located within the United States. In August 2016, Genesis, a division of HMA, began distributing a new line of vehicles under the Genesis brand. GMA began distributing Genesis brand vehicles beginning with the 2019 model year.

For the purposes of this Offering Memorandum Supplement, references to HMA include GMA, and references to Hyundai include the Genesis brand, unless otherwise noted.

HCA's financial results are impacted by several factors, the most important of which are financing revenue, market penetration of Hyundai and Kia new vehicle sales, market penetration of wholesale dealer financing provided to Hyundai and Kia automobile dealers, borrowing costs, portfolio credit performance, and residual value performance on our lease portfolio. These factors are affected by certain trends, including changes in interest rates and in the overall credit quality of our finance receivables.

HCA makes certain critical accounting estimates with respect to residual values in our lease portfolio and in the allowance for credit losses for our finance receivable and lease portfolios. The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Financing Revenue from Finance Receivables and Operating Leases

HCA's portfolio has four major types of income producing assets: retail loans, operating leases, finance leases, and wholesale loans to dealers. The retail loans are installment contracts using market-based pricing tiered for customer credit risk. The operating leases provide for fixed monthly rental payments from customers with a guaranteed purchase option price at lease termination. HCA maintains residual exposure on vehicles subject to operating leases. Lease rental payments are priced based upon a market-based rate of return and tiered for consumer credit risk. Finance lease receivables, which are currently immaterial, consist of signage leases made to dealers for a term of ten years and the underlying assets have a zero-dollar residual value, leases for hydrogen trucks made to the lessee for seven years which the lessee will purchase at the end of the term, and leases of electric vehicle ("EV") charging equipment made to the lessee for five years with an option to go month-to-month thereafter. Wholesale loans to dealers are predominantly comprised of borrowings by dealers to finance new and used automobile inventory and are due from the dealers shortly after the related vehicles are sold to customers. Wholesale loans also include real estate and working capital loans, which are utilized, generally, for the acquisition, construction or improvement of the dealer's facilities.

Subsidy Payments

As an accommodation to HMA and KUS, HCA frequently provides incentive programs to customers. Generally, under these programs, HCA finances or leases vehicles on favorable terms and receives subsidy amounts from HMA and KUS. Subsidy amounts are generally received for lower than market interest rates, lower than market lease rentals, greater than market estimated lease residual values and greater than normal expected credit losses. The subsidies are also known as rate support or subvention. HMA and KUS provide incentives on retail loan contracts by paying the present value difference between the customer rate (the subvened rate) and HCA's settlement rate. The settlement rate is determined primarily based upon current market rates and other HCA operational costs. Similarly, for lease contracts, HCA establishes a standard money factor and HMA and KUS pay the present value difference between the customer rate and HCA's standard rate. HMA and KUS also may elect to support residual values (established at lease inception) in excess of HCA's standard residual values which reduce the customer's payment. HCA utilizes residual values published by a third-party industry guide and HMA and KUS guarantee any amount in excess of the standard residual values. In some cases, HCA shares residual support programs with HMA and KUS. The portion allocable to HCA is amortized, straight-line, as a reduction to lease revenue.

HMA and KUS pay HCA under its vehicle incentive financing programs, which include yield and residual value and other end of term incentives. The amounts billed to HMA for various yield incentive programs, net of EV incentives, amounted to $227.4 million and $377.6 million for the nine months ended September 30, 2024 and 2023, respectively. The amounts billed to KUS for various yield incentive programs, net of EV incentives, amounted to $20.0 million and $55.2 million for the nine months ended September 30, 2024 and 2023, respectively. These amounts are recognized in financing revenue over the terms of the related contracts.

The amounts billed to HMA for residual value and other end of term incentive programs were $14.7 million and $2.4 million for the nine months ended September 30, 2024 and 2023, respectively. The amounts billed to KUS for residual value and other end of term incentive programs were $6.4 million and $0.4 million for the nine months ended September 30, 2024 and 2023, respectively. The effect of the residual value incentive program is a reduction of depreciation over the life of the lease.

The outstanding receivable balance for HMA yield incentive programs were $270.2 million and $145.3 million as of September 30, 2024 and 2023, respectively, and are a component of due from affiliates, net. The outstanding receivable balance for HMA residual value and other end of term incentive programs were $305.0 million and $175.2 million as of September 30, 2024 and 2023, respectively, and are a component of due from affiliates, net.

The outstanding receivable balance for KUS yield incentive programs were $95.4 million and $61.4 million as of September 30, 2024 and 2023, respectively, and are a component of due from affiliates, net. The outstanding receivable balance for KUS residual value and other end of term incentive programs were $181.9 million and $127.3 million as of September 30, 2024 and 2023, respectively, and are a component of due from affiliates, net.

The residual value and other end of term incentive receivable balance due from HMA and KUS for each period presented consists primarily of an estimated future billing amount for units covered under the incentive program but not billable until end of lease term. The estimated future billing corresponding amounts are included as a reduction of the investment in operating leases, net.

The following table reflects the number and percentage of total contracts purchased during the period when we received rate subsidies from HMA or KUS:

	Nine Months Ended September 30, [1]	
	2024	**2023**
Retail Loan:		
Number of vehicle retail contracts purchased by HCA:		
Hyundai	230,416	278,975
Kia	195,028	201,272
Total	425,444	480,247
Subvened retail loan		
Number of vehicle subvened retail contracts purchased by HCA:		
Hyundai	217,002	251,590
Kia	177,679	144,472
Total	394,681	396,062
Subvened retail loan percent		
Hyundai	94%	90%
Kia	91%	72%
Total	93%	82%
Lease:		
Number of vehicle lease contracts purchased by HCA:		
Hyundai	170,643	89,089
Kia	130,587	82,565
Total	301,230	171,654
Subvened lease		
Number of vehicle subvened lease contracts purchased by HCA:		
Hyundai	170,357	88,906
Kia	130,342	82,235
Total	300,699	171,141
Subvened lease percent [1]		
Hyundai	100%	100%
Kia	100%	100%
Total	100%	100%

(1) Genesis included in Hyundai. Subvened percent calculated based on the number of subvened retail loan or lease contracts divided by the combined total number of contracts purchased by HCA in the United States.

Market Penetration of Hyundai and Kia Vehicle Sales and Leases

The following chart provides market penetration information regarding Hyundai and Kia vehicles in the United States for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30, [(1)(2)]	
	2024	**2023**
Number of vehicles sold or leased in U.S.:		
Hyundai	594,485	585,743
Kia	532,301	560,723
Total	1,126,786	1,146,466
Retail Loan:		
Number of vehicle retail contracts purchased by HCA:		
Hyundai	230,416	278,975
Kia	195,028	201,272
Total	425,444	480,247
Retail loan penetration rate:		
Hyundai	39%	48%
Kia	37%	36%
Total	38%	42%
Lease:		
Number of vehicle lease contracts purchased by HCA:		
Hyundai	170,643	89,089
Kia	130,587	82,565
Total	301,230	171,654
Lease penetration rate:		
Hyundai	29%	15%
Kia	25%	15%
Total	27%	15%
Retail Loan and Lease:		
Number of vehicle retail and lease contracts purchased by HCA:		
Hyundai	401,059	368,064
Kia	325,615	283,837
Total	726,674	651,901
Retail loan and lease penetration rate:		
Hyundai	67%	63%
Kia	61%	51%
Total	64%	57%

(1) Genesis included in Hyundai. Number of vehicles sold or leased in the United States excludes fleet units.
(2) Genesis included in Hyundai. Penetration rate calculated based on the number of new retail loan and/or lease contracts that were purchased divided by the combined total number of Hyundai or Kia vehicles sold or leased in the United States.

The combined market penetration for Hyundai and Kia vehicles for the nine months ended September 30, 2024 increased compared to the nine months ended September 30, 2023 as both brands' penetration rates increased. The higher penetration rates were due to higher incentives from HMA and KUS as industry new vehicle inventory levels gradually returned to normalized levels.

Market Penetration of Wholesale Financing

HCA attempts to strengthen the overall relationship with Hyundai, Kia and Genesis dealers by providing floorplan lines of credit, real estate loans and working capital loans. The following chart provides information regarding our wholesale dealer financing relationship with Hyundai, Kia and other dealers in the United States:

	Nine Months Ended September 30,	
	2024	2023
Number of dealers in the U.S. (1)		
Hyundai	847	841
Kia	791	786
Genesis	225	258
Total	1,863	1,885
Number of dealers with floorplan loans from HCA		
Hyundai	287	233
Kia	273	218
Genesis	83	80
Total	643	531
Number of other dealers with floorplan loans (non-Hyundai, non-Kia, and non-Genesis)	65	55
Wholesale finance receivables outstanding (dollars in thousands) (2)	$ 5,679,359	$ 2,944,557

(1) Based on number of retail dealer agreements with HMA, KUS, and GMA as applicable.
(2) Includes non-Hyundai, non-Kia and non-Genesis dealers.

From September 30, 2023 to September 30, 2024, HCA's floorplan penetration and wholesale finance receivables outstanding increased due to higher dealer inventory balances and the addition of new dealers financed.

Interest Rates and Credit Spreads

HCA's results of operations depend on both the levels of finance and lease revenues and levels of borrowing costs (interest expense). Changes in market interest rates and credit spreads can impact HCA's revenues and expenses differently depending upon whether our assets and liabilities are tied to fixed or floating rates of interest and the term of the asset or liability. Compared to the nine months ended September 30, 2023, higher average portfolio interest rates contributed to HCA's higher interest expense for the nine months ended September 30, 2024. While the Federal Reserve recently started lowering its overnight borrowing rates and HCA's credit spreads have declined in 2024, there can be no assurances that interest rates and spreads will not rise in the future or that HCA will be able to price its assets to appropriately reflect an increase in borrowing costs.

Portfolio Credit Performance

The following table shows our net credit losses (credit losses, net of recoveries), average receivables outstanding and loss-to-receivables ratio (net credit losses divided by the average amount of receivables outstanding, excluding the allowance for credit losses, unearned interest supplements and other deferred items related to finance receivables). Percentage amounts presented for the nine months ended September 30, 2024 and 2023 have been annualized for comparability.

	Nine Months Ended September 30,	
	2024	**2023**
	(dollars in thousands)	
Net credit losses	$ 285,010	$ 196,125
Average receivables	45,143,643	35,524,533
Loss-to-Receivables ratio (annualized)	0.84%	0.74%

During the nine months ended September 30, 2024, the retail portfolio experienced higher net credit losses compared to the same period in 2023 due to a larger asset base, higher delinquencies, and lower recoveries as used car prices decreased. As a result, there was a 10 basis points increase in the loss-to-receivables ratio during the nine months ended September 30, 2024 from prior year levels.

HCA monitors delinquency ratios on a daily and monthly basis. Risk/behavioral-based collection models and segmentation are used to identify high-risk accounts and HCA's collections efforts target those accounts earlier in the delinquency cycle. As accounts fall further past due, collection efforts are increased in order to mitigate potential losses. An account is charged off due to credit losses at the earlier of when it is deemed to be uncollectable or when it becomes 120 days past due. Collection efforts continue after the account has been charged off both internally and through outside agencies.

Losses on wholesale finance receivables are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the impaired wholesale finance receivables is estimated to be below the carrying value of the receivables. Interest ceases to be earned on wholesale finance receivables generally when the dealer is in default on a loan.

Residual Performance

HCA underwrites lease residuals using a published third-party valuation of residuals. Occasionally, HMA or KUS guarantees a portion of the vehicle's residual value as part of a marketing program to reduce the customer's monthly payment. The guaranty amount is a fixed percentage of the vehicle's value established at origination. Residual subvention is recorded as a reduction to net investment in operating leases so that the carrying value of the leased vehicle at contract maturity reflects the residual value as published by the third-party valuation guide. The residual subvention receivable from HMA and KUS is recorded in due from affiliates on the financial statements.

HCA periodically evaluates and updates the residual value established at lease inception. To the extent the new estimate of residual value has declined, net investment in operating leases is reduced over the remaining life of the lease through depreciation expense. We also periodically review the operating lease portfolio for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Generally an impairment condition is determined to exist if the estimated undiscounted cash flows from the use and eventual disposition of the asset are lower than the carrying value.

At lease maturity, the customer has the option to purchase the vehicle at the contract residual value or to return the vehicle to an authorized Hyundai or Kia dealership. In the event the vehicle is returned, the dealer can purchase the vehicle at the same contract residual value. All leased vehicles not purchased by customers or dealers at the contract residual value are returned to HCA.

Our remarketing department offers the vehicles for sale on a branded internet website supported by a third-party vendor at a fixed price and/or at an auction with an open bidding environment. We use a network of auto auctions throughout the United States, which allows us to efficiently manage our inventory by controlling the flow and placement of vehicles to the auction locations that we believe will yield the highest net recovery value. We are exposed to risk of loss upon disposition of end of term leased vehicles when auction proceeds are less than the net book value of the terminated lease except where covered by HMA or KUS residual subvention support payments.

Critical Accounting Policies

The following is a summary of accounting policies that we believe are most critical to understanding our results of operations and financial condition. We believe our interpretation and application related to these accounting policies are appropriate. Our other significant accounting policies are discussed in the "Notes to Unaudited Consolidated Interim Financial Statements—Note 2—Summary of Significant Accounting Policies."

Finance Receivables

Finance receivables include retail finance receivables, wholesale finance receivables, and finance lease receivables. Retail finance receivables consist of retail installment contracts with consumers. Wholesale finance receivables consist of floor plan, real estate, and working capital loans made to dealers. Finance lease receivables consist of signage leases made to dealers for a term of ten years and the underlying assets have a zero-dollar residual value, leases for hydrogen trucks made to the lessee for seven years which the lessee will purchase at the end of the term, and leases of EV charging equipment made to the lessee for five years with an option to go month-to-month thereafter.

Finance receivables are classified as held-for-investment if the Company has the intent and ability to hold the receivables for the foreseeable future or until maturity or payoff. As of September 30, 2024 and 2023, all finance receivables were classified as held-for-investment, and there were no receivables classified as held-for-sale.

Retail finance receivables are generally due in installments from customers over a period of three to seven years and are collateralized by liens on the related vehicles. The Company retains purchase money security interests in all automobiles financed until full payment is received. Retail finance receivables also include a retail balloon product offered where customers may finance their vehicles with a series of installment payments followed by a single balloon payment. At the end of the contract, the customer may keep the vehicle by making the final balloon payment or return it to HCA and pay charges for excess mileage and use, if any. The recorded investment of retail balloon products may contain an allowance for residual exposure as well as residual guarantees received from HMA and KUS.

Finance receivables are reported at the principal amount outstanding, net of allowance for credit losses, unearned origination fees, and deferred origination costs. A portion of the retail finance receivables include origination fees in the form of rate subsidies (subvention) received from HMA or KUS at the inception of the receivable and are accreted into revenue over the receivable's term using the effective-interest-rate method. Origination costs include flat commissions paid to the dealers for originating the loan, payments made for rate participation, and other initial direct costs.

Revenue on retail finance receivables and wholesale finance receivables includes contractual interest income, accretion of origination fees, and amortization of origination costs. Interest income is accrued as earned using the simple-interest method. The recognition of finance revenue on retail finance receivables is discontinued when the underlying collateral is repossessed or accounts are charged off, generally no later than 120 days. Revenue on finance lease receivables includes the interest calculated throughout the lease term using a precomputed method as well as the selling profit which is calculated as the difference between the contractual value and the carrying value of the underlying assets at lease commencement. Interest is accrued when earned and accrued interest receivable is included within Other assets in the Consolidated Balance Sheets.

Investment in Operating Leases

The Company leases vehicles to customers under operating leases typically for a term of two to four years. The investment in operating leases is reported at cost, less accumulated depreciation and net of allowance for credit losses. Operating lease revenue is recognized on a straight-line basis over the lease term. Operating lease revenue includes accretion of origination fees and is net of amortization of origination costs, which are also recognized on a straight-line basis over the lease term as earned. Rental subsidies received from HMA or KUS at the inception of the lease are accounted for as deferred origination fees in Accounts payable and other liabilities and are accreted into revenue over the lease term in proportion to the recognition of operating lease income. Initial direct costs of originating operating leases are deferred and allocated over the lease term in proportion to the recognition of operating lease income. Occasionally, HMA or KUS guarantees a portion of the vehicle's residual value as part of a marketing program to reduce the customer's monthly payment. The guaranty amount is a fixed percentage of the vehicle's value established at origination and is accounted for as a reduction to investment in operating leases. At lease termination, the realized portion of the guaranty is recognized as income and presented net with the gain or loss on disposition of the vehicle in Disposal of investment in operating leases.

A review for impairment of the Company's operating leases is performed whenever events or changes in circumstances indicate that the carrying values may not be recoverable. Generally, an impairment condition is determined to exist if estimated undiscounted cash flows from the use and eventual disposition of the asset are lower than the carrying value. For the purposes of testing for impairment, operating lease assets are grouped at the lowest level the Company can reasonably estimate cash flows. When impairment conditions are met, impairment losses are measured by the amount carrying values exceed their fair values. No impairment charges were recorded for the nine months ended September 30, 2024 and 2023.

Determination of Residual Values for Vehicles Subject to Operating Leases

The Company is exposed to residual risk for vehicles subject to operating leases to the extent the actual amount received upon the sale of vehicles at disposition is lower than the residual value, net of guaranty, estimated at lease inception. The Company initially estimates the residual values at lease inception using external industry guides, which take into account expected economic conditions for the used vehicle market. Periodically, residual values are reviewed to assess the appropriateness of the carrying value of the vehicles. To the extent the estimated fair value at lease termination is lower than the residual value established at lease inception, the residual value of the vehicle is adjusted downward, so that the carrying value at lease-end will approximate the estimated end of term market value. Adjustments are made on a straight-line basis over the remaining terms of the leases and are included in Depreciation expense on operating leases on the Consolidated Statements of Income.

Returned and Repossessed Collateral

Returned and repossessed collateral includes vehicles and real estate property acquired by voluntary return or through repossession/foreclosure for nonpayment of indebtedness. These held for sale assets are generally recorded at fair value less estimated selling expenses. The majority of vehicles are sold through automobile auctions within a short period after repossession. Real estate property is classified as available for sale property and disposal times vary depending upon market demand. Once the collateral has been sold, the net sales proceeds are applied as reduction to net credit losses. If there is a deficiency balance remaining, the cumulative value that was charged off is pursued for recovery.

Allowance for Credit Losses

The allowance for credit losses is the Company's estimate of lifetime credit losses inherent in Finance receivables, net, and probable credit losses inherent in Investment in operating leases, net as of the Consolidated Balance Sheet date. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain.

The allowance for credit losses is estimated using a combination of models and management judgment and is based on factors such as historical trends in credit losses and recoveries (including key metrics such as delinquencies, repossessions, and bankruptcies), the composition of the present portfolio (including vehicle brand, term, and internal risk evaluation), trends in historical and projected used vehicle values, and economic conditions.

The allowance for credit losses on retail finance receivables is calculated under the current expected credit loss ("CECL") standard. Retail finance receivables are categorized as a homogeneous portfolio for the purpose of disclosures in "Notes to Unaudited Consolidated Interim Financial Statements—Note 6—Allowance for Credit Losses and Credit Risk". The retail finance receivables portfolio is primarily comprised of pools of homogenous loans that are evaluated collectively for purposes of calculating the allowance. The Company estimates the allowance for credit losses for retail finance receivables at the portfolio level based on loan characteristics. Retail loans are segmented by origination year and month, customer FICO score (greater than or equal to 680 being prime, below being non-prime), and the designation of the vehicle as either new or used to assess for performance of the portfolio. Credit quality metrics are analyzed by each segment to develop a lifetime allowance for credit losses on retail finance receivables. The allowance is calculated utilizing regression models that correlate loan vintage, credit quality, historical performance, aging of individual accounts, current delinquencies, and macroeconomic variables such as used vehicle price indices and other consumer-related macroeconomic factors. The reasonable and supportable forecast period extends over the life of the underlying assets. Qualitative adjustments considering underwriting quality, collections performance, collateral value, and external factors are applied based on management judgment in cases where the model is not representative of the current environment. Assignment of retail finance receivables to segments is determined at the time of origination.

The allowance for credit losses on investment in operating leases is calculated under the Accounting Standards Codification ("ASC") Subtopic 842-30 and ASC 450 standards. A portion of the Company's operating leases is expected to terminate prior to their scheduled maturities when lessees default on their contractual obligations. Losses are generally realized upon the disposition of the repossessed operating lease vehicles. Operating leases are collectively evaluated to determine the estimated losses incurred. The Company estimates an allowance for credit losses on the net investment in operating leases initially utilizing historic net loss data from the portfolio and applying it to the outstanding investment in operating leases. In cases where historical loss data is not representative of the current environment, qualitative adjustments are used to supplement the allowance to the levels management estimates to be adequate.

Losses on retail finance receivables and investment in operating leases are charged to the allowance for credit losses at the earlier of when an account is deemed uncollectible or over 120 days contractually past due, taking into consideration the value of the collateral. Interest ceases to be earned on accounts that have been charged to the allowance. Subsequent recoveries on finance receivables and investments in operating leases previously charged off are credited to the allowance. Related collateral, if recoverable, is repossessed and sold. For leased assets, proceeds resulting in a gain will be retained by HCA and in the case of a shortfall between proceeds received from the sale of repossessed collateral and the amounts due from customers, the shortfall is charged off and it will trigger collection efforts. For retail contracts, the collateral is generally recorded at fair market value less selling costs upon repossession. Any shortfalls are charged to the allowance. After sale, excess amounts are resolved as recoveries and any remaining shortfalls trigger collection efforts.

The allowance for credit losses on wholesale finance receivables is calculated under the CECL standard. The Company develops an estimate of lifetime credit losses on wholesale finance receivables. For wholesale finance receivables, the Company utilizes an internal risk rating system to evaluate dealer credit risk. Dealers are assigned an internal probability of default based primarily on assessment of their financial condition and historical performance, and other factors. Such credit quality indicators include dealer liquidity and profitability ratios. When assessing the credit quality of the wholesale finance receivables, account balances are categorized into three distinct credit quality indicators based on internal risk assessments: performing, credit watch, and default. Internal risk ratings are explained further in "Notes to Unaudited Consolidated Interim Financial Statements—Note 6—Allowance for Credit Losses and Credit Risk". The internal risk assessments for all wholesale finance receivables are updated monthly.

Wholesale finance receivables where the dealer is currently in default are individually evaluated for impairment. The Company evaluates the expected credit losses on an individual basis if, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the original contractual terms of the loan agreement. Factors such as payment history, compliance with terms and conditions of the underlying loan agreement, and other subjective factors related to the financial stability of the borrower are considered when determining if a loan will be individually evaluated for impairment. The amount of the impairment on wholesale loans individually evaluated equals the difference between the outstanding loan amount and the estimated amount that could be recovered from the underlying collateral. The remaining wholesale finance receivables (not individually evaluated for impairment) are evaluated at the dealer and product level over the life of the underlying asset based upon the Company's internal risk assessment, which contemplates historic loss experience, financial condition of the dealer and current economic indicators.

Losses on wholesale finance receivables individually evaluated for impairment are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the wholesale finance receivables is estimated to be below the carrying value of the receivables. Interest ceases to be earned on wholesale finance receivables generally when the dealer is in default on a loan for greater than 120 days.

Loans generating wholesale finance receivables include off-balance-sheet credit exposures related to the unfunded portion of real estate loans and revolving lines of credit. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via contractual obligations to extend credit unless that obligation is unconditionally cancellable by the entity. The estimate for credit losses on these unfunded commitments is developed under the same methodology for other loans in the wholesale portfolio. The allowance for credit losses on off-balance sheet credit exposures is reflected in the Provision for credit losses in the Consolidated Statement of Income and is recorded in Accounts payable and other liabilities on the Consolidated Balance Sheet.

The allowance for credit losses on finance lease receivables is calculated under the CECL standard. The allowance is measured using the same internal risk rating system as used for wholesale finance receivables. The internally developed probability of default is applied at the dealer level leveraging the same information to evaluate creditworthiness. Account balances are categorized into three distinct credit quality indicators based on internal risk assessments, see "Notes to Unaudited Consolidated Interim Financial Statements—Note 6—Allowance for Credit Losses and Credit Risk." The internal risk assessments for all finance lease receivables are updated on a monthly basis.

Finance lease receivables where the dealer is currently in default are individually evaluated for impairment on an individual dealer basis. Finance lease receivable account balances are considered specifically impaired when, based on current information and events, it is probable the borrower will be unable to make all of their contractual principal and interest payments or if the lease is modified for dealers under reorganization due to a bankruptcy proceeding. Factors such as payment history, compliance with terms and conditions of the underlying finance lease receivable agreement, and other subjective factors related to the financial stability of the dealer are considered when determining if a lease will be individually evaluated for impairment. The amount of the impairment on finance leases individually evaluated equals the difference between the outstanding finance lease receivables amount and the estimated amount that could be recovered from the underlying collateral. The remaining finance lease receivables (not individually evaluated for impairment) are evaluated at the dealer and product level over the life of the underlying asset based upon the Company's internal risk assessment, which contemplates historic loss experience, financial condition of the dealer and current economic indicators.

Losses on finance lease receivables individually evaluated for impairment are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the finance lease receivables is estimated to be below the carrying value of the receivables. Interest ceases to be earned on finance lease receivables generally when the dealer is in default on a loan for greater than 120 days.

As accrued interest receivable is excluded from the amortized cost basis of finance receivables; it is excluded from measurement on the allowance for credit losses. The Company has elected the practical expedient to not measure an allowance for credit losses on accrued interest receivable as the interest receivable is considered to be written off in a timely manner. See below for the Company's non-accrual policies. See "Notes to Unaudited Consolidated Interim Financial Statements—Note 6—Allowance for Credit Losses and Credit Risk" for the amount of accrued interest receivable excluded from the measurement of the allowance for credit losses.

Nonaccrual Policy

Retail finance receivables—

Retail finance receivables are not placed on nonaccrual status when principal or interest is 120 days or more past due. Rather, these receivables are charged off against the allowance for credit losses when payments due are no longer expected to be received or the account is 120 days contractually delinquent, whichever occurs first. Interest accrued, but not collected at the date of charge off, is reversed against Total financing revenue.

Wholesale finance receivables—

Wholesale finance receivables are placed on nonaccrual status if full payment of principal or interest is in doubt, or when principal or interest is 120 days or more past due. Impaired collateral dependent loans are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a receivable is placed on nonaccrual status, is reversed against interest income. Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

Finance lease receivables—

Finance lease receivables are placed on nonaccrual status if full payment of principal or interest is in doubt, or when principal or interest is 120 days or more past due. Impaired collateral dependent receivables are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a receivable is placed on nonaccrual status, is reversed against interest income. Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

Income Taxes

HCA uses the asset-and-liability method of accounting for income taxes, whereby the deferred tax assets and liabilities are determined based on differences between the financial reporting and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences reverse and become deductible.

HCA is included in HMA's consolidated federal income tax return and combined or consolidated income tax returns in certain states. Federal income tax is provided in the consolidated financial statements on a separate-return method. In accordance with the tax sharing agreement between HCA and HMA, to the extent that HCA has net operating losses ("NOLs"), the current benefit is provided to HCA up to the amount that can be utilized by HMA. For states where a combined or consolidated income tax return is filed, state income taxes are allocated to HCA based upon the relative apportionment factors and income in those states. Current federal and state income taxes receivable or payable, which are included in Due from affiliates, are settled on an annual basis.

In accordance with the provisions of Financial Accounting Standards Board ("FASB") ASC 740-10, Income Taxes - Overall, the Company recognizes the effect of uncertain income tax positions only if those positions have a probability of more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest related to unrecognized tax benefits and penalties through the income tax provision.

The Company accounts for the EV tax credits under the deferral method permissible under ASC 740-10-25-45, which allows for recognition of the benefit over the life of the underlying revenue-generating asset.

Derivatives

The Company enters into interest rate and foreign exchange derivative agreements to reduce the exposure to market risks from changing interest rates and foreign currency exchange rates. The interest rate instruments are used to economically hedge interest rate exposure on floating rate debt, and the currency exchange agreements are used to manage the currency exposure on foreign denominated debt. For derivatives the Company has elected not to apply hedge accounting to, the fair value changes in the interest rate and currency exchange agreements are included in Other revenue on the Consolidated Statements of Income. For derivatives the Company has elected to apply hedge accounting to, the fair value changes in the interest rate and currency exchange agreements are included in Accumulated other comprehensive income on the Consolidated Balance Sheets. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period.

Variable Interest Entities

A variable interest entity ("VIE") is an entity that either (i) has insufficient equity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The Company is the primary beneficiary when it is determined that the Company has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive residual returns that could potentially be significant to the VIE.

(i) On-Balance-Sheet Securitization Trusts

HCA uses several special-purpose entities that are considered VIEs to issue asset-backed securities ("ABS") to third-party, bank-sponsored, asset-backed securitization vehicles and to investors in securitization transactions. The securities issued by these VIEs are backed by the cash flows from retail and wholesale finance receivables and investment in operating leases (the Assets) that have been transferred to the VIEs. Although the transferred assets have been legally sold to the VIEs, HCA holds variable interests in the VIEs that are expected to absorb expected losses, receive the expected residual returns, or both. The Company determined that HCA is the primary beneficiary of the securitization entities because (i) HCA's servicing responsibilities for the transferred receivables give them the power to direct the activities that most significantly impact the performance of the VIEs and (ii) HCA's variable interests in the VIEs give them the obligation to absorb losses and the right to receive residual returns that could potentially be significant.

The cash held by the Company on behalf of the VIE is classified as Restricted cash on the Consolidated Balance Sheets. The assets of the VIEs and the restricted cash held by HCA serve as the sole source of repayment for the asset-backed securities issued by these entities. Investors in the notes issued by the VIEs do not have recourse to HCA's general credit, with the exception of customary representation and warranty repurchase provisions and indemnities.

As the primary beneficiary of these entities, HCA is exposed to credit, interest rate, and prepayment risk from the receivables transferred to the VIEs. However, HCA's exposure to these risks did not change as a result of the transfer of the assets to the VIEs. HCA may also be exposed to interest rate risk arising from the secured notes issued by some of the VIEs.

The transfers of the receivables to the special-purpose entities in HCA's securitizations are considered to be sales for legal purposes. However, the securitized assets and the related debt remain on HCA's Consolidated Balance Sheets. The Company recognizes financing revenue on the pledged receivables and interest expense on the secured debt issued by the entities. The Company also maintains an allowance for credit losses on the pledged receivables to cover probable credit losses estimated using a methodology consistent with that used for the nonsecuritized loan portfolio. The interest rate instruments are consolidated within HCA's consolidated financial statements.

(ii) Off-Balance-Sheet Securitization Trusts

The Company periodically has transactions involving an off-balance-sheet securitization trust. The trust is created from an ABS transaction and the subsequent sale of the residual interest certificates in the assets of the trust. The Company continues to service the assets held by the VIE. As of September 30, 2024 and September 30, 2023, the Company did not have any off-balance-sheet securitization trusts.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management of the Company to make several estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The accounting estimates that are most significant to the Company's business are the allowance for credit losses and the determination of residual value of vehicles subject to operating leases as well as estimates related to the fair value of investment securities.

Results of Operations

Comparison of Nine Months Ended September 30, 2024 and 2023

The following table shows summarized changes in financing revenue, expense and other income statement data for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	% Change 2024 to 2023
	(dollars in thousands)		
Income Statement Data:			
Financing revenue			
Operating leases	$ 2,842,608	$ 2,514,139	13.1 %
Retail	1,921,944	1,327,198	44.8
Wholesale	259,437	133,139	94.9
Finance Lease	3,581	1,329	169.5
Total financing revenue	5,027,570	3,975,805	26.5
Depreciation on operating leases	1,901,369	1,857,650	2.4
Interest expense	2,114,971	1,292,316	63.7
Total depreciation and interest expense	4,016,340	3,149,966	27.5
Net financing revenue	1,011,230	825,839	22.4
Other revenue (loss)	278,070	205,103	35.6
Total net financing margin and other revenue	1,289,300	1,030,942	25.1
Expenses			
Operating expenses	451,752	442,593	2.1
Provision for credit losses	334,595	268,030	24.8
Total expenses	786,347	710,623	10.7
Income before provision for income taxes	502,953	320,319	57.0
Provision for income taxes	119,227	70,558	69.0
Net income	$ 383,726	$ 249,761	53.6 %

Total Financing Revenue

- Operating leases revenue increased $328.5 million, or 13.1%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase primarily resulted from a 22.9% year-over-year increase in investment in operating lease portfolio. Investment in operating leases, net of depreciation and allowance for credit losses, increased to $20.8 billion at September 30, 2024 from $16.0 billion at September 30, 2023. The number of operating lease vehicles active in the portfolio at September 30, 2024 was 734,239 compared to 654,672 at September 30, 2023.

- Retail finance revenue increased $594.7 million, or 44.8%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase was due to a 13.0% year-over-year increase in retail receivables from portfolio growth and higher market interest rates. Retail receivables net of yield maintenance subvention increased to $41.4 billion at September 30, 2024 from $36.6 billion at September 30, 2023.

- Wholesale finance revenue increased $126.3 million, or 94.9%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase primarily resulted from higher market interest rates and an increase in outstanding wholesale finance receivables from higher dealer inventory levels and the addition of new dealers financed. Wholesale finance receivables increased to $5.7 billion at September 30, 2024 from $2.9 billion at September 30, 2023, while the average prime was 8.5% in the nine months ended September 30, 2024 and 8.1% in the nine months ended September 30, 2023.

- Finance Lease revenue increased $2.3 million, or 169.5% for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The number of finance lease receivables in the portfolio at September 30, 2024 was 475 compared to 162 at September 30, 2023.

Depreciation on Leased Vehicles

Depreciation on leased vehicles increased $43.7 million, or 2.4%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase resulted from a 22.9% year-over-year increase in investment in operating leases in the portfolio, partially offset by higher EV tax credit reduction to depreciation expense.

Interest Expense

Interest expense increased $822.7 million, or 63.7%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase resulted from 25.3% year-over-year growth in debt to support asset growth and higher average interest rates on outstanding debt. Outstanding debt increased to $61.3 billion at September 30, 2024 from $48.9 billion at September 30, 2023.

Other Revenue

Other revenue increased $73.0 million, or 35.6%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 driven by a one-time Hyundai/Genesis complementary maintenance product termination fee from HMA, interest income earned on cash and restricted cash, and growth in the insurance business, partially offset by lower gains on the disposal of operating leases.

Operating Expenses

Operating expenses increased $9.2 million, or 2.1%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, primarily due to higher remarketing and collection expenses and an increase in employee headcount to support asset growth, partially offset by lower marketing expenses in 2024.

Provision for Credit Losses

Provision for credit losses, which covers finance receivables and investments in operating leases, increased $66.6 million, or 24.8%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase was driven by growth across all portfolios partially offset by model update for retail receivable and investment in operating leases portfolios from less sensitivity in macroeconomics and improved historical performance.

Provision for Income Taxes

Provision for income taxes increased $48.7 million, or 69.0%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The effective tax rate was 23.7% and 22.0% for the nine months ended September 30, 2024 and 2023, respectively. The effective tax rate differed from the federal statutory rate of 21% primarily as a result of state income tax for the nine months ended September 30, 2024 and 2023.

Balance Sheet, Liquidity and Capital Resources

The following table presents summarized balance sheet data as of September 30, 2024 and 2023:

	September 30, 2024	September 30, 2023	% Change 2024 to 2023
	(dollars in thousands)		
Balance Sheet Data:			
Finance receivables, net			
Retail	$ 41,388,287	$ 36,630,856	13.0 %
Wholesale	5,679,359	2,944,557	92.9
Finance Lease	37,545	13,383	180.5
Total finance receivables	47,105,191	39,588,796	19.0
Allowance for credit losses	(724,213)	(656,476)	10.3
Total finance receivables, net	$ 46,380,978	$ 38,932,320	19.1
Investments in operating leases, net			
Vehicles and initial direct costs	$ 24,328,257	$ 19,801,242	22.9
Accumulated depreciation	(3,452,275)	(3,737,190)	(7.6)
Allowance for credit losses	(69,905)	(78,149)	(10.5)
Total investment in operating leases, net	$ 20,806,077	$ 15,985,903	30.2
Total assets	$ 73,311,230	$ 59,831,078	22.5
Total debt, net	$ 61,330,600	$ 48,929,738	25.3
Total liabilities	$ 66,955,251	$ 53,903,620	24.2
Total shareholders' equity	$ 6,355,979	$ 5,927,458	7.2
Total liabilities and shareholders' equity	$ 73,311,230	$ 59,831,078	22.5 %
Other Financial Data:			
Net Income to Total Assets ratio (1)	0.7%	0.6%	
Net Income to Equity ratio (1)	8.0%	5.6%	
Loss to Receivables ratio (1)(2)	0.8%	0.7%	
Allowance for Credit Losses to Finance Receivables ratio (3)	1.5%	1.7%	
Allowance for Credit Losses to Investment in Operating Leases ratio (4)	0.3%	0.5%	

(1) All ratios have been annualized.
(2) Calculated based on net charge-offs divided by the average amount of receivables outstanding, excluding the allowance for credit losses, unearned interest supplements and other deferred items related to finance receivables.
(3) Calculated based on allowance for credit losses related to finance receivables divided by total finance receivables.
(4) Calculated based on allowance for credit losses related to operating leases divided by total net investment in operating leases, excluding the allowance for credit losses.

Finance Receivables, net

Finance receivables, net increased $7.4 billion, or 19.1%, at September 30, 2024 compared to September 30, 2023. The increase was attributable to an increase across all finance receivable categories. The number of retail loans active in the portfolio at September 30, 2024 was 1,860,592 compared to 1,653,372 at September 30, 2023. The increase in outstanding wholesale finance receivables is from higher dealer inventory levels and the addition of new dealers financed in 2024. The ratio of allowance for credit losses to total finance receivables decreased to 1.5% at September 30, 2024 from 1.7% at September 30, 2023.

Investment in Operating Leases, net

Investment in operating leases, net increased $4.8 million, or 30.2%, at September 30, 2024 compared to September 30, 2023. The increase was primarily due to a higher number of active operating lease vehicles in the portfolio, as well as higher average lease balances driven by increased acquisition costs. The number of operating lease vehicles active in the portfolio at September 30, 2024 was 734,239 compared to 654,672 at September 30, 2023. The ratio of allowance for credit losses to total investment in operating leases was 0.3% at September 30, 2024 compared to 0.5% at September 30, 2023.

Funding Sources and Liquidity

Liquidity risk is the risk relating to our ability to meet our financial obligations when they come due. Our liquidity strategy is to fund current and future obligations through expanding our ability to access capital in a cost-effective manner. HCA's funding strategy incorporates investor diversification and the utilization of multiple funding sources including raising funds via global capital markets, affiliate loans, credit facilities and from our balance sheet.

Commercial Paper

HCA has a $4.0 billion commercial paper program to support the overall growth of our business and also to meet short-term working capital requirements. At September 30, 2024, approximately $2.5 billion was outstanding under this program with a weighted average interest rate of 5.0%. The notes issued under this program are backed by the support agreement (as defined below). See "Certain Relationships and Related Transactions—Support Agreement" in the Offering Memorandum.

Revolving Lines of Credit and Term Loans

HCA utilizes committed revolving lines of credit and term loans to meet working capital requirements. We maintain relationships with a variety of global banking partners to ensure liquidity. Interest on our revolving lines of credit and term loans is generally based upon a floating benchmark rate (typically SOFR) plus a fixed spread. As of September 30, 2024, HCA had drawn $0 against our total revolving lines of credit capacity of $7.1 billion and had $0.6 billion outstanding in term loans.

Asset-Backed Conduits

HCA's financing transactions with bank-sponsored asset-backed commercial paper conduits and other financial institutions consist of bankruptcy-remote, special-purpose entities (warehouse facilities) to which we transfer finance receivables and lease assets that are pledged as collateral for debt issued by the special-purpose entities. Interest rates on the debt are generally based upon a floating benchmark rate (such as the commercial paper index rate or SOFR) plus a fixed spread. HCA generally engages in interest rate derivative instrument transactions to manage the risk related to floating interest rates. See "Notes to Unaudited Consolidated Interim Financial Statements—Note 13—Derivatives" for more information on our derivatives transactions. As of September 30, 2024, we had outstanding debt of $9.5 billion through asset-backed conduits against total borrowing capacity of $15.2 billion.

Asset-Backed Securitizations

HCA regularly securitizes and sells pools of its receivable and lease assets through ABS transactions, including securities that it retains. Pursuant to these transactions, assets are sold to a special-purpose entity ("SPE") which has been established for the limited purpose of buying and reselling the Company's receivables. The SPE then transfers the same receivables to a trust that issues notes to investors. The notes are predominantly fixed rate and are structured to amortize on a monthly basis according to the cash collections on the underlying receivables. Our securitizations are structured to provide credit enhancements to reduce the risk of loss to security holders and other interest holders in the ABS. The aforementioned credit enhancements include overcollateralization (when the principal amount of the securitized assets exceeds the principal amount of related ABS), segregated cash reserve funds, subordinated securities and excess spread (when interest collections on the securitized assets exceed the related fees and expenses, including interest payments on the related ABS). We service the securitized receivables in accordance with our customary servicing practices and procedures, and servicing duties include collecting payments on receivables and submitting them to a trustee for distribution to security and other interest holders. We prepare monthly servicer certificates on the performance of the receivables, including collections, investor distributions, delinquencies and credit losses. These securitizations are structured legally as sales; however, the finance receivables remain on the balance sheet. HCA recognizes financing revenue on the pledged receivables and interest expense on the secured debt issued by the securitization trusts. During the nine months ended September 30, 2024, HCA executed five ABS transactions, which securitized $8.2 billion of finance receivables and leases. During the nine months ended September 30, 2023, HCA executed five ABS transactions, which securitized $7.7 billion of finance receivables and leases. As of September 30, 2024, HCA had $13.4 billion in outstanding obligations related to ABS transactions. HCA generally retains ownership of the asset-backed trust's residual interest certificates and the assets and debt held by the trust are included in our financial results. Investors in ABS do not have recourse to our other assets, and HCA does not guarantee the obligations issued by any securitization trust. We are not required to repurchase receivables from the trusts that become delinquent or default after securitization. As seller and servicer of the receivables, we are required to repurchase receivables that are subsequently discovered not to have met specified eligibility requirements.

Senior Unsecured Notes

As of September 30, 2024, HCA had $30.4 billion in obligations related to outstanding bond issuances. All bonds outstanding as of September 30, 2024 are backed by the support agreement. See "Certain Relationships and Related Transactions—Support Agreement" in this Offering Memorandum. On March 13, 2015, we established a private U.S. medium term note program (the "MTN program"), through which notes may be offered and sold pursuant to Rule 144A or Regulation S under the Securities Act. Under the original MTN program, we were authorized to issue up to $4.0 billion aggregate principal amount of notes with original maturities of one year or more. In June 2016, we increased the size of the program from $4.0 billion to $12.0 billion, and in May 2019, we increased the size of the program to $40.0 billion. In August 2023, we revised the size of the program to $60.0 billion aggregate principal amount at any time outstanding. During the nine months ended September 30, 2024, the Company issued $10.7 billion aggregate principal amount of senior unsecured notes under the MTN program.

Affiliate Borrowings

HCA administers the North America Cash Management fund ("NACM") for HMC's affiliates in the United States. Affiliate companies may deposit cash into the fund or borrow from it. Excess cash held by the fund is used to fund short term borrowing needs of the affiliate companies that participate. Deposits to the fund from affiliate companies are classified as affiliate borrowings and are included in the debt section of the balance sheet. Loans from the fund to affiliate companies are classified as due from affiliates, net. As of September 30, 2024, deposits from affiliate companies included in debt were $2.3 billion. HCA also enters into separate intercompany borrowing agreements with affiliated companies. These loan agreements can range from two months to two years and generally are renewed at maturity. The interest rates of these loans are generally fixed or floating, which consist of a benchmark rate (such as the SOFR or Commercial Paper index rate) plus a fixed spread. As of September 30, 2024, the principal balance outstanding for the agreements separate from NACM was $2.7 billion.

Support Agreement

Pursuant to a support agreement with HMC, dated as of August 22, 2012, as amended by the Amendment to Support Agreement, dated as of August 9, 2024 (the "support agreement"), HMC has agreed to: (1) directly or indirectly through its controlled subsidiaries and entities subject to joint control, own one hundred percent (100%) of the issued and outstanding shares of our stock; (2) cause us and our subsidiaries to have a positive consolidated tangible net worth, as determined in accordance with U.S. GAAP and as shown on our most recent audited annual Consolidated Balance Sheet; and (3) ensure that we have sufficient liquidity to meet our payment obligations under any of our borrowed money under any loan agreements, bonds, debentures, notes and other debt securities ("Debt") in accordance with terms thereof. The support agreement may be terminated by either us or HMC and may be modified or amended by written agreement between HCA and HMC, in each case, with 30 days prior written notice, with a copy of such notice to each rating agency that rates our Debt. However, so long as we have any outstanding Debt, no such action will be effective with respect to such Debt if it would constitute a default unless (i) each affected holder of such Debt (or, in the case of Debt issued or incurred pursuant to documentation that permits the support agreement to be terminated, modified or amended with the consent of less than all of the holders of such Debt, the requisite holders of such Debt) otherwise consents in writing or (ii) with respect to Debt that is rated by one or more rating agencies, each such rating agency confirms in writing that the ratings it assigned to such Debt will not be withdrawn or reduced by reason of the proposed action.

The support agreement is not, and nothing done pursuant to the support agreement by HMC shall be deemed to constitute, a guarantee by HMC of any of the notes offered hereby, or other obligation, indebtedness or liability of any kind or character of HCA whatsoever. See "Certain Relationships and Related Transactions—Support Agreement" in the Offering Memorandum.

Maturity of Borrowings

The expected maturity of our borrowings as of September 30, 2024 was:

Maturity Schedule	Within 1 year	1 ~ 2 years	2 ~ 3 years	3+ years	Total
	(dollars in thousands)				
Commercial Paper	$ 2,529,797	$ -	$ -	$ -	$ 2,529,797
Revolving Lines of Credit and Term Loans	200,000	400,000	-	-	600,000
Asset Backed Loans and Conduits	1,129,567	3,443,397	2,514,849	2,416,865	9,504,678
Asset Backed Securitization	425,311	2,147,268	6,235,364	4,552,279	13,360,222
Senior Unsecured Notes	2,749,302	8,144,574	6,592,729	12,930,308	30,416,913
Affiliate Borrowings	5,042,900	-	-	-	5,042,900
Less: unamortized debt issuance cost	43,456	28,759	20,775	30,920	123,910
Total	$ 12,033,421	$ 14,106,480	$ 15,322,167	$ 19,868,532	$ 61,330,600

For the nine months ended September 30, 2024 and 2023, gross proceeds from the issuance of debt and affiliate borrowings (excluding net changes in NACM) were $69.2 billion and $77.2 billion, respectively. For the nine months ended September 30, 2024 and 2023, gross repayments on debts and affiliate borrowings (excluding net changes in NACM) were $61.4 billion and $69.4 billion, respectively. See "Notes to Unaudited Consolidated Interim Financial Statements—Note 7—Debt" for further details of our borrowings.

Lease Commitments

The Company is party to lease agreements ranging from four to twelve years for the headquarters facility in Irvine, California, as well as regional offices in Georgia, Texas and California. In October 2023, the Company executed a sublease agreement with HMA for office space at the Plano, Texas facility. In April 2024, the Company executed a lease amendment for headquarters facility in Irvine, California adding an additional annex space.

The Company's leases contain one or more options to extend. The Company includes options that are reasonably certain to be exercised in evaluating the lease term after considering all relevant economic and financial factors. The right-of-use assets in operating lease arrangements are presented in Other assets on the Company's Consolidated Balance Sheet. See "Notes to Unaudited Consolidated Interim Financial Statements—Note 14—Other Assets" for additional information.

The Company does not separate the non-lease components from the lease components to which they relate. The Company calculated the initial lease liability as the present value of fixed payments not yet paid using the incremental borrowing rate. Operating lease liabilities are reported in Accounts payable and other liabilities on the Company's Consolidated Balance Sheet. Variable payments are included in the lease liability if they are based on a market rate or an index (e.g., CPI). Variable payments that do not meet this criterion are expensed as incurred. Lease payments associated with short-term lease contracts are expensed as incurred. See "Notes to Unaudited Consolidated Interim Financial Statements—Note 16—Accounts Payable and Other Liabilities" for additional information.

As of September 30, 2024 and December 31, 2023, the weighted average lease term for the operating lease liabilities was 4.76 years and 5.07 years, respectively, and the weighted average discount rate was 3.23% and 3.15%, respectively. The straight-line operating lease costs incurred as a reduction to right-of-use assets amounted to $8.5 million and $8.4 million for the nine months ended September 30, 2024 and 2023, respectively. The variable lease costs incurred amounted to $1.9 million and $1.9 million for the nine months ended September 30, 2024 and 2023, respectively. The right-of-use assets obtained in exchange for operating lease liabilities amounted to $1.9 million and $1.4 million, for the nine months ended September 30, 2024 and 2023, respectively.

The Company's income from sublease activity of its Newport Beach, California facility amounted to $0.8 million and $0.7 million for the nine months ended September 30, 2024 and 2023, respectively. The Company's income from sublease activity of its Plano, Texas facility amounted to $0.3 million for the nine months ended September 30, 2024.

Rental expense is recognized on a straight-line basis over the lease term. For the nine months ended September 30, 2024 and 2023, total rental expense, including payments to affiliates for the headquarters as well as regional offices and temporary office spaces, was $9.9 million and $9.8 million, respectively.

Line of Credit Commitments

At September 30, 2024 and 2023, the Company had commitments to make available an additional $2.3 billion and $3.2 billion, respectively, of wholesale inventory financing to dealers.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and subsequent amendments. The new guidance replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB issued ASU No. 2019-10—Financial Instruments—Credit Losses (Topic 326): Effective Dates to defer the effective date from January 1, 2022 to January 1, 2023. The Company adopted this guidance using the modified retrospective approach as of January 1, 2023. The adoption of the guidance resulted in a decrease to Finance receivables, net of $(259.8) million, an increase to Accounts payable and other liabilities of $0.4 million, an increase to Accumulated other comprehensive income of $0.5 million, a decrease to Net deferred tax liabilities of $(49.7) million, and a decrease to Retained earnings of $(211.0) million on the Company's Consolidated Balance Sheet. The Company changed its financial statement disclosures resulting from adoption of the guidance.

In July 2021, the FASB issued ASU No. 2021-05, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments. The new guidance amends the lease classification requirements for lessors to align them with practice under Topic 840. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2022. The Company adopted this guidance on January 1, 2023. The adoption of the guidance did not have an impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In October 2023, the FASB issued ASU No. 2023-06, Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. The new guidance modifies disclosure and presentation requirements of a variety of Topics in such codification. The amendments under this update are effective for the Company in fiscal periods starting two years after SEC's removal of the related disclosure from Regulation S-X or Regulation S-K. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements and financial statement disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. The new guidance outlines revisions to disclosure requirements for income tax information. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2025. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements and financial statement disclosures.

Market Risk

Credit Risk

We are exposed to credit risk on our retail, lease and wholesale portfolios. Credit risk is the risk of loss arising from the failure of a customer or dealer to meet the terms of any contract with us or otherwise failing to perform as agreed. Credit risk is concentrated in our retail and lease portfolios as our wholesale portfolio constitutes 7.7% of our overall assets as of September 30, 2024 and 4.9% of our overall assets as of September 30, 2023. The level of credit risk is influenced primarily by two factors: the total number of contracts that experience default and the amount of loss per occurrence, which in turn are influenced by various economic factors, underwriting standards and the obligors' characteristics.

Among the economic factors that affect credit risk are unemployment, consumer debt service burden, personal income growth, dealer profitability and used vehicle prices. We analyze these trends and make adjustments to the overall level of our credit loss reserves in an attempt to protect us from future losses. Changes in used vehicle prices directly affect the amount of proceeds we receive from sales of repossessed vehicles and, thus, the level of loss severity we experience. The supply of and demand for used vehicles, interest rates, inflation, the level of manufacturer incentives on new vehicles, and general economic outlook are some of the factors affecting the used vehicle market.

Underwriting standards have a major impact on credit risk. In purchasing retail and lease contracts, we use a proprietary credit scoring algorithm that classifies contracts using several factors such as credit bureau data, customer credit characteristics and proposed terms of the retail installment sale contract. In addition to our proprietary scoring system, we consider other factors, such as employment history, financial stability and capacity to pay.

As of September 30, 2024, 1.6% of our retail finance and 0.5% of the lease contracts outstanding in our owned portfolio had FICO® scores below 620 at contract inception. This includes contracts made pursuant to special programs, such as college graduate programs, repeat customer programs, cosigner programs and loans with a strong equity position. A change in the mix of contracts purchased at various credit tiers may potentially impact the amount of credit risk we assume. An increase in the number of contracts purchased with lower FICO® scores can increase the amount of credit risk, and an increase in the number of contracts purchased with higher FICO® scores can lower credit risk. An increase in the mix of contracts with lower FICO® scores can potentially increase credit and operating risk; therefore, appropriate controls and procedures have been established. We manage our collection and servicing efforts based on purchase and portfolio quality and strive to maintain a consistent mix of contracts in the various FICO® ranges and to price contracts based on the risk to achieve a reasonable return on investment.

FICO® Band	Retail: Average FICO® (1)(2)	Retail: % of Portfolio (1)(2)	Lease: Average FICO® (1)(2)	Lease % of Portfolio
>=680	775	82.85%	783	91.62%
620-679	652	15.54%	656	7.92%
<=619	596	1.61%	596	0.45%

(1) Active accounts in HCA's owned portfolio at September 30, 2024.
(2) The information in this table is based upon the actual FICO® score of the customer at time of origination. FICO® scores are calculated excluding accounts for which no FICO® score is available and/or valid.

When customers purchase vehicles in the name of a business, the credit process differs from the procedures described above. Eligible businesses include corporations, partnerships, sole proprietorships, limited liability companies, trusts, nonprofit organizations and state and local government agencies. In addition to financial statements and tax returns, a consumer credit report or commercial credit report from credit bureaus is used depending on the credit structure selected during underwriting of a credit request. A personal guarantee is often obtained for credit enhancement. As of September 30, 2024, the principal amount outstanding on retail and lease contracts with businesses was $520.6 million.

The level of credit risk in our wholesale portfolio is influenced primarily by the financial strength of dealers within our portfolio, dealer concentration, collateral quality and other economic factors. The financial strength of dealers within our portfolio is influenced by general macroeconomic conditions, the overall demand for new and used vehicles, and the financial condition of automotive manufacturers, among other factors. An increase in credit risk would increase our provision for credit losses, which would have a negative impact on our operating results and financial condition.

HCA relies on stringent underwriting guidelines as well as sophisticated credit scoring models to assess and measure risk prior to extending credit. Additionally, HCA's commercial risk team conducts monthly portfolio reviews on a deal-by-deal basis to proactively identify and mitigate credit risk in the portfolio.

Residual Risk

We are exposed to residual risk, which is the risk that the value of a vehicle returned to us at the end of lease term will be below the contract residual value. Residual risk is affected by several factors, including among others the used vehicle market, new vehicle sales and incentives, fuel prices, our initial residual value estimates and our remarketing strategies. Residual value losses on matured leased vehicles may be partially offset by residual value support from HMA and KUS.

We establish initial residual values at lease inception based on values supplied to us by a third party. Used vehicle prices may decline unexpectedly, whether because of general economic conditions, an increased supply of used vehicles, a decrease in new vehicle transaction prices, or changes in consumer behavior and preferences. These declines are difficult to predict, but can impact our exposure to residual risk. Residual values are reviewed to assess the appropriateness of the carrying value of the vehicles. To the extent the estimated fair value at lease termination is lower than the residual value established at lease inception, the residual value of the vehicle is adjusted downward so that the carrying value at lease-end will approximate the estimated end of term market value.

In addition, our ability to efficiently process and effectively remarket off-lease vehicles affects our disposal costs and the proceeds we are able to realize from off-lease vehicle sales. HMA and KUS may influence the market for off-lease Hyundai and Kia vehicles by offering incentives on new vehicles and programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of new Hyundai and Kia vehicles (referred to as "pull ahead" programs) or by making increased fleet sales to rental car companies. Hyundai and Kia also indirectly affect our residual values by influencing brand image and consumer preference for Hyundai and Kia vehicles ultimately impacting values in the used car market.

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 us. We rely on internal and external information and technological systems to manage our operations and, therefore, are exposed to risk of loss resulting from potential failures of these systems. In order to monitor and manage operational risk, we maintain a framework of internal controls designed to provide a sound operational environment. We strive to maintain appropriate levels of operational risk relative to our business strategies, competitive and regulatory environment and markets in which we operate. Notwithstanding these control measures, we remain exposed to operational risk, but our approach to operational risk management is intended to mitigate losses arising from operational risk.

Foreign Currency Risk

From time to time, we may issue debt securities denominated in foreign currencies and may have a limited amount of short-term trade payables denominated in foreign currency. As of September 30, 2024, substantially all of our assets and obligations were denominated in U.S. dollars, and we did not have any foreign currency exposure. See "—Critical Accounting Policies—Derivatives."

SUPPLEMENTAL PLAN OF DISTRIBUTION

The Company has appointed each of Banco Santander, S.A., Barclays Bank PLC, BNP PARIBAS, BofA Securities Europe SA, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, Merrill Lynch International, Mizuho International plc, MUFG Securities EMEA plc, RBC Europe Limited, Scotiabank (Ireland) Designated Activity Company, SMBC Bank International plc, Société Générale, TD Global Finance unlimited company, The Toronto-Dominion Bank and Wells Fargo Securities International Limited as additional agents under the Program, subject to the Private Placement Agency Agreement, dated as of March 13, 2015.

INDEX TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

HYUNDAI CAPITAL AMERICA

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Financial Statements

September 30, 2024 and December 31, 2023

(With Independent Auditors' Report Thereon)

Independent Auditors' Review Report

The Board of Directors
Hyundai Capital America:

Results of Review of Consolidated Interim Financial Information

We have reviewed the consolidated financial statements of Hyundai Capital America, a majority-owned subsidiary of Hyundai Motor America, and its subsidiaries (the Company), which comprise the consolidated balance sheet as of September 30, 2024, the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2024 and 2023, the consolidated statement of shareholders' equity for the nine-month period ended September 30, 2024, the consolidated statements of cash flows for the nine-month periods ended September 30, 2024 and 2023, and the related notes (collectively referred to as the consolidated interim financial information).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in accordance with U.S. generally accepted accounting principles.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of consolidated interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our reviews. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Consolidated Interim Financial Information

Management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with U.S. generally accepted accounting principles and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Consolidated Balance Sheet as of December 31, 2023

We have previously audited, in accordance with GAAS, the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 14, 2024. In our opinion, the accompanying consolidated balance sheet of the Company as of

December 31, 2023 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Irvine, California
November 6, 2024

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Balance Sheets

(Dollar amounts in thousands, except share data)

(Unaudited – See accompanying independent auditors' review report)

Assets		**September 30, 2024**	**December 31, 2023**
Cash and cash equivalents	$	558,552	557,295
Restricted cash		816,187	852,229
Investments (note 3):			
Available-for-sale		574,290	469,955
Equity		43,223	38,467
Other		9,779	6,890
Finance receivables, net of allowance of $724,213 and $698,750, respectively (note 4)		46,380,978	41,974,550
Investment in operating leases, net (note 5)		20,806,077	16,468,996
Due from affiliates, net (note 8)		1,849,525	1,350,897
Derivative assets (note 13)		635	179
Returned and repossessed collateral		238,704	153,991
Other assets (note 14)		2,033,280	1,563,939
Total assets	$	73,311,230	63,437,388
Liabilities and Shareholders' Equity			
Liabilities:			
Debt, net (note 7)	$	61,330,600	52,222,175
Net deferred tax liabilities (note 9)		2,433,759	2,560,500
Derivative liabilities (note 13)		37,724	8,662
Accounts payable and other liabilities (note 16)		3,153,168	2,662,182
Total liabilities		66,955,251	57,453,519
Commitments and contingent liabilities (note 11)			
Shareholders' equity:			
Common stock, no par value. Authorized, 5,000,000 shares; issued and outstanding, 1,940,065 shares		1,525,000	1,525,000
Accumulated other comprehensive loss		(27,219)	(15,603)
Retained earnings		4,858,198	4,474,472
Total shareholders' equity		6,355,979	5,983,869
Total liabilities and shareholders' equity	$	73,311,230	63,437,388

The following table presents the assets and liabilities related to the consolidated variable interest entities. These assets and liabilities are included in the Consolidated Balance Sheets presented above. Refer to note 10 for additional information.

		September 30, 2024	**December 31, 2023**
Restricted cash	$	783,849	774,141
Finance receivables, net		8,893,022	8,867,246
Investment in operating leases, net		6,940,197	5,883,762
Other assets		35,931	30,283
Total assets	$	16,652,999	15,555,432
Debt, net	$	13,324,946	11,855,763
Other liabilities		27,988	22,042
Total liabilities	$	13,352,934	11,877,805

See accompanying notes to consolidated financial statements.

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Statements of Income

(Dollar amounts in thousands)

(Unaudited – See accompanying independent auditors' review report)

		Three months ended September 30,		Nine months ended September 30,	
		2024	**2023**	**2024**	**2023**
Financing revenue:					
Operating leases	$	1,003,216	847,604	2,842,608	2,514,139
Retail		668,832	501,056	1,921,944	1,327,198
Wholesale		98,400	51,767	259,437	133,139
Finance Lease		1,230	851	3,581	1,329
Total financing revenue		1,771,678	1,401,278	5,027,570	3,975,805
Depreciation on operating leases		652,034	627,930	1,901,369	1,857,650
Interest expense		763,927	512,189	2,114,971	1,292,316
Net financing revenue		355,717	261,159	1,011,230	825,839
Other revenue:					
Disposal of investment in operating leases		32,253	47,062	115,874	126,508
Vehicle service contracts revenue, net (note 15)		12,751	9,806	34,734	27,244
Other revenue, net		31,579	17,790	127,462	51,351
Total net financing margin and other revenue		432,300	335,817	1,289,300	1,030,942
Expenses:					
Operating expenses		153,229	136,365	451,752	442,593
Provision for credit losses (note 6)		109,960	139,355	334,595	268,030
Total expenses		263,189	275,720	786,347	710,623
Income before provision for income taxes		169,111	60,097	502,953	320,319
Provision for income tax (note 9)		42,622	8,632	119,227	70,558
Net income	$	126,489	51,465	383,726	249,761

See accompanying notes to consolidated financial statements.

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Statements of Comprehensive Income

(Dollar amounts in thousands)

(Unaudited – See accompanying independent auditors' review report)

		Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Net income	$	126,489	51,465	383,726	249,761
Other comprehensive income (loss), net of tax:					
Unrealized holding gains (losses):					
Unrealized holding gains (losses) arising during the period on derivative hedging instruments		(44,872)	1,222	(28,605)	(1,113)
Unrealized holding gains (losses) arising during the period on available-for-sale investments		16,318	(4,470)	15,122	(3,110)
Reclassification adjustment for net (gains) losses on available-for-sale investments included in Other revenue, net		10	—	(1,676)	—
		(28,544)	(3,248)	(15,159)	(4,223)
Income tax expense related to unrealized holding (gains) losses:					
Income tax expense related to unrealized holding (gains) losses on derivative hedging instruments		10,292	(281)	6,560	256
Income tax expense related to unrealized holding (gains) losses on available for sale investments		(3,663)	1,005	(3,401)	700
Tax effect due to reclassification adjustment on available-for-sale investments		(2)	—	384	—
Other comprehensive losses		(21,917)	(2,524)	(11,616)	(3,267)
Comprehensive income		104,572	48,941	372,110	246,494

See accompanying notes to consolidated financial statements.

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Statements of Shareholders' Equity

(Dollar amounts in thousands, except share data)

(Unaudited – See accompanying independent auditors' review report)

	Common stock		Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
	Shares	Amount			
Balance at December 31, 2023	1,940,065	$ 1,525,000	(15,603)	4,474,472	5,983,869
Issuance of common stock	—	—	—	—	—
Net income	—	—	—	383,726	383,726
Other comprehensive loss, net of tax	—	—	(11,616)	—	(11,616)
Balance at September 30, 2024	1,940,065	$ 1,525,000	(27,219)	4,858,198	6,355,979

See accompanying notes to consolidated financial statements.

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Statements of Cash Flows

(Dollar amounts in thousands)

(Unaudited – See accompanying independent auditors' review report)

		Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash flows from operating activities:			
Net income	$	383,726	249,761
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of investment in operating leases, fixed assets, debt costs and other		2,035,303	1,913,738
Accretion of rate subsidies and other costs/fees on finance receivables and investments		(88,022)	6,388
Provision for credit losses		334,595	268,030
Expected credit loss (release) on AFS securities		62	(113)
Gain on disposal of investment in operating leases		(115,874)	(126,508)
Gain from sale of available-for-sale and changes in market value of equity investments		(5,795)	(2,123)
Gain on disposal of repossessed collateral		—	(32)
Net change in:			
Due to/from affiliates		184,936	(124,673)
Deferred income taxes		48,101	(152,028)
Other assets		(764,798)	(445,692)
Accounts payable and other liabilities		772,085	640,161
Net cash provided by operating activities		2,784,319	2,226,909
Cash flows from investing activities:			
Purchase of property, equipment and software		(5,436)	(10,351)
Purchase of finance receivables		(36,424,744)	(34,144,016)
Principal collected on finance receivables, net		31,440,522	26,309,986
Proceeds from sale of returned and repossessed collateral acquired in settlement		342,221	281,693
Purchase of investment in operating leases		(11,175,263)	(5,601,028)
Proceeds from liquidation of investment in operating leases and repossessed vehicles		4,386,439	3,731,434
Increase in due from affiliates		(264,670)	—
Purchase of available-for-sale, equity and other investments		(152,755)	(106,618)
Proceeds from maturity and redemption of available-for-sale, equity and other investments		58,230	37,666
Proceeds from sales of available-for-sale, equity and other investments		2,865	—
Net cash used in investing activities		(11,792,591)	(9,501,234)
Cash flows from financing activities:			
Increase (decrease) in NACM		1,176,070	(274,298)
Proceeds from issuance of debt		68,671,861	76,739,246
Repayments on debt		(61,374,444)	(69,267,824)
Proceeds from affiliate borrowings		500,000	500,000
Repayments on affiliate borrowings		—	(150,000)
Net cash provided by financing activities		8,973,487	7,547,124
Net change in cash, cash equivalents and restricted cash		(34,785)	272,799
Cash, cash equivalents and restricted cash at beginning of period		1,409,524	1,168,277
Cash, cash equivalents and restricted cash at end of period	$	1,374,739	1,441,076
Supplemental disclosures of cash flow information:			
Interest paid	$	2,019,972	1,140,958
Income taxes paid		13,751	71,465
Supplemental disclosures of noncash investing:			
Returned and repossessed collateral acquired in settlement of finance receivables	$	364,735	233,133
Accrual for property, equipment and software		1,035	1,668
Reversal of accrual for property, equipment and software		(816)	(965)

See accompanying notes to consolidated financial statements.

(1) Nature of Operations

Hyundai Capital America and its subsidiaries (HCA or the Company) is a majority-owned subsidiary of Hyundai Motor America (HMA). HCA was incorporated in the state of California on September 6, 1989. HMA, the primary distributor of Hyundai vehicles in the United States, owns 80% of the outstanding common stock of HCA. HMA is a wholly owned subsidiary of Hyundai Motor Company (HMC). The outstanding common stock of HMC is listed on the Korea Exchange (KRX) but is not registered with the Securities and Exchange Commission (SEC) in the United States of America. Kia America, Inc. (KUS) owns 20% of the outstanding common stock of HCA. KUS is a wholly owned subsidiary of Kia Corporation, which is an affiliate of HMC.

HCA has retail dealer agreements with dealers authorized by HMA, KUS, and Genesis Motor America LLC, a subsidiary of HMA. All of the dealers' dealerships are located within the United States. A small number of dealers have dealerships offering other domestic and imported vehicles, which are financed by the Company. Contracts for dealers are submitted to HCA under the trade names of Hyundai Motor Finance, Kia Motors Finance, and Genesis Finance.

HCA provides indirect retail passenger motor vehicle loan and lease financing by purchasing motor vehicle retail installment sale contracts and leases from dealers. HCA also provides direct wholesale financing to many of these dealers by financing inventories, making loans for facilities refurbishment, real estate purchases, construction, and working capital requirements and providing finance leases to dealers for property and equipment upgrades.

The Company's wholly owned subsidiaries included in consolidation as of September 30, 2024, are as follows:

Hyundai ABS Funding, LLC
Hyundai Asset Backed Lease, LLC
Hyundai Auto Lease Offering, LLC
Hyundai Cha Funding, LLC
Hyundai HK Funding, LLC
Hyundai HK Funding Two, LLC
Hyundai HK Funding Three, LLC
Hyundai HK Funding Four, LLC
Hyundai HK Funding Five, LLC
Hyundai HK Lease, LLC
Hyundai Lease Titling Trust
Hyundai Capital Insurance Services, LLC
HK Real Properties, LLC
Hyundai Protection Plan, Inc.
Hyundai Protection Plan Florida, Inc.
Hyundai Capital Insurance Company
Power Protect Extended Services, Inc.
Power Protect Extended Services Florida, Inc.
Extended Term Amortizing Program, LLC
HCA Exchange, LLC

Hyundai Capital Insurance Services, LLC was established in 2009 to provide insurance brokerage services. HK Real Properties, LLC was established in 2010 to manage foreclosed dealership properties. Hyundai Protection Plan, Inc. (HPP) and Hyundai Protection Plan Florida, Inc. (HPP FL) were established in 2012 as service contract obligor companies to offer a variety of service contract and related vehicle protection products. Hyundai Capital Insurance Company (HCIC) was established in 2012 to be a licensed captive insurance company to provide insurance products to support the obligor companies. Operations for these companies commenced in January 2013. Power Protect Extended Services, Inc. (PPES) and Power Protect Extended Services Florida, Inc. (PPES FL) were established in 2014 to expand the Company's vehicle service contract business (note 15). Operations in these companies commenced in January 2019. Hyundai Capital America Deferred Compensation Plan, a grantor trust, was established for certain key personnel to defer a portion of their income to be paid out at a later date after which the income was actually earned. The remaining entities were established for the purpose of purchasing, holding, and selling finance receivables and leases, or for specific debt transaction.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of the Company and all variable interest entities (VIEs) of which the Company is the primary beneficiary. See note 2(o) for additional discussion on VIEs. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management of the Company to make several estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The accounting estimates that are most significant to the Company's business are the allowance for credit losses and the determination of residual value of vehicles subject to operating leases as well as estimates related to the fair value of investment securities.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits, short-term money market instruments, and certain highly liquid investment securities with maturities of three months or less from the date of purchase.

(d) Restricted Cash

Restricted cash consists of deposits held in trust for the benefit of the note holders with respect to the asset-backed notes secured by retail and wholesale finance receivables, operating leases, and deposits for reserves on hedged derivatives held for interest rates swaps on asset-backed conduits.

(Continued)

(e) Investments

Investments consist of debt and equity securities, and other investments. The Company determines the appropriate classification of debt securities at the time of purchase. The Company classifies all of its debt securities as available for sale as the investments can be held for an indefinite period of time, but not necessarily be held to maturity or on a long-term basis. The available for sale debt securities are carried at fair value using quoted market prices, where available, with unrealized gains or losses included in Consolidated Statements of Comprehensive Income and recognition of an allowance for credit loss for the portion of market loss attributed to credit risk. Interest income is recognized when earned. Realized gains and losses from available for sale debt securities are reported using the specific identification method and are included in the Consolidated Statements of Income. Equity securities are carried at fair value using quoted prices, where available. All of the equity securities market gains and losses are included in Other revenue, net in the Consolidated Statements of Income. All of the available for sale and equity securities are held by HPP, HPP FL, and HCIC to meet certain regulatory capital requirements related to the Company's vehicle service contract business (note 15) and are generally not available to satisfy obligations not related to this line of business.

For available for sale debt securities, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. Management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a ratings agency, recent changes in market rates, information obtained from regulatory filings, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the Company estimates a portion of the difference between fair value and amortized cost, the impairment, to be recorded as an expected credit loss on the security that is recognized in the Consolidated Statement of Income. Any impairment that has not been recorded through the expected credit losses is recognized in Other comprehensive income. Changes in the expected credit losses are recorded as a reduction of (or increase in) Other revenue, net. The Company has elected to exclude accrued interest receivable on available for sale debt securities from the estimate of credit losses. Accrued interest receivable is included in Other assets. For securities where the Company determines it no longer has the intent or ability to hold the investment until a recovery in fair value occurs, the investment and accrued interest receivable is written-down to the investment's fair value in the same period the determination is made. Accrued interest receivable for written-off securities are recorded against interest income in the Other revenue, net line.

Other investments consist of company-owned life insurance which was acquired on certain executives and key employees through a trust in conjunction with the deferred compensation plan. It is carried at cash surrender value, which approximates fair value.

(f) Finance Receivables

Finance receivables include retail finance receivables, wholesale finance receivables, and finance lease receivables. Retail finance receivables consist of retail installment contracts with consumers. Wholesale finance receivables consist of floor plan, real estate, and working capital loans made to dealers. Finance lease receivables consist of signage leases made to dealers for a term of ten years

(Continued)

and the underlying assets have a zero-dollar residual value, leases for hydrogen trucks made to the lessee for seven years which the lessee will purchase at the end of the term, and leases of electric vehicle (EV) charging equipment made to the lessee for five years with an option to go month-to-month thereafter.

Finance receivables are classified as held-for-investment if the Company has the intent and ability to hold the receivables for the foreseeable future or until maturity or payoff. As of September 30, 2024, and December 31, 2023, all finance receivables were classified as held-for-investment, and there were no receivables classified as held-for-sale.

Retail finance receivables are generally due in installments from customers over a period of three to seven years and are collateralized by liens on the related vehicles. The Company retains purchase money security interests in all automobiles financed until full payment is received. Retail finance receivables also include a retail balloon product offered where customers may finance their vehicles with a series of installment payments followed by a single balloon payment. At the end of the contract, the customer may keep the vehicle by making the final balloon payment or return it to HCA and pay charges for excess mileage and use, if any. The recorded investment of retail balloon products may contain an allowance for residual exposure as well as residual guarantees received from HMA and KUS.

Finance receivables are reported at the principal amount outstanding, net of allowance for credit losses, unearned origination fees, and deferred origination costs. A portion of the retail finance receivables include origination fees in the form of rate subsidies (subvention) received from HMA or KUS at the inception of the receivable and are accreted into revenue over the receivable's term using the effective-interest-rate method. Origination costs include flat commissions paid to the dealers for originating the loan and payments made for rate participation, and other initial direct costs.

Revenue on retail finance receivables and wholesale finance receivables includes contractual interest income, accretion of origination fees, and amortization of origination costs. Interest income is accrued as earned using the simple-interest method. The recognition of finance revenue on retail finance receivables is discontinued when the underlying collateral is repossessed or accounts are charged off, generally no later than 120 days. Revenue on finance lease receivables includes the interest calculated throughout the lease term using a precomputed method as well as the selling profit which is calculated as the difference between the contractual value and the carrying value of the underlying assets at lease commencement. Interest is accrued when earned and accrued interest receivable is included within Other assets in the Consolidated Balance Sheets.

(g) Investment in Operating Leases

The Company leases vehicles to customers under operating leases typically for a term of two to four years. The investment in operating leases is reported at cost, less accumulated depreciation and net of allowance for credit losses. Operating lease revenue is recognized on a straight-line basis over the lease term. Operating lease revenue includes accretion of origination fees and is net of amortization of origination costs, which are also recognized on a straight-line basis over the lease

(Continued)

term as earned. Rental subsidies received from HMA or KUS at the inception of the lease are accounted for as deferred origination fees in Accounts payable and other liabilities and are accreted into revenue over the lease term in proportion to the recognition of operating lease income. Initial direct costs of originating operating leases are deferred and allocated over the lease term in proportion to the recognition of operating lease income. Occasionally, HMA or KUS guarantees a portion of the vehicle's residual value as part of a marketing program to reduce the customer's monthly payment. The guaranty amount is a fixed percentage of the vehicle's value established at origination and is accounted for as a reduction to investment in operating leases. At lease termination, the realized portion of the guaranty is recognized as income and presented net with the gain or loss on disposition of the vehicle in Disposal of investment in operating leases.

A review for impairment of the Company's operating leases is performed whenever events or changes in circumstances indicate that the carrying values may not be recoverable. Generally, an impairment condition is determined to exist if estimated undiscounted cash flows from the use and eventual disposition of the asset are lower than the carrying value. For the purposes of testing for impairment, operating lease assets are grouped at the lowest level the Company can reasonably estimate cash flows. When impairment conditions are met, impairment losses are measured by the amount carrying values exceed their fair values. No impairment charges were recorded for the nine months ended September 30, 2024 and 2023.

(h) Determination of Residual Values for Vehicles Subject to Operating Leases

The Company is exposed to residual risk for vehicles subject to operating leases to the extent the actual amount received upon the sale of vehicles at disposition is lower than the residual value, net of guaranty, estimated at lease inception. The Company initially estimates the residual values at lease inception using external industry guides, which take into account expected economic conditions for the used vehicle market. Periodically, residual values are reviewed to assess the appropriateness of the carrying value of the vehicles. To the extent the estimated fair value at lease termination is lower than the residual value established at lease inception, the residual value of the vehicle is adjusted downward so that the carrying value at lease-end will approximate the estimated end of term market value. Adjustments are made on a straight-line basis over the remaining terms of the leases and are included in Depreciation on operating leases on the Consolidated Statements of Income.

(i) Returned and Repossessed Collateral

Returned and repossessed collateral includes vehicles and real estate property acquired by voluntary return or through repossession/foreclosure for nonpayment of indebtedness. These held-for-sale assets are generally recorded at fair value less estimated selling expenses. The majority of vehicles are sold through automobile auctions within a short period after repossession. Real estate property is classified as available-for-sale property and disposal times vary depending upon market demand. Once the collateral has been sold, the net sales proceeds are applied as reduction to net credit losses. If there is a deficiency balance remaining, the cumulative value that was charged off is pursued for recovery.

(Continued)

(j) Allowance for Credit Losses

The allowance for credit losses is the Company's estimate of lifetime credit losses inherent in Finance receivables, net, and probable credit losses inherent in Investment in operating leases, net as of the Consolidated Balance Sheet date. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain.

The allowance for credit losses is estimated using a combination of models and management judgment and is based on factors such as historical trends in credit losses and recoveries (including key metrics such as delinquencies, repossessions, and bankruptcies), the composition of the present portfolio (including vehicle brand, term, and internal risk evaluation), trends in historical and projected used vehicle values, and economic conditions.

The allowance for credit losses on retail finance receivables is calculated under the current expected credit loss (CECL) standard. Retail finance receivables are categorized as a homogeneous portfolio for the purpose of disclosures in note 6. The retail finance receivables portfolio is primarily comprised of pools of homogenous loans that are evaluated collectively for purposes of calculating the allowance. The Company estimates the allowance for credit losses for retail finance receivables at the portfolio level based on loan characteristics. Retail loans are segmented by origination year and month, customer FICO score (greater than or equal to 680 being prime, below being non-prime), and the designation of the vehicle as either new or used to assess for performance of the portfolio. Credit quality metrics are analyzed by each segment to develop a lifetime allowance for credit losses on retail finance receivables. The allowance is calculated utilizing regression models that correlate loan vintage, credit quality, historical performance, aging of individual accounts, current delinquencies, and macroeconomic variables such as unemployment rate, used vehicle price indices, and the Consumer Confidence Index. The reasonable and supportable forecast period extends over the life of the underlying assets. Qualitative adjustments considering underwriting quality, collections performance, collateral value, and external factors are applied based on management judgment in cases where the model is not representative of the current environment. Assignment of retail finance receivables to segments is determined at the time of origination.

The allowance for credit losses on investment in operating leases is calculated under the Accounting Standards Codification (ASC) Subtopic 842-30 and ASC 450 standards. A portion of the Company's operating leases is expected to terminate prior to their scheduled maturities when lessees default on their contractual obligations. Losses are generally realized upon the disposition of the repossessed operating lease vehicles. Operating leases are collectively evaluated to determine the estimated losses incurred. The Company estimates an allowance for credit losses on the net investment in operating leases initially utilizing historic net loss data from the portfolio and applying it to the outstanding investment in operating leases. In cases where historical loss data is not representative of the current environment, qualitative adjustments are used to supplement the allowance to the levels management estimates to be adequate.

Losses on retail finance receivables and investment in operating leases are charged to the allowance for credit losses at the earlier of when an account is deemed uncollectible or over 120 days

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contractually past due, taking into consideration the value of the collateral. Interest ceases to be earned on accounts that have been charged to the allowance. Subsequent recoveries on finance receivables and investments in operating leases previously charged off are credited to the allowance. Related collateral, if recoverable, is repossessed and sold. For leased assets, proceeds resulting in a gain will be retained by HCA and in the case of a shortfall between proceeds received from the sale of repossessed collateral and the amounts due from customers, the shortfall is charged off and it will trigger collection efforts. For retail contracts, the collateral is generally recorded at fair market value less selling costs upon repossession. Any shortfalls are charged to the allowance. After sale, excess amounts are resolved as recoveries and any remaining shortfalls trigger collection efforts.

The allowance for credit losses on wholesale finance receivables is calculated under the CECL standard. The Company develops an estimate of lifetime credit losses on wholesale finance receivables. For wholesale finance receivables, the Company utilizes an internal risk rating system to evaluate dealer credit risk. Dealers are assigned an internal probability of default based primarily on assessment of their financial condition and historical performance, and other factors. Such credit quality indicators include dealer liquidity and profitability ratios. When assessing the credit quality of the wholesale finance receivables, account balances are categorized into three distinct credit quality indicators based on internal risk assessments: performing, credit watch, and default. Internal risk ratings are explained further in note 6. The internal risk assessments for all wholesale finance receivables are updated monthly.

Wholesale finance receivables where the dealer is currently in default are individually evaluated for impairment. The Company evaluates the expected credit losses on an individual basis if, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the original contractual terms of the loan agreement. Factors such as payment history, compliance with terms and conditions of the underlying loan agreement, and other subjective factors related to the financial stability of the borrower are considered when determining if a loan will be individually evaluated for impairment. The amount of the impairment on wholesale loans individually evaluated equals the difference between the outstanding loan amount and the estimated amount that could be recovered from the underlying collateral. The remaining wholesale finance receivables (not individually evaluated for impairment) are evaluated at the dealer and product level over the life of the underlying asset based upon the Company's internal risk assessment, which contemplates historic loss experience, financial condition of the dealer and current economic indicators.

Losses on wholesale finance receivables individually evaluated for impairment are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the wholesale finance receivable is estimated to be below the carrying value of the receivables. Interest ceases to be earned on wholesale finance receivables generally when the dealer is in default on a loan for greater than 120 days.

Loans generating wholesale finance receivables include off-balance-sheet credit exposures related to the unfunded portion of real estate loans and revolving lines of credit. The Company estimates

(Continued)

expected credit losses over the contractual period in which the Company is exposed to credit risk via contractual obligations to extend credit unless that obligation is unconditionally cancellable by the entity. The estimate for credit losses on these unfunded commitments is developed under the same methodology for other loans in the wholesale portfolio. The allowance for credit losses on off-balance sheet credit exposures is reflected in the Provision for credit losses in the Consolidated Statement of Income and is recorded in Accounts payable and other liabilities on the Consolidated Balance Sheet.

The allowance for credit losses on finance lease receivable is calculated under the CECL standard. The allowance is measured using the same internal risk rating system as used for wholesale finance receivables. The internally developed probability of default is applied at the dealer level leveraging the same information to evaluate creditworthiness. Account balances are categorized into three distinct credit quality indicators based on internal risk assessments, see note 6. The internal risk assessments for all finance lease receivables are updated on a monthly basis.

Finance lease receivables where the dealer is currently in default, are individually evaluated for impairment on an individual dealer basis. Finance lease receivable account balances are considered specifically impaired when, based on current information and events, it is probable the borrower will be unable to make all of their contractual principal and interest payments or if the lease is modified for dealers under reorganization due to a bankruptcy proceeding. Factors such as payment history, compliance with terms and conditions of the underlying finance lease receivable agreement, and other subjective factors related to the financial stability of the dealer are considered when determining if a lease will be individually evaluated for impairment. The amount of the impairment on finance leases individually evaluated equals the difference between the outstanding finance lease receivable amount and the estimated amount that could be recovered from the underlying collateral. The remaining finance lease receivables (not individually evaluated for impairment) are evaluated at the dealer and product level over the life of the underlying asset based upon the Company’s internal risk assessment, which contemplates historic loss experience, financial condition of the dealer and current economic indicators.

Losses on finance lease receivables individually evaluated for impairment are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the finance lease receivable is estimated to be below the carrying value of the receivable. Interest ceases to be earned on finance lease receivables generally when the dealer is in default on a loan for greater than 120 days.

As accrued interest receivable is excluded from the amortized cost basis of finance receivables; it is excluded from measurement on the allowance for credit losses. The Company has elected the practical expedient to not measure an allowance for credit losses on accrued interest receivable as the interest receivable is considered to be written off in a timely manner. See below for the Company’s non-accrual policies. Refer to note 6 for the amount of accrued interest receivable excluded from the measurement of the allowance for credit losses.

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(i) Nonaccrual Policy

Retail finance receivable

Retail finance receivables are not placed on nonaccrual status when principal or interest is 120 days or more past due. Rather, these receivables are charged off against the allowance for credit losses when payments due are no longer expected to be received or the account is 120 days contractually delinquent, whichever occurs first. Interest accrued, but not collected at the date of charge off is reversed against Total financing revenue.

Wholesale finance receivable

Wholesale finance receivables are placed on nonaccrual status if full payment of principal or interest is in doubt, or when principal or interest is 120 days or more past due. Impaired collateral dependent loans are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a receivable is placed on nonaccrual status, is reversed against interest income. Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

Finance lease receivable

Finance lease receivables are placed on nonaccrual status if full payment of principal or interest is in doubt, or when principal or interest is 120 days or more past due. Impaired collateral dependent receivables are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a receivable is placed on nonaccrual status, is reversed against interest income. Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

(k) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation/amortization and included in Other assets in the Consolidated Balance Sheets. Leasehold improvements are depreciated over the lesser of the lease term or asset life. Depreciation and amortization of property and equipment are calculated using the straight-line method based on the following estimated useful lives:

Furniture, fixtures, equipment, and capitalized software	3 to 7 years
Leasehold improvements	2 to 11 years

The Company reviews property and equipment for recoverability whenever events or changes in circumstances indicate that impairment may have occurred. When such events or changes in

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circumstances occur, recoverability of the asset to be held and used is measured by a comparison of the carrying amount of the asset to estimated future net cash flows, undiscounted, and without interest, expected to be generated by the asset.

(l) Income Taxes

HCA uses the asset-and-liability method of accounting for income taxes, whereby the deferred tax assets and liabilities are determined based on differences between the financial reporting and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences reverse and become deductible.

HCA is included in HMA's consolidated federal income tax return and combined or consolidated income tax returns in certain states. Federal income tax is provided in the consolidated financial statements on a separate-return method. In accordance with the tax sharing agreement between HCA and HMA, to the extent that HCA has net operating losses (NOLs), the current benefit is provided to HCA up to the amount that can be utilized by HMA. For states where a combined or consolidated income tax return is filed, state income taxes are allocated to HCA based upon the relative apportionment factors and income in those states. Current federal and state income taxes receivable or payable, which are included in Due from affiliates, are settled on an annual basis.

In accordance with the provisions of Financial Accounting Standards Board (FASB) ASC 740-10, *Income Taxes - Overall*, the Company recognizes the effect of uncertain income tax positions only if those positions have a probability of more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest related to unrecognized tax benefits and penalties through the income tax provision.

The Company accounts for the electric vehicle (EV) tax credits under the deferral method permissible under ASC 740-10-25-45, which allows for recognition of the benefit over the life of the underlying revenue-generating asset.

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(m) Vehicle Service Contracts and Related Vehicle Protection Products

The Company offers vehicle service contracts and related vehicle protection products (the Products). The Products offered primarily consist of:

- Vehicle service contracts (VSC) that offer mechanical and roadside assistance over and beyond the manufacturer's standard warranty;
- Guaranteed asset protection (GAP) coverage that pays the difference between the vehicle's cash value (as determined by the primary insurer) and the balance of the contract holder's outstanding loan balance when a damaged vehicle is deemed to be a total loss;
- Prepaid/complimentary maintenance (PPM) that covers the cost of regularly scheduled maintenance; and
- Other ancillary finance and insurance products that complement the vehicle owners' overall experience with the vehicle.

For VSC, GAP and PPM products, the Company receives cash upon origination of the contract and is required to pay claims throughout the contract period. At origination, the Company records the gross amount of the contract to Accounts payable and other liabilities (note 16) as unearned revenue and the amount of deferred acquisition costs directly attributable to the contract to Other assets (note 14). A contract deficiency liability is recognized if the sum of the anticipated claims expenses, maintenance costs, and any acquisition costs not previously expensed, less anticipated investment income, exceed the unearned contract revenue. Such deficiency is first recognized as a reduction of deferred acquisition costs and is included in the Consolidated Statements of Income. To the extent the deficiency exceeds deferred acquisition costs, a contract deficiency liability is established.

These amounts are deferred and recognized to revenue based upon the contract's estimated claims experience curve over the life of the products. The Company uses an actuarial consulting firm to estimate the claims experience curve based upon an analysis on the historical and industry claims experience. Claims are recorded as incurred and are reflected in Vehicle service contracts revenue, net (note 15).

Other related vehicle protection products consist of other fee income products where the Company does not have claims risk. Fees are recognized over the life of the contract for certain products where the Company is paid to administrate the policies or at contract origination for other products where the fee is a sales commission.

(n) Derivatives

The Company enters into interest rate and foreign exchange derivative agreements to reduce the exposure to market risks from changing interest rates and foreign currency exchange rates. The interest rate instruments are used to economically hedge interest rate exposure on floating rate debt, and the currency exchange agreements are used to manage the currency exposure on foreign denominated debt. For derivatives that the Company has elected not to apply hedge accounting to, the fair value changes in the interest rate and currency exchange agreements are included in Other

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revenue on the Consolidated Statements of Income. For derivatives that the Company has elected to apply hedge accounting to, the fair value changes in the interest rate and currency exchange agreements are included in Accumulated other comprehensive income on the Consolidated Balance Sheets. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period.

(o) Variable Interest Entities

A VIE is an entity that either (i) has insufficient equity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The Company is the primary beneficiary when it is determined that the Company has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive residual returns that could potentially be significant to the VIE.

(i) On-Balance-Sheet Securitization Trusts

The Company uses several special-purpose entities that are considered VIEs to issue asset-backed securities (ABS) to third party, bank sponsored asset-backed securitization vehicles and to investors in securitization transactions. The securities issued by these VIEs are backed by the cash flows from retail and wholesale finance receivables and investment in operating leases (the Assets) that have been transferred to the VIEs. Although the transferred assets have been legally sold to the VIEs, HCA holds variable interests in the VIEs that are expected to absorb expected losses, receive the expected residual returns, or both. The Company determined that HCA is the primary beneficiary of the securitization entities because (i) HCA's servicing responsibilities for the transferred receivables give them the power to direct the activities that most significantly impact the performance of the VIEs and (ii) HCA's variable interests in the VIEs give them the obligation to absorb losses and the right to receive residual returns that could potentially be significant.

The cash held by the Company on behalf of the VIE is classified as Restricted cash on the Consolidated Balance Sheets. The assets of the VIEs and the restricted cash held by HCA serve as the sole source of repayment for the asset-backed securities issued by these entities. Investors in the notes issued by the VIEs do not have recourse to HCA's general credit, with the exception of customary representation and warranty repurchase provisions and indemnities.

As the primary beneficiary of these entities, the Company is exposed to credit, interest rate, and prepayment risk from the receivables transferred to the VIEs. However, HCA's exposure to these risks did not change as a result of the transfer of the assets to the VIEs. HCA may also be exposed to interest rate risk arising from the secured notes issued by some of the VIEs.

The transfers of the receivables to the special-purpose entities in the Company's securitizations are considered to be sales for legal purposes. However, the securitized assets and the related debt remain on the Company's Consolidated Balance Sheets. The Company recognizes financing revenue on the pledged receivables and interest expense on the secured debt issued by the entities. The Company also maintains an allowance for credit losses on the pledged receivables to cover probable credit losses estimated using a methodology consistent with that used for the nonsecuritized loan portfolio. The interest rate instruments are consolidated within HCA's consolidated financial statements.

(ii) Off-Balance-Sheet Securitization Trusts

The Company periodically has transactions involving an off-balance-sheet securitization trust. The trust is created from an ABS transaction and the subsequent sale of the residual interest certificates in the assets of the trust. The Company continues to service the assets held by the VIE. As of September 30, 2024 and December 31, 2023, the Company does not have any off-balance-sheet securitizations.

(p) Debt Issuance Costs

The Company incurs costs that are directly related to issuing debt. These costs are deferred and amortized over the life of the debt using the effective-interest-rate method and recognized as interest expense. For debt issuances with no scheduled payment terms or variable payment terms where the effective-interest-rate method cannot be calculated, the costs are amortized as follows:

(i) Debt with No Scheduled Payment Terms

Direct costs related to debt issuances with no scheduled payment terms (revolving lines of credit) are deferred and amortized, straight-line over the expected term of the debt – generally from the date the line of credit is opened until the renewal date.

(ii) Debt with Variable Payment Terms

The Company issues notes related to asset-backed securitizations where the repayment term is dependent upon the cash flows of the securitized finance receivables. Direct costs related to these notes are amortized proportionately to the collection of cash flows from the securitized receivables as an approximation of the effective-interest rate method.

(q) Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued *ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and subsequent amendments. The new guidance replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB issued ASU No. 2019-10—*Financial Instruments—Credit Losses (Topic 326): Effective Dates* to defer the effective date from January 1, 2022 to January 1, 2023. The Company adopted this guidance using the modified retrospective approach as of January 1, 2023. The adoption of the guidance resulted in a decrease to Finance receivables, net of $(259,771), an increase to Accounts payable and other liabilities of $394, an increase to Accumulated other comprehensive income of $508, a decrease to Net deferred tax liabilities of $(49,665), and a decrease to Retained earnings of $(211,008) on the

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Company's Consolidated Balance Sheet. The Company changed its financial statement disclosures resulting from adoption of the guidance.

In July 2021, the FASB issued *ASU No. 2021-05, Leases (Topic 842) - Lessors—Certain Leases with Variable Lease Payments.* The new guidance amends the lease classification requirements for lessors to align them with practice under Topic 840. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2022. The Company adopted this guidance on January 1, 2023. The adoption of the guidance did not have an impact on the consolidated financial statements.

(r) Recently Issued Accounting Pronouncements

In October 2023, the FASB issued *ASU No. 2023-06, Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The new guidance modifies disclosure and presentation requirements of a variety of Topics in the Codification. The amendments under this update are effective for the Company in fiscal periods starting two years after SEC removal of the related disclosure from Regulation S-X or Regulation S-K. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements and financial statement disclosures.

In December 2023, the FASB issued *ASU No. 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*. The new guidance outlines revisions to disclosure requirements for income tax information. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2025. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements and financial statement disclosures.

(s) Reclassifications

Certain amounts in the prior years' financial statements and related note disclosures have been reclassified to conform to the current year presentation.

(Continued)

(Dollar amounts in thousands)

(3) Investments

The following tables present amortized cost, gross unrealized gains and losses, and estimated fair value of investments classified as available-for-sale at September 30,2024 and December 31, 2023:

	September 30, 2024			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale investments:				
U.S. Treasury securities	$ 19,013	4	(218)	18,799
Mortgage-backed securities:				
Federal agency	14,364	76	(456)	13,984
Nonfederal agency	20,231	47	(246)	20,032
Foreign government debt securities	700	—	(16)	684
Corporate debt securities	518,795	9,791	(7,795)	520,791
Total available-for-sale investments	$ 573,103	9,918	(8,731)	574,290

	December 31, 2023			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale investments:				
U.S. Treasury securities	$ 21,312	—	(538)	20,774
Mortgage-backed securities:				
Federal agency	2,947	—	(507)	2,440
Nonfederal agency	24,658	10	(845)	23,823
Foreign government debt securities	700	—	(24)	676
Corporate debt securities	432,535	4,207	(14,500)	422,242
Total available-for-sale investments	$ 482,152	4,217	(16,414)	469,955

(Continued)

(Dollar amounts in thousands)

Gross unrealized losses and fair value by length of time that the individual available-for-sale securities have been in a continuous unrealized loss position at September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale investments:						
U.S. Treasury securities	$ 5,239	(14)	11,410	(204)	16,649	(218)
Mortgage-backed securities:						
Federal agency	6,259	(18)	2,357	(438)	8,616	(456)
Nonfederal agency	1,134	(29)	11,943	(217)	13,077	(246)
Foreign government debt securities	—	—	684	(16)	684	(16)
Corporate debt securities	23,067	(121)	193,423	(7,674)	216,490	(7,795)
Available-for-sale investments	$ 35,699	(182)	219,817	(8,549)	255,516	(8,731)

	December 31, 2023					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale investments:						
U.S. Treasury securities	$ 7,255	(118)	13,519	(420)	20,774	(538)
Mortgage-backed securities:						
Federal agency	—	—	2,439	(507)	2,439	(507)
Nonfederal agency	121	(14)	22,801	(831)	22,922	(845)
Foreign government debt securities	—	—	676	(24)	676	(24)
Corporate debt securities	33,018	(560)	237,926	(13,940)	270,944	(14,500)
Available-for-sale investments	$ 40,394	(692)	277,361	(15,722)	317,755	(16,414)

As of September 30, 2024 and December 31, 2023, based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information, and information obtained from regulatory filings, management believes the decline in fair value for these available-for-sale securities is temporary, and therefore all unrealized losses were recognized in accumulated other comprehensive income. The company estimates the portion of decline in fair value due to expected credit losses, and records an allowance against the investment. The Company recognized $65 and $62 of expected credit loss on the debt securities for the three and nine months ended September 30, 2024, respectively. The Company recognized $27 and $(113) of expected credit loss/(release) on the debt securities for the three

(Continued)

(Dollar amounts in thousands)

and nine months ended September 30, 2023, respectively. The ending provision for expected credit loss on the portfolio was $569 and $507 as of September 30, 2024 and December 31, 2023, respectively. Should the decline in fair value of any available-for-sale securities become unrecoverable and if management no longer has the intent or ability to hold the investment until recovery of fair value, the cost basis of the investment will be written off and the resulting loss recognized in net income in the period identified. For the three and nine months ended September 30, 2024 and 2023, no available-for-sale securities were deemed to be unrecoverable. Management evaluates the allowance for credit losses, at minimum, on a quarterly basis.

Accrued interest receivable on available-for-sale debt securities totaled $5,175 and $4,072 as of September 30, 2024 and December 31, 2023, respectively, and is excluded from the amortized cost basis and fair value of the securities and is reported in Other assets on the Consolidated Balance Sheets. Accrued interest is excluded from the measurement on the expected credit losses.

All changes in market value of equity securities are immediately recognized in Other revenue, net in the Consolidated Statements of Income.

Investments by contractual maturity as of September 30, 2024 are summarized as follows:

	Available-for-sale		Equity investments	Other
	Amortized cost	Fair value	Fair value	Fair value
Due in one year or less	$ 71,888	71,280	—	—
Due after one year through five years	329,806	330,541	—	—
Due after five years through ten years	137,982	140,102	—	—
Due after ten years	33,427	32,367	43,223	9,779
Total investments	$ 573,103	574,290	43,223	9,779

Mortgage-backed securities have contractual terms to maturity. However, expected maturities of residential mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations with or without call or prepayment penalties.

Other investments consist of company-owned life insurance which was acquired on certain executives and key employees through a trust in conjunction with the deferred compensation plan.

(Continued)

(Dollar amounts in thousands)

(4) Finance Receivables

Finance receivables consist of the following at September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Retail	$ 42,093,002	39,387,051
Wholesale	5,679,359	3,889,350
Finance lease	37,545	20,415
	47,809,906	43,296,816
Add:		
Premium on purchase of retail contracts	111,940	103,063
Less:		
Allowance for credit losses	(724,213)	(698,750)
Yield maintenance subvention	(816,655)	(726,579)
	$ 46,380,978	41,974,550

As of September 30, 2024 and December 31, 2023, approximately $12,408,473 and $12,754,410, respectively, of the retail finance receivables held by the Company's subsidiaries have been pledged for borrowings under asset-backed conduit transactions (note 7). Refer to note 10 for additional information regarding finance receivables sold for legal purposes in securitization transactions.

It is the Company's experience that a substantial portion of the finance receivable portfolio generally is repaid before contractual maturity dates.

Wholesale finance receivables are primarily inventory lines of credit, real estate, construction, and working capital loans for certain dealers. These loans are reviewed and renewed on a periodic basis.

Finance lease receivables consist of ten-year signage leases to dealers, seven-year hydrogen truck leases and five-year EV charging stations leases, classified as sales-type leases.

(Continued)

(Dollar amounts in thousands)

(5) Investment in Operating Leases

Investment in operating leases at September 30, 2024 and December 31, 2023 were as follows:

		September 30, 2024	December 31, 2023
Investment in operating leases	$	24,328,256	20,285,042
Initial direct costs		1	243
Less:			
Accumulated depreciation		(3,452,275)	(3,739,058)
Allowance for credit losses		(69,905)	(77,231)
Investment in operating leases	$	20,806,077	16,468,996

As of September 30, 2024 and December 31, 2023, approximately $2,971,728 and $2,547,808, respectively, of the lease receivables held by the Company's subsidiaries have been pledged for borrowings under asset-backed conduit transactions (note 7). Refer to note 10 for additional information regarding securitized investments in operating leases under asset-backed securitization transactions.

(Continued)

(Dollar amounts in thousands)

(6) Allowance for Credit Losses and Credit Risk

The following tables provide an analysis of the allowance for credit losses related to retail finance receivables, wholesale finance receivables, finance lease receivables, and investment in operating leases for three months and nine months ended September 30, 2024 and 2023. The change in the allowance for credit losses for the three and nine months ended September 30, 2024 was driven by model update for retail receivable and investment in operating leases portfolios from less sensitivity in macroeconomics and improved historical performance offset by the growth across all portfolios. The change in the allowance for credit losses for the three and nine months ended September 30, 2023 was driven primarily by growth in the retail receivable portfolio offset by favorable macroeconomic forecasts related to used car price index.

	Three months ended September 30, 2024					
	Retail receivables	Wholesale receivables	Finance lease receivables	Total finance receivables	Investment in operating leases	Total
Balance, beginning of period	$ 713,571	11,166	1,409	726,146	79,911	806,057
Provision for credit losses	104,500	1,037	268	105,805	3,974	109,779
Charge-offs	(227,450)	—	—	(227,450)	(23,266)	(250,716)
Recoveries	119,696	16	—	119,712	9,329	129,041
Other	—	—	—	—	(43)	(43)
Balance, end of period	$ 710,317	12,219	1,677	724,213	69,905	794,118

	Nine months ended September 30, 2024					
	Retail receivables	Wholesale receivables	Finance lease receivables	Total finance receivables	Investment in operating leases	Total
Balance, beginning of year	$ 690,905	6,655	1,190	698,750	77,231	775,981
Provision for credit losses	304,576	5,410	487	310,473	23,979	334,452
Charge-offs	(642,405)	—	—	(642,405)	(58,625)	(701,030)
Recoveries	357,241	154	—	357,395	27,329	384,724
Other	—	—	—	—	(9)	(9)
Balance, end of period	$ 710,317	12,219	1,677	724,213	69,905	794,118

(Continued)

(Dollar amounts in thousands)

	Three months ended September 30, 2023					
	Retail receivables	Wholesale receivables	Finance lease receivables	Total finance receivables	Investment in operating leases	Total
Balance, beginning of period	$ 606,403	3,717	188	610,308	76,387	686,695
Adoption of ASU 2016-13 CECL	—	—	—	—	—	—
Provision for credit losses	128,862	1,258	828	130,948	8,117	139,065
Charge-offs	(182,656)	—	—	(182,656)	(15,948)	(198,604)
Recoveries	97,867	9	—	97,876	9,576	107,452
Other	—	—	—	—	17	17
Balance, end of period	$ 650,476	4,984	1,016	656,476	78,149	734,625

	Nine months ended September 30, 2023					
	Retail receivables	Wholesale receivables	Finance lease receivables	Total finance receivables	Investment in operating leases	Total
Balance, beginning of year	$ 341,071	2,113	3	343,187	78,825	422,012
Adoption of ASU 2016-13 CECL	257,871	1,885	15	259,771	—	259,771
Provision for credit losses	247,680	965	998	249,643	18,129	267,772
Charge-offs	(489,594)	—	—	(489,594)	(43,789)	(533,383)
Recoveries	293,448	21	—	293,469	24,988	318,457
Other	—	—	—	—	(4)	(4)
Balance, end of period	$ 650,476	4,984	1,016	656,476	78,149	734,625

(Continued)

(Dollar amounts in thousands)

(a) Credit Quality Indicators

The Company is exposed to credit risk on its finance receivables. Credit risk is the risk of loss arising from the failure of customers or dealers to meet the terms of their contracts or otherwise fail to perform as agreed.

(b) Retail Finance Receivables

To estimate the allowance for credit losses over the lifetime of retail finance receivables, the model bifurcates loans based on customer FICO score. Customers with FICO scores of 680 and higher are in the prime segment and customers with FICO scores lower than 680 are in the non-prime segment. The decision to do so is driven by the consideration that the two segments are targeted for specific programs and have differences in interest rates and incentives.

The table below shows the recorded investments in retail finance receivables by credit quality indicator as of September 30, 2024 and December 31, 2023:

		September 30, 2024	December 31, 2023
Retail portfolio segment:			
Prime	$	34,521,561	31,777,105
Non-prime		7,571,441	7,609,946
Total	$	42,093,002	39,387,051

(Dollar amounts in thousands)

(c) *Wholesale Finance Receivables*

For the three classes within the wholesale finance receivables (floor plan, real estate, and working capital), all loans outstanding to an individual dealer or dealership group are aggregated and evaluated collectively by dealer or dealership group. This reflects the interconnected nature of financing provided to individual dealers and dealer group customers.

When assessing the credit quality of the wholesale finance receivables, account balances are categorized into three distinct credit quality indicators based on internal risk assessments. The internal risk assessments for all wholesale finance receivables are updated on a quarterly basis.

The three credit quality indicators are as follows:

- Performing – Accounts not classified as either credit watch or default.
- Credit watch – The account is subject to heightened monitoring based upon certain qualitative and quantitative factors. These factors include liquidity ratios, profitability, and other early warning metrics developed by management. Accounts in credit watch status are not classified as impaired and the borrower is generally paying as agreed.
- Default – Account is individually evaluated for impairment because the borrower is not meeting contractual obligations, certain contractual obligations have been temporarily waived, or management believes collateral is insufficient to cover principal and interest.

The table below shows the recorded investment for each credit quality indicator of wholesale finance receivable as of September 30, 2024 and December 31, 2023:

		September 30, 2024				December 31, 2023			
		Floor plan	Real estate	Working capital	Total	Floor plan	Real estate	Working capital	Total
Wholesale:									
Performing	$	4,166,783	685,251	231,497	5,083,531	2,897,657	693,940	138,591	3,730,188
Credit watch		477,606	81,735	18,592	577,933	116,179	3,256	39,727	159,162
Default		10,209	7,314	372	17,895	—	—	—	—
Total	$	4,654,598	774,300	250,461	5,679,359	3,013,836	697,196	178,318	3,889,350

As of September 30, 2024, the recorded investment in impaired wholesale finance receivables was $17,895 with an associated allowance of $2,266. The average balance and interest earned were $17,298 and $264, respectively for the three months ended September 30, 2024. The average balance and interest earned were $16,708 and $754, respectively for the nine months ended September 30, 2024. The recorded investment in impaired wholesale finance receivables was due to a contract dispute. The Company had no impaired wholesale finance receivables at September 30, 2023 or at December 31, 2023.

(Continued)

(Dollar amounts in thousands)

(d) Finance Lease Receivables

When assessing the credit quality of the finance lease receivables, account balances are categorized into three distinct credit quality indicators based on internal risk assessments. The internal risk assessments for all finance lease receivables are updated on a quarterly basis.

The three credit quality indicators are as follows:

- Performing – Accounts not classified as either credit watch or default.
- Credit watch – The account is subject to heightened monitoring based upon certain qualitative and quantitative factors. These factors include liquidity ratios, profitability, and other early warning metrics developed by management. Accounts in credit watch status are not classified as impaired and the borrower is generally paying as agreed.
- Default – Account is individually evaluated for impairment because the borrower is not meeting contractual obligations, certain contractual obligations have been temporarily waived, or management believes collateral is insufficient to cover principal and interest.

The table below shows the recorded investment for each credit quality indicator of finance lease receivables as of September 30, 2024 and December 31, 2023.

		September 30, 2024	December 31, 2023
Finance lease:			
Performing	$	37,446	20,415
Credit Watch		—	—
Default		99	—
Total	$	37,545	20,415

As of September 30, 2024, the recorded investment in impaired finance lease receivables was $99 with an associated allowance of $99. The average balance and interest earned were $100 and $2, respectively for the three months ended September 30, 2024. The average balance and interest earned were $101 and $7, respectively for the nine months ended September 30, 2024. The recorded investment in impaired finance lease receivables was due to a contract dispute. The Company had no impaired finance lease receivables at September 30, 2023 or at December 31, 2023.

(Continued)

(Dollar amounts in thousands)

(e) Aging Analysis of Past-Due Finance Receivables as of September 30, 2024 and December 31, 2023

		30–59 days past due	60–89 days past due	Delinquent 90 days and above	Total past due	Current	Total financing receivables	Recorded investment 90+ days and accruing
September 30, 2024								
Retail	$	762,742	225,873	88,933	1,077,548	41,015,454	42,093,002	88,933
Wholesale		—	—	—	—	5,679,359	5,679,359	—
Finance lease		—	—	—	—	37,545	37,545	—
Total	$	762,742	225,873	88,933	1,077,548	46,732,358	47,809,906	88,933
December 31, 2023								
Retail	$	723,916	223,567	81,688	1,029,171	38,357,880	39,387,051	81,688
Wholesale		—	—	—	—	3,889,350	3,889,350	—
Finance lease		—	—	—	—	20,415	20,415	—
Total	$	723,916	223,567	81,688	1,029,171	42,267,645	43,296,816	81,688

Recorded investment 90+ days and accruing represents the investment in finance receivables greater than 90 days past due, which continue to accrue interest.

(f) Finance Receivables on Nonaccrual Status as of September 30, 2024 and December 31, 2023

		September 30, 2024
Retail	$	—
Wholesale		17,895
Finance lease		99
Total nonaccrual	$	17,994

The above table represents the investment in finance receivables placed on nonaccrual status as of September 30, 2024 where interest earnings have ceased and only recognized to the extent it is received in cash. There were no nonaccrual finance receivables as of December 31, 2023. See note 2(j) for an explanation of the Company’s nonaccrual policy.

(Continued)

(g) Loan Modifications

The Company generally does not grant concessions on finance receivables other than modifications of retail loans in reorganization proceedings pursuant to the U.S. Bankruptcy Code and modifications of wholesale loans and finance leases with dealers experiencing financial difficulty in order to maximize collections. For such finance receivables, when concessions are made the finance receivable is treated as a modification. While payment extensions are sometimes granted on retail loans in the normal course of the collection process, no concessions are made on the principal balance owed or the interest rate charged. Payment extensions typically result in a short term one month deferral of the consumer’s normal monthly payment and do not constitute a loan modification. As of September 30, 2024, and December 31, 2023, HCA had no commitments to lend additional funds to borrowers with loan modifications. As of September 30, 2024, and December 31, 2023, the loan modifications in the retail finance receivable portfolio were immaterial, and there were no loan modifications in the wholesale and finance lease receivable portfolios.

(h) Accrued Interest Receivable

Excluded from the amortized cost basis of all classes of finance receivables was $154,894 and $136,224 of accrued interest receivable as of September 30, 2024 and December 31, 2023, respectively. Accrued interest receivable is presented within Other assets on the Consolidated Balance Sheets.

(i) Unfunded Credit Exposure

The Company records an allowance for credit losses related to off-balance sheet credit exposures attributable to the unfunded portion of wholesale finance receivable commitments. The allowance for credit losses for these unfunded commitments totaled $844 and $701 as of September 30, 2024 and December 31, 2023, respectively. Unfunded commitments comprised $181 and $143 of the Provision for credit losses for the three and nine months ended September 30, 2024, respectively. Unfunded commitments comprised $290 and $258 of the Provision for credit losses for the three and nine months ended September 30, 2023, respectively.

(Continued)

(Dollar amounts in thousands)

(7) Debt

Debt and the related weighted average contractual interest rates for the Company and its subsidiaries were as follows at September 30, 2024 and December 31, 2023:

			Weighted average rates	
	September 30, 2024	**December 31, 2023**	**September 30, 2024**	**December 31, 2023**
Commercial paper	$ 2,529,797	$ 2,532,693	5.02 %	5.59 %
Revolving lines of credit and term loans	600,000	2,263,000	3.50	5.68
Asset-backed conduits	9,504,678	8,393,127	5.51	5.89
Asset-backed securitization	13,360,222	11,887,611	4.91	4.28
Senior unsecured notes	30,416,913	23,873,174	4.63	3.78
Affiliate borrowings	5,042,900	3,366,830	5.39	5.73
Less:				
Unamortized debt issuance costs	123,910	94,260	N/A	N/A
Total debt, net	$ 61,330,600	$ 52,222,175	4.89 %	4.53 %

(a) Commercial Paper

On July 26, 2013, the Company established a Commercial Paper Program and the initial program size was $800,000. On May 28, 2014, the Company upsized the program by $1,500,000, increasing its limit to $2,300,000. On September 29, 2017, the Company upsized the program by $700,000, increasing its limit to $3,000,000. On January 14, 2021, the Company upsized the program by $1,000,000, increasing its limit to $4,000,000. HCA utilizes commercial paper to meet short-term working capital requirements. The Company's commercial paper is recorded net of any discount at issuance. Amortization of the discount is reported as interest expense in the Consolidated Statements of Income. As of September 30, 2024 and December 31, 2023, the Company had a weighted average remaining maturity of 21 and 19 days, respectively.

(b) Revolving Lines of Credit and Term Loans

HCA utilizes committed revolving lines of credit and term loans to meet working capital requirements. The Company maintains relationships with a variety of global banking partners to ensure liquidity. The rates for these instruments are generally fixed or based upon a floating benchmark rate (typically Secured Overnight Financing Rate (SOFR) plus a fixed spread). As of September 30, 2024 and December 31, 2023, the Company had drawn $0 and $1,613,000 on its $7,100,000 and $6,100,000 revolving lines of credit, respectively. Term loans generally have terms of one to five years. As of September 30, 2024 and December 31, 2023, the Company had an outstanding balance of $600,000 and $650,000 in term loans, respectively. The revolving lines of credit and term loans mature at various times through June 2029.

(Continued)

(c) Asset-Backed Conduits

HCA's financing transactions with bank-sponsored asset-backed commercial paper conduits consist of bankruptcy remote, special-purpose entities (warehouse facilities) to which the Company has transferred retail finance receivables and operating lease assets, which are pledged as collateral for debt issued by the special-purpose entities (notes 4 and 5). Interest rates on these facilities are generally based upon a floating benchmark rate (such as the SOFR or Commercial Paper index rate) plus a fixed spread. HCA generally engages in interest rate derivative instrument transactions to manage the risk related to floating interest rates. As of September 30, 2024 and December 31, 2023, the Company had the ability to draw an additional $5,682,443 and $4,880,720, respectively.

(d) Asset-Backed Securitization

HCA regularly sells pools of finance receivables and lease assets through asset-backed securitization transactions. Pursuant to these transactions, the assets are sold to a bankruptcy remote, special-purpose entity, which has been established for the limited purpose of buying and reselling the Company's finance receivables and lease assets. The special-purpose entity then transfers the same assets to a trust, which issues notes to investors, which are collateralized by the finance receivable and lease assets (note 10). The notes are generally fixed-rate or based upon a floating benchmark rate (such as the SOFR or Commercial Paper index rate) plus a fixed spread and are structured to amortize on a monthly basis according to the cash collections on the underlying assets.

(e) Senior Unsecured Notes

The Company issues senior unsecured notes to meet longer term liquidity needs. The Company's senior unsecured notes are denominated in U.S. dollars and recorded net of any discount or premium at issuance. Interest expense on senior unsecured notes is recognized on an accrual basis and reported as interest expense in the Consolidated Statements of Income. On March 13, 2015, the Company established a private U.S. medium term note (MTN) program under Rule 144A under the U.S. Securities Act of 1933, as amended. Under the MTN program, the Company can issue up to $4,000,000 aggregate principal amount of notes with original maturities of one year or more. On June 2, 2016, the Company upsized the program by $8,000,000, increasing its limit to $12,000,000. On June 11, 2019, the Company upsized the program by $28,000,000, increasing its limit to $40,000,000. On September 8, 2023, the Company updated the program from an issuance-based program to outstanding-based program. The limit of notes outstanding under the new program is $60,000,000.

(f) Affiliate Borrowings

The Company administrates the North America Cash Management fund (NACM) for HMC's affiliates in the United States (note 8). Affiliate companies may deposit cash into the fund or borrow from it. Excess cash held by the fund is used to fund short-term borrowing needs of the affiliate companies that participate. Deposits to the fund from affiliate companies are classified as affiliate borrowings and included in the Debt, net of the Consolidated Balance Sheets. Loans from the fund to affiliate companies are classified as Due from affiliates, net. As of September 30, 2024 and December 31, 2023, deposits from affiliate companies included in debt were $2,342,900 and $1,166,830,

(Continued)

(Dollar amounts in thousands)

respectively. The Company also enters into separate intercompany borrowing agreements with affiliated companies. These loan agreements can range from two months to two years and generally are renewed at maturity. The interest rates of these loans are generally fixed or floating, which consists of a benchmark rate (such as the SOFR or Commercial Paper index rate) plus a fixed spread. As of September 30, 2024 and December 31, 2023, the principal balance outstanding for the agreements separate from NACM were $2,700,000 and $2,200,000, respectively.

(g) Maturity of Debt

The following tables show the contractual maturity of the Company’s debt as of September 30, 2024 and December 31, 2023. Actual repayment on asset-backed debt will vary based upon repayment activity on the related pledged assets.

	September 30, 2024				
	Within 1 year	1–2 years	2–3 years	3+ years	Total
Commercial paper	$ 2,529,797	—	—	—	2,529,797
Revolving lines of credit and term loans	200,000	400,000	—	—	600,000
Asset-backed conduits	1,129,567	3,443,397	2,514,849	2,416,865	9,504,678
Asset-backed securitization	425,311	2,147,268	6,235,364	4,552,279	13,360,222
Senior unsecured notes	2,749,302	8,144,574	6,592,729	12,930,308	30,416,913
Affiliate borrowings	5,042,900	—	—	—	5,042,900
Less unamortized debt issuance cost	43,456	28,759	20,775	30,920	123,910
Total	$ 12,033,421	14,106,480	15,322,167	19,868,532	61,330,600

	December 31, 2023				
	Within 1 year	1–2 years	2–3 years	3+ years	Total
Commercial paper	$ 2,532,693	—	—	—	2,532,693
Revolving lines of credit and term loans	1,863,000	—	400,000	—	2,263,000
Asset-backed conduits	1,626,921	2,640,230	1,996,578	2,129,398	8,393,127
Asset-backed securitization	346,797	3,022,956	4,376,139	4,141,719	11,887,611
Senior unsecured notes	4,149,459	4,297,656	6,542,790	8,883,269	23,873,174
Affiliate borrowings	3,366,830	—	—	—	3,366,830
Less unamortized debt issuance cost	37,106	20,164	14,455	22,535	94,260
Total	$ 13,848,594	9,940,678	13,301,052	15,131,851	52,222,175

(Continued)

(Dollar amounts in thousands)

(8) Transactions with Affiliates

The following table summarizes major component of due from affiliates, net as of September 30, 2024 and December 31, 2023:

		September 30, 2024	December 31, 2023
Intercompany receivable attributable to tax settlement	$	768,727	553,128
Short-term and long-term receivables from incentive programs		852,576	852,282
Borrowings to affiliates		264,670	—
Other		(36,448)	(54,513)
Total	$	1,849,525	1,350,897

In addition, the Company has executed finance leases with related parties captured under finance lease, net with receivables of $1,710 and $1,289 as of September 30, 2024 and December 31, 2023, respectively. The revenue recognized amounted to $31 and $85 for the three and nine months ended September 30, 2024. There was no income recognized for the three and nine months ended September 30, 2023.

(a) Incentive Programs

As an accommodation to HMA and KUS, the Company, from time to time, provides incentive programs to customers. Generally, under these programs, the Company finances or leases vehicles on favorable terms and receives subsidy amounts from HMA and KUS. Subsidy amounts are generally received for lower than market interest rates, lower than market lease rentals, greater than market estimated lease residual values, and greater than normal expected credit losses. Additionally, the Company provides programs to HMA and KUS to incentivize customers to lease electric vehicles allowing the Company to pass the tax credit incentives on to the customer.

The amounts billed to HMA for various yield incentive programs, net of EV incentives, amounted to $74,808 and $86,533 for the three months ended September 30, 2024 and 2023, respectively. The amounts billed to KUS for various yield incentive programs, net of EV incentives, amounted to $3,646 and $6,023 for the three months ended September 30, 2024 and 2023, respectively. The amounts billed to HMA for various yield incentive programs, net of EV incentives, amounted to $227,414 and $377,590 for the nine months ended September 30, 2024 and 2023, respectively. The amounts billed to KUS for various yield incentive programs, net of EV incentives, amounted to $20,038 and $55,168 for the nine months ended September 30, 2024 and 2023, respectively. These amounts are recognized in financing revenue over the terms of the related contracts.

The amounts billed to HMA for residual value and other end of term incentive programs were $6,627 and $866 for the three months ended September 30, 2024 and 2023, respectively. The amounts billed

(Continued)

to KUS for residual value and other end of term incentive programs were $2,853 and $341 for the three months ended September 30, 2024 and 2023, respectively. The amounts billed to HMA for residual value and other end of term incentive programs were $14,672 and $2,448 for the nine months ended September 30, 2024 and 2023, respectively. The amounts billed to KUS for residual value and other end of term incentive programs were $6,401 and $390 for the nine months ended September 30, 2024 and 2023, respectively. The effect of the residual value incentive program is a reduction of depreciation over the life of the lease. Other end of term incentive programs consist of disposition fees paid on behalf of loyal customers and are recorded in financing revenue.

The outstanding receivable balance for HMA yield incentive programs were $270,220 and $339,533 as of September 30, 2024 and December 31, 2023, respectively, and are a component of Due from affiliates, net. The outstanding receivable balance for HMA residual value and other end of term incentive programs were $304,978 and $194,322 as of September 30, 2024 and December 31, 2023, respectively, and are a component of Due from affiliates, net.

The outstanding receivable balance for KUS yield incentive programs were $95,447 and $186,585 as of September 30, 2024 and December 31, 2023, respectively, and are a component of Due from affiliates, net. The outstanding receivable balance for KUS residual value and other end of term incentive programs were $181,931 and $131,842 as of September 30, 2024 and December 31, 2023, respectively, and are a component of Due from affiliates, net.

The residual value and other end of term incentive receivable balance due from HMA and KUS for each period presented consists primarily of an estimated future billing amount for units covered under the incentive program but not billable until end of lease term. The corresponding amounts are included as a reduction of the Investment in operating leases, net.

(b) Affiliate Borrowings

On July 1, 2003, the Company entered into the NACM agreement in which the Company manages liquidity for HMC affiliates in the United States. Such cash is available for borrowings by the affiliates. On July 6, 2023, the Company upsized the agreement by $2,000,000, increasing its limit to $4,000,000. The Company could borrow up to $4,000,000 based on the funds availability under this facility. Affiliate deposits are included as liabilities in the Debt, net of the Consolidated Balance Sheets, and affiliate borrowings are included as assets in the Due from affiliates, net section. Affiliates participating in the program pay or receive a variable rate of interest, which is generally at Commercial

(Continued)

(Dollar amounts in thousands)

Paper Index or Applicable Federal Rate (AFR) plus a fixed margin. The amounts included in the program as of September 30, 2024 and December 31, 2023 were as follows:

		September 30, 2024	December 31, 2023
Affiliate deposits (included in Debt, net)	$	2,342,900	1,166,830
Affiliate borrowings (included in due from affiliates)		(264,670)	—
Net amount due to affiliate companies	$	2,078,230	1,166,830

In addition, the Company enters into separate, longer term, intercompany loan agreements with affiliates. Affiliate borrowings, outside of NACM agreements, include loan agreements ranging from two months to two years and are generally renewed at maturity. The interest rates of these loans are generally fixed and floating which consist of a benchmark rate (such as the SOFR or Commercial Paper index rate) plus a fixed spread. The amounts included in these borrowing arrangements were as follows as of September 30, 2024 and December 31, 2023, which were included in the Debt, net of the Consolidated Balance Sheets:

		September 30, 2024	December 31, 2023
Affiliate borrowings from NACM participants	$	2,700,000	2,200,000
Total	$	2,700,000	2,200,000

For the three months ended September 30, 2024 and 2023, the Company received interest income from affiliates of $1,392 and $31, respectively. For the nine months ended September 30, 2024 and 2023, the Company received interest income from affiliates of $1,392 and $190, respectively. For the three months ended September 30, 2024 and 2023, the Company paid interest expense to the affiliates of $67,912 and $80,733, respectively, for all affiliate borrowings. For the nine months ended September 30, 2024 and 2023, the Company paid interest expense to the affiliates of $194,410 and $240,500, respectively, for all affiliate borrowings. The cash inflows and outflows of debt from these facilities are classified as a financing activity in the Consolidated Statements of Cash Flows and the cash inflows and outflows from deposits to these facilitates are classified as an investing activities in the Consolidated Statements of Cash Flows. Interest revenue and expense are classified as operating activities in the Consolidated Statements of Cash Flows.

(Continued)

(Dollar amounts in thousands)

(c) *Other Related Party Expenses, net*

The following table summarizes other related party expenses for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Administrative services, net	$ (20)	587	30	1,761
Affiliate marketing support	—	—	—	50,000
HCS royalty	8,491	8,460	24,445	23,961
HMC credit support agreement	10,200	8,090	28,457	22,252
Total other related party expenses	$ 18,671	17,137	52,932	97,974

In addition to the expenses, net noted above, HMA informed the Company of its decision to insource both the Hyundai Complimentary Maintenance (HCM) and Genesis Complimentary Maintenance (GCM) programs, effective from model year 2025. A termination letter was executed between HMA and HPP in April 2024, providing compensation of $46,500 to HPP for the calculated projected loss of revenue due to the administrative fee rate reductions on HCM and GCM contracts serviced by HPP leading up to the ultimate transition of the program to HMA. This revenue was recognized in Other revenue, net on the Consolidated Statement of Income.

Administrative Services – HCA maintains a portion of its operations in office space furnished by HMA and utilizes various administrative services common to both HCA and HMA. HCA reimburses HMA for occupancy costs and administrative services arranged for and paid by HMA on behalf of HCA. The administrative services expenses were included in Operating expenses. HMA also maintains a portion of its operations in office space furnished by HCA, and HMA reimburses HCA for occupancy costs paid by HCA on behalf of HMA. The rental income for these services were included in Other revenue, net.

Affiliate Marketing Support – HCA provides marketing support to HMA and KUS to jointly increase the brand image and grow the customer base. Typically, this support is related to costs incurred by HMA and KUS to increase vehicle sales, which directly benefits HCA and KUS through higher volumes of loans and leases. The affiliate marketing support expenses were included in Operating expenses.

HCS Royalty – HCA pays a royalty to Hyundai Capital Services (HCS), a Korean finance affiliate of HMC for the provision of business expertise and related services. The royalty expenses were included in Operating expenses, and any unpaid amounts are included in the balance sheets as a liability under Accounts payable and other liabilities. As of September 30, 2024 and December 31, 2023, the total unpaid amounts including taxes payable to the Internal Revenue Service on behalf of HCS were $24,445 and $26,693, respectively.

(Continued)

HMC Credit Support Agreement – HCA and HMC entered into a credit support agreement under which HMC has agreed to ensure HCA maintains positive net worth and sufficient liquidity to meet its payment obligations under any debt issuance covered by the agreement. The Credit Support Agreement is not a guarantee by HMC of any obligations of HCA. The credit support fee expenses were included in Interest expense.

(9) Provision for Income Taxes

Income tax expense totaled $42,622 and $8,632 for the three months ended September 30, 2024 and 2023, and $119,227 and $70,558 for the nine months ended September 30, 2024 and 2023, respectively. The effective tax rate was 25.20% and 14.36% for the three months ended September 30, 2024 and 2023, and 23.71% and 22.03% for the nine months ended September 30, 2024 and 2023, respectively. The effective tax rate differed from the federal statutory rate of 21% primarily as a result of state income tax for the three and nine months ended September 30, 2024 and 2023.

As of September 30, 2024 and December 31, 2023, deferred tax liabilities, net were estimated to be $2,433,759 and $2,560,500, respectively.

In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences reverse and become deductible.

The Company considers the reversal of deferred tax liabilities, projected taxable income, and tax planning strategies in making this assessment. Based upon these factors, management believes that it is more likely than not that the Company will realize substantially all of the benefits of the deductible differences.

As of September 30, 2024 and December 31, 2023, the related valuation allowances were estimated to be $0 for both periods.

The Company is routinely examined by various taxing authorities. For years before 2018, the Company is no longer subject to U.S. federal income tax examinations and state income tax examinations, respectively. There are ongoing audits in various jurisdictions the results of which the Company does not expect to be material to the Company’s financial statements.

(Continued)

(Dollar amounts in thousands)

(10) Variable Interest Entities

The Company uses one or more special-purpose entities that are considered VIE to issue asset-backed securities to third-party bank-sponsored asset-backed securitization vehicles and to investors in securitization transactions. The Company is considered to be the primary beneficiary of these trusts due to (i) the power to direct the activities of the trusts that most significantly impact the trusts' economic performance through its role as a servicer and (ii) the obligation to absorb losses or the right to receive residual returns that could potentially be significant to the trusts through the subordinated certificates and residual interest retained. The debt securities issued by the trusts to third-party investors along with the assets of the trusts are included in the Company's consolidated financial statements.

The following tables show the assets and liabilities related to the VIE securitization transactions that were included in its consolidated financial statements as of September 30, 2024 and December 31, 2023:

	September 30, 2024						
	VIE assets				VIE liabilities		
	Restricted cash	Gross securitized assets	Net securitized assets	Other assets	Debt	Debt, net of unamortized issuance cost	Other liabilities
Finance receivables	$ 432,169	8,995,688	8,893,022	35,867	7,746,574	7,726,390	15,197
Investment in operating leases	351,680	6,962,374	6,940,197	64	5,613,648	5,598,556	12,791
Total	$ 783,849	15,958,062	15,833,219	35,931	13,360,222	13,324,946	27,988

	December 31, 2023						
	VIE assets				VIE liabilities		
	Restricted cash	Gross securitized assets	Net securitized assets	Other assets	Debt	Debt, net of unamortized issuance cost	Other liabilities
Finance receivables	$ 428,404	8,932,713	8,867,246	30,251	7,556,738	7,536,662	13,348
Investment in operating leases	345,737	5,910,261	5,883,762	32	4,330,873	4,319,101	8,694
Total	$ 774,141	14,842,974	14,751,008	30,283	11,887,611	11,855,763	22,042

(Continued)

(11) Commitments and Contingent Liabilities

(a) Lease Commitments

The Company is party to lease agreements ranging from 4 to 12 years for the headquarters facility in Irvine, California, as well as regional offices in Georgia, Texas, and California. In October 2023, the Company executed a sublease agreement with HMA for office space at the Plano, Texas facility. In April 2024, the Company executed a lease amendment for headquarters facility in Irvine, California adding an additional annex space.

The Company's leases contain one or more options to extend. The Company includes options that are reasonably certain to be exercised in evaluating the lease term after considering all relevant economic and financial factors. The right-of-use assets in operating lease arrangements are presented in Other assets (note 14) on the Company's Consolidated Balance Sheets.

The Company does not separate the non-lease components from the lease components to which they relate. The Company calculated the initial lease liability as the present value of fixed payments not yet paid using the incremental borrowing rate. Operating lease liabilities are reported in Accounts payable and other liabilities (note 16) on the Company's Consolidated Balance Sheets. Variable payments are included in the lease liability if they are based on a market rate or an index (e.g., CPI). Variable payments that do not meet this criterion are expensed as incurred. Lease payments associated with short-term lease contracts are expensed as incurred.

As of September 30, 2024 and December 31, 2023, the weighted average lease term for the operating lease liabilities was 4.76 and 5.07 years, respectively, and the weighted average discount rate was 3.23% and 3.15%, respectively. The straight-line operating lease costs incurred as a reduction to right-of-use assets amounted to $2,851 and $2,811 for the three month ended September 30, 2024 and 2023, respectively. The straight-line operating lease costs incurred as a reduction to right-of-use assets amounted to $8,500 and $8,434 for the nine months ended September 30, 2024 and 2023, respectively. The variable lease costs incurred amounted to $642 and $755 for the three month ended September 30, 2024 and 2023, respectively. The variable lease costs incurred amounted to $1,944 and $1,900 for the nine months ended September 30, 2024 and 2023, respectively. The right-of-use assets obtained in exchange for operating lease liabilities amounted to $354 and $444 for the three months ended September 30, 2024 and 2023, respectively. The right-of-use assets obtained in exchange for operating lease liabilities amounted to $1,854 and $1,408, for the nine months ended September 30, 2024 and 2023, respectively.

The Company's income from sublease activity of its Newport Beach, California facility amounted to $334 and $247 for the three month ended September 30, 2024 and 2023, respectively. The Company's income from sublease activity of its Newport Beach, California facility amounted to $831 and $706 for the nine months ended September 30, 2024 and 2023, respectively. The Company's income from sublease activity of its Plano, Texas facility amounted to $113 and $339 for the three and nine months ended September 30, 2024.

(Continued)

Rental expense is recognized on a straight-line basis over the lease term. For the three months ended September 30, 2024 and 2023, total rental expense, including payments to affiliates for the headquarters as well as regional offices, temporary office spaces, and lease restructure costs above, was $3,344 and $3,266, respectively. For the nine months ended September 30, 2024 and 2023, total rental expense, including payments to affiliates for the headquarters as well as regional offices and temporary office spaces, and lease restructure costs above, was $9,933 and $9,771, respectively.

(b) Line of Credit Commitments

At September 30. 2024 and December 31, 2023, the Company had commitments to make available an additional $2,290,619 and $2,842,271, respectively, of wholesale inventory financing to dealers.

(c) Other Contingencies

(i) The Company is the subject of various claims and actions that arise in the ordinary course of its business. Management believes the ultimate outcome of such claims and actions should not have a materially adverse effect on the Company.

(ii) Effective January 1, 2019, the Company is self-funding the medical insurance coverage for its employees. The Company obtained a stop-loss insurance policy to limit the claim losses to $150 per employee per year. In addition to actual claims paid, included in Operating expenses on the Consolidated Statements of Income was a reserve expense of $50 and $103 for the three months ended September 30, 2024 and 2023, respectively, and a reserve expense of $111 and $41 for the nine months ended September 30, 2024 and 2023, respectively, for claims incurred but not paid (IBNP). This IBNP is calculated based upon claim projections utilizing the Company's historical and industry data. The Company believes that the liability of $2,489 and $2,378 as of September 30, 2024 and December 31, 2023, respectively, reported in Accrued salaries and fringe benefits as part of Accounts payable and other liabilities (note 16) represent its best actuarial estimate of IBNP based upon the available data. While there is uncertainty in estimating this liability, the Company does not believe any additional claims incurred would have a material impact on the Company.

(Continued)

(12) Fair Value of Financial Instruments

(a) Fair Value Measurement – Definition and Hierarchy

The accounting guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date taking into consideration assumptions that a market participant would use when pricing an asset or a liability. This accounting guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable ones. Fair value should be based on assumptions that market participants would use, including a consideration of nonperformance risk. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted (unadjusted) prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in active markets for similar assets and liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The use of observable and unobservable inputs is reflected in the fair value hierarchy assessment disclosed in the tables within this section. The availability of observable inputs can vary based upon the financial instrument and a variety of factors, such as instrument type, market liquidity, and other specific characteristics particular to the financial instrument. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment by management. The degree of management’s judgment can result in financial instruments being classified as or transferred to the Level 3 category.

The following methods and assumptions were used by management in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents – Cash is comprised of deposits with banks and financial institutions. Cash equivalents primarily consist of short-term money market instruments and certain highly liquid investment securities with maturities of three months or less from the date of purchase. Generally, quoted prices are used to determine the fair value of cash equivalents.

Restricted Cash – Restricted cash consists of deposits held in trust for bondholders for asset-backed securitization transactions and deposits for reserves on hedged derivatives held for interest rates swaps on asset-backed conduits. Generally, quoted prices are used to determine the fair value of cash equivalents.

Available-for-Sale Investments – Available-for-sale investments consist of debt securities, which are recorded at fair value. U.S. Treasury securities are actively traded and are classified as Level 1.

(Continued)

U.S. federal agency debt securities, corporate debt, and other debt securities are recorded at fair value with quoted prices that are traded less frequently than exchange-traded instruments and classified as Level 2.

Equity Investments – Equity investments, consist of equity instruments which are recorded at fair value in the form of single stocks and shares purchased in mutual funds which are actively traded and are classified as Level 1.

Other Investments – Other investments consist of company-owned life insurance acquired on certain executives and key employees through a trust in conjunction with the deferred compensation plan. The company-owned life insurance is carried at cash surrender value, which approximates fair value, and is classified as Level 2.

Finance Receivables – Finance receivables consist of consumer retail contracts, wholesale loans and lines of credit, and finance leases to dealers. The fair value is estimated by discounting the future cash flows of the finance receivables using current rates to approximate market rates of similar instruments. The carrying values of wholesale finance receivables whose interest rates adjust on a short-term basis with applicable market indices (generally the prime rate) are assumed to approximate fair value either due to their short maturities or due to the interest rate adjustment feature. Finance receivables are not carried at fair value on a recurring basis on the Consolidated Balance Sheet. In certain instances, for finance receivables for which there is evidence of impairment, the Company may use an observable market price or the fair value of collateral if the loan is collateral dependent. The fair values of impaired finance receivables based on the collateral value or market prices where available are reported at fair value on a nonrecurring basis and classified as Level 3. Additional adjustments may be applied to reflect current market conditions in estimating fair value.

Due to/from Affiliates – Due to/from affiliates consist of trade receivables and short-term notes due from affiliated companies, net of amounts owed. The carrying amounts include floating rate instruments that reprice frequently and approximate fair value at the reporting date. Due to/from affiliates are classified as Level 2.

Derivative Financial Instruments – As part of the risk management strategy, the Company enters into derivative transactions to mitigate interest rate exposure. These derivative instruments are considered over the counter. The Company records fair value estimates using industry standard valuation models that require observable market inputs, including market prices, yield curves, credit curves, interest rate, foreign exchange rate, and the contractual terms of the derivative instrument and are classified as Level 2.

Debt – Debt consists of commercial paper, revolving lines of credit and term loans, asset-backed conduit facilities, asset-backed securitization, senior unsecured notes, and affiliate company borrowings. The carrying amount of commercial paper issued is assumed to approximate fair value due to its short duration and generally negligible credit risk. Commercial paper is classified in Level 2 of the fair value hierarchy. The carrying amount for asset-backed conduit facilities includes floating and fixed rate instruments. The floating rate instruments reprice frequently and approximate fair value

(Continued)

at the reporting date. The fixed rate instruments fair value are estimated based on discounted amounts of future cash flows using internal assumptions. Asset-backed conduit facilities are classified in Level 3 of the fair value hierarchy. Asset-backed securitization and senior unsecured notes are primarily valued using current market rates and credit spreads for debt with similar maturities. The Company's valuation models utilize observable inputs such as standard industry curves; therefore, the Company classifies these asset-backed securitization and senior unsecured notes in Level 2 of the fair value hierarchy. Where observable inputs are not available, the Company uses quoted market prices to estimate fair value of asset-backed securitization and senior unsecured notes. Fair value of revolving lines of credit and term loans, and affiliate company borrowings are estimated based on discounted amounts of future cash flows using internal assumptions. As these valuations utilize unobservable inputs, the Company's revolving lines of credit and term loans, and affiliated company borrowings are classified in Level 3 of the fair value hierarchy.

(Continued)

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES
(A Majority-Owned Subsidiary of Hyundai Motor America)
Notes to Consolidated Financial Statements
September 30, 2024 and December 31, 2023
(Dollar amounts in thousands)

The following tables present a summary of carrying values and estimated fair values of certain financial instruments, classified by level, as of September 30, 2024 and December 31, 2023:

	September 30, 2024				
	Carrying value	Total fair value	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Cash and cash equivalents	$ 558,552	558,552	558,552	—	—
Restricted cash	816,187	816,187	816,187	—	—
Available-for-sale investments	574,290	574,290	18,799	555,491	—
Equity investments	43,223	43,223	43,223	—	—
Other investments	9,779	9,779	—	9,779	—
Finance receivables, net	46,380,978	43,043,706	—	—	43,043,706
Due from affiliates, net	1,849,525	1,849,525	—	1,849,525	—
Derivative assets	635	635	—	635	—
Liabilities:					
Debt, net	$ 61,330,600	62,124,228	—	48,884,553	13,239,675
Derivative liabilities	37,724	37,724	—	37,724	—

	December 31, 2023				
	Carrying value	Total fair value	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Cash and cash equivalents	$ 557,295	557,295	557,295	—	—
Restricted cash	852,229	852,229	852,229	—	—
Available-for-sale investments	469,955	469,955	20,774	449,181	—
Equity investments	38,467	38,467	38,467	—	—
Other investments	6,890	6,890	—	6,890	—
Finance receivables, net	41,974,550	40,103,725	—	—	40,103,725
Due from affiliates, net	1,350,897	1,350,897	—	1,350,897	—
Derivative assets	179	179	—	179	—
Liabilities:					
Debt, net	$ 52,222,175	51,727,869	—	38,883,562	12,844,307
Derivative liabilities	8,662	8,662	—	8,662	—

(Continued)

(Dollar amounts in thousands)

(b) *Fair Value Measurements on a Recurring Basis*

The Company uses fair value to measure financial instruments on a recurring basis. These instruments are recorded at fair value at each reporting period. The following tables summarize the fair value of financial instruments measured and recorded on a recurring basis at September 30, 2024 and December 31, 2023:

	Items measured at fair value on a recurring basis			
	Quoted price in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Balance as of September 30, 2024**
Assets:				
Available-for-sale investments	$ 18,799	555,491	—	574,290
Equity investments	43,223	—	—	43,223
Other investments	—	9,779	—	9,779
Derivative assets	—	635	—	635
Total assets at fair value	$ 62,022	565,905	—	627,927
Liabilities:				
Derivative liabilities	$ —	37,724	—	37,724
Total liabilities at fair value	$ —	37,724	—	37,724

	Items measured at fair value on a recurring basis			
	Quoted price in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Balance as of December 31, 2023**
Assets:				
Available-for-sale investments	$ 20,774	449,181	—	469,955
Equity investments	38,467	—	—	38,467
Other investments	—	6,890	—	6,890
Derivative assets	—	179	—	179
Total assets at fair value	$ 59,241	456,250	—	515,491
Liabilities:				
Derivative liabilities	$ —	8,662	—	8,662
Total liabilities at fair value	$ —	8,662	—	8,662

(Continued)

(Dollar amounts in thousands)

(c) Fair Value Measurements on a Nonrecurring Basis

Certain financial instruments are not measured at fair value on a recurring basis, but are subject to fair value adjustments only in certain circumstances, for example, when there is evidence of impairment. The Company measures wholesale finance receivables and finance lease receivables at fair value when the receivables are judged to be impaired. To estimate fair value, the Company may use an observable market price or the fair value of collateral when the receivables are collateral dependent. Additional adjustments may be applied to reflect current market conditions in estimating fair value.

As of September 30, 2024, there was one impaired dealer in the wholesale finance receivable portfolio and in the finance lease receivable portfolio that was measured at fair value on a nonrecurring basis. The wholesale finance receivable had a principal balance of $17,895 with a specific reserve of $2,266 for a net carrying value of $15,629. The finance lease receivable had a principal balance of $99 with a specific reserve of $99 for a net carrying value of $0. As of December 31, 2023, there were no financial instruments that were measured at fair value on a nonrecurring basis.

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a nonrecurring basis as of September 30, 2024:

	Fair value	Valuation methodology	Unobservable inputs	Range	Weighted average
Impaired finance receivables, net	$ 15,629	Market approach	Discount including selling costs	13%-100%	13 %

(Continued)

(Dollar amounts in thousands)

(13) Derivatives

(a) Derivative Financial Instruments

The Company may be exposed to interest rate fluctuations in the normal course of business. The Company enters into interest rate derivatives to mitigate interest rate risks that result from the different characteristics of its assets and liabilities to ensure its exposure remains within established risk tolerances.

The Company estimates the fair value of derivative instruments using industry standard valuation models. These models project future cash flows and discount the future amounts to present value using market-based expectations for interest rates and contractual terms of the derivative instruments.

The Company can execute both derivatives that are not designated as hedging instruments and derivatives that are designated as hedging instruments. The fair value changes of derivatives not designated as hedging instruments are reported in Other revenue on the Consolidated Statements of Income. The derivatives designated as hedging instruments are cash flow hedges. The fair value changes of derivatives designated as hedging instruments are recorded in Accumulated other comprehensive income on the Consolidated Balance Sheets. These derivatives are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period. Any ineffectiveness identified is reclassified from Accumulated other comprehensive income as a reduction to Other revenue. For the three and nine months ended September 30, 2024 and 2023, there was no ineffectiveness identified in the Company’s hedging instruments.

(b) Statements of Comprehensive Income

The following table summarizes the estimated pretax gains (losses) for each type of hedging instrument for the three and nine months ended September 30, 2024 and 2023:

		Gains (losses) Three months ended September 30,		Gains (losses) Nine months ended September 30,	
		2024	**2023**	**2024**	**2023**
Derivatives designated as hedging instruments:					
Interest rate swaps	$	(44,872)	1,222	(28,605)	(1,113)
Total gain/(loss) on hedging instruments	$	(44,872)	1,222	(28,605)	(1,113)

There were no derivatives not designated as hedging instruments as of September 30, 2024 and 2023.

(Continued)

(Dollar amounts in thousands)

(c) Balance Sheets Effect of Derivative Financial Instruments

Derivative financial instruments are recorded at fair value. The Company elected to present the derivative financial instruments on a gross basis rather than on a net basis by counterparty for purposes of balance sheet presentation and disclosure. The Company entered into master agreements with counterparties that may allow for netting of exposures. Although contractual right of offset may exist for certain derivative transactions, as of September 30, 2024 and December 31, 2023, there are no derivative contracts that have positions which could net by counterparty, and there are no collateral or pledged asset amounts that are subject to the aforementioned contractual right of offset.

The following table summarizes the estimated fair value of derivative financial instruments:

	September 30, 2024		
	Notional	Fair value assets	Fair value liabilities
Derivatives designated as hedging instruments			
Interest rate swap	$ 3,000,000	635	37,724
Total derivative hedging instruments	$ 3,000,000	635	37,724

	December 31, 2023		
	Notional	Fair value assets	Fair value liabilities
Derivatives designated as hedging instruments			
Interest rate swap	$ 1,100,000	179	8,662
Total derivative hedging instruments	$ 1,100,000	179	8,662

There were no derivatives not designated as hedging instruments as of September 30, 2024 and December 31, 2023.

(Continued)

(Dollar amounts in thousands)

(14) Other Assets

Other assets were as follows at September 30, 2024 and December 31, 2023:

		September 30, 2024	December 31, 2023
Property and equipment, net of accumulated depreciation of $51,492and $47,309 at September 30, 2024 and December 31, 2023, respectively [1, 3]	$	13,818	16,986
Software, net of accumulated amortization of $121,850 and $106,505 at September 30, 2024 and December 31, 2023, respectively [2, 3]		46,245	57,169
Right-of-use assets		32,927	39,573
Accrued interest receivable on finance receivables		154,894	136,224
Prepaid debt fees		5,642	3,142
Deferred origination costs on net investment in operating leases		705,638	321,998
Deferred acquisition costs on vehicle service contracts		906,641	824,696
Prepaid insurance on vehicle service contracts		88,449	85,714
Other		79,026	78,437
Total other assets	$	2,033,280	1,563,939

1. Depreciation expenses were $1,551 and $1,619 for the three months ended September 30, 2024 and 2023, respectively. Depreciation expense was $4,402 and $4,775 for the nine months ended September 30, 2024 and 2023, respectively.

2. Amortization expenses were $5,048 and $4,530 for the three months ended September 30, 2024 and 2023, respectively. Amortization expense was $15,345 and $13,723 for the nine months ended September 30, 2024 and 2023, respectively.

3. For the three and nine months ended September 30, 2024 and 2023, the Company did not recognize any impairment losses.

(Continued)

(Dollar amounts in thousands)

(15) Vehicle Service Contracts and Vehicle Protection Products

The following table reflects operations from the Company's vehicle protection product business for the three and nine months ended September 30, 2024 and 2023, with the net amount presented in other revenue:

		Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Service contracts written, net	$	105,948	124,124	321,242	364,742
Change in unearned revenue of service contracts written, net		(34,801)	(60,900)	(108,793)	(186,226)
Total revenue from service contracts		71,147	63,224	212,449	178,516
Acquisition costs on contracts written		63,154	72,036	183,103	214,828
Change in acquisition costs on contracts written		(29,024)	(41,493)	(81,945)	(127,607)
Total acquisition costs		34,130	30,543	101,158	87,221
Claims incurred		25,501	23,104	84,927	65,484
Margin on service contracts		11,516	9,577	26,364	25,811
Other fee revenue, net		1,235	229	8,370	1,433
Total vehicle service contracts revenue, net	$	12,751	9,806	34,734	27,244

(Continued)

(Dollar amounts in thousands)

(16) Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following at September 30, 2024 and December 31, 2023:

		September 30, 2024	December 31, 2023
Net deferred rate subsidies and other fees on net investment in operating leases	$	685,831	494,749
Accounts payable		524,931	430,853
Accrued interest and fees payable on debt		343,139	249,793
Accrued salaries and fringe benefits		51,605	49,642
Miscellaneous state and local taxes payable		23,370	16,085
Unearned vehicle service contract revenue		1,429,026	1,317,498
Lease liability		42,673	52,173
Reserve for unfunded finance receivable commitments		844	701
Other		51,749	50,688
Total accounts payable and other liabilities	$	3,153,168	2,662,182

(17) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through November 6, 2024, the date at which the consolidated financial statements were available to be issued.

APPENDIX A

INFORMATION REGARDING HYUNDAI MOTOR COMPANY

The following financial and other information concerning Hyundai Motor Company, or HMC, has been provided by HMC and is included in view of the existence of the support agreement between HMC and us, dated as of August 22, 2012, as amended by the Amendment to Support Agreement, dated as of August 9, 2024. While we believe that the information in this Appendix A is correct, it is based solely upon information made available by HMC. See "Certain Relationships and Related Transactions—Support Agreement" in the Offering Memorandum. The support agreement is not, and nothing done by HMC pursuant to the support agreement shall be deemed to constitute, a guarantee by HMC of any of the Notes.

The following summary discussion of HMC's financial condition and results as of and for the nine months ended September 30, 2024 and 2023 is based on selected consolidated financial data derived from unaudited interim condensed consolidated financial statements prepared by HMC. HMC prepares its financial statements in accordance with Korean International Financial Reporting Standards, which may differ in certain respects from International Financial Reporting Standards adopted in other countries, and from United States generally accepted accounting principles. This discussion does not purport to be a comprehensive discussion and analysis of HMC's financial condition and results of operations and, accordingly, does not address known trends, demands, commitments, events, uncertainties, liquidity, capital resources and other information that may be important to you. This discussion is qualified in its entirety by, and should read in conjunction with, HMC's unaudited interim condensed consolidated financial statements and related notes thereto included elsewhere in this Offering Memorandum Supplement. All references below to "Won" or "W" are references to the currency of Korea. HMC publishes its financial statements in Won.

Incorporated in Korea in 1967, HMC has experienced rapid growth in its 57-year history. HMC is a Fortune Global 100 company and one of the fastest growing automotive brands in terms of both volume and brand value, according to Interbrand. HMC, together with KC, and their combined subsidiaries, make up the Hyundai Motor Group, which is the third largest global automaker by sales volume. HMC offers a diverse product line of 64 models of passenger cars, sports utility vehicles, and commercial vehicles, which were sold in over 200 countries in 2023, with sales principally in Asia, North America, Europe, and Latin America. HMC's consolidated sales were ₩128,607 billion and ₩120,994 billion for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, the ratio of HMC's short-term borrowings, the current portion of long-term debt and debentures, debentures, and long-term debt, to total shareholders' equity was 122.3%.

HMC is the largest manufacturer of passenger and commercial vehicles in Korea, producing a full line of small- and medium-sized and luxury automobiles as well as a broad range of trucks, vans, buses and special-purpose vehicles for sale in Korea and overseas. Owing in part to the significant restructuring measures that HMC undertook in response to the Asian economic crisis in the late 1990s, HMC achieved a premier position in the domestic market while improving its competitive strength against foreign competitors. Domestically, HMC believes that in the first nine months of 2024, it has accounted for 44.3% of vehicles sold in Korea. In 2023, 2022 and 2021, HMC's domestic market share in terms of units sold was 44.6%, 40.7% and 42.1%, respectively, based on internal data sources. HMC believes that it enjoys a premium brand name with a reputation for quality, reliability, safety and after-sales service. HMC is committed to investing in research and development ("R&D") and new product launches in order to further strengthen its leading position in Korea and to improve the quality and attractiveness of its products to its customers.

HMC sells cars in North America primarily through HMA, in Europe through local distributors and HMC's European sales subsidiaries, and in Latin America through local distributors. In the United States, one of HMC's largest markets, HMC achieved a market share of 5.6% in the nine months ended September 30, 2024, based on 662 thousand units sold. HMC believes that its growth and success in the U.S. market is due to its efforts to improve product quality and enhance brand recognition.

Summary Financial Results

The following information for the nine months ended September 30, 2024 and 2023, and as of September 30, 2024 and 2023, sets forth HMC's operating and financial condition data. HMC's results of operations for the nine months ended September 30, 2024 and 2023 are not a comprehensive statement of HMC's financial results for such periods, and are not necessarily indicative of results that may be expected for any future period.

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(In billions of Korean Won, except ratios)	
Income Statement Data:		
Sales	₩ 128,607	₩ 120,994
Gross profit	26,663	25,133
Operating profit	11,417	11,719
Profit for the period	10,756	10,070
Operating profit margin (1)	8.9%	9.7%
Net profit margin (2)	8.4%	8.3%

	September 30, 2024	September 30, 2023
	(In billions of Korean Won, except ratios)	
Balance Sheet Data:		
Total current assets	₩ 104,093	₩ 101,137
Total assets	306,087	279,414
Total current liabilities	67,822	73,413
Total liabilities	194,573	178,099
Total shareholder's equity	111,514	101,315
Short and long-term debt (3)	136,363	121,800
Current ratio (4)	153.5%	137.8%
Debt to equity ratio (5)	122.3%	120.2%

(1) Calculated based on operating profit divided by sales.
(2) Calculated based on profit for the period divided by sales.
(3) Calculated based on the sum of short-term borrowings, the current portion of long-term debt and debentures, debentures, and long-term debt.
(4) Calculated based on total current assets divided by total current liabilities.
(5) Calculated based on short and long-term debt divided by total shareholder's equity.

Comparison of Nine Months ended September 30, 2024 and 2023

In the nine months ended September 30, 2024:

- HMC sold 2,969 thousand units worldwide, a decrease of 103 thousand units, or 3.4%, compared to the nine months ended September 30, 2023; and
- HMC recorded consolidated operating profit of ₩11,417 billion, a decrease of ₩302 billion, or 2.6%, compared to the nine months ended September 30, 2023.

In Korea, HMC sold 516 thousand units, a 8.5% decrease compared to the nine months ended September 30, 2023. Based on internal data sources, HMC had 44.3% of market share for the nine months ended September 30, 2024 and 2023. In the U.S., HMC sold 662 thousand units, a 2.6% increase compared to the nine months ended September 30, 2023. In Europe, HMC sold 451 thousand units, representing a 3.3% decrease compared to the same period last year. In China, HMC's sales decreased by 28.7%, selling 126 thousand units. In other regions, including India, Africa, and South Asia, HMC's aggregate sales decreased by 0.5%, tallying 1,214 thousand units.

HMC's consolidated sales totaled ₩128,607 billion for the nine months ended September 30, 2024, a 6.3% increase from the nine months ended September 30, 2023. HMC recorded consolidated operating profit of ₩11,417 billion for the nine months ended September 30, 2024, down 2.6% from the nine months ended September 30, 2023.

HMC recorded consolidated profit for the period of ₩10,756 billion for the nine months ended September 30, 2024, up 6.8% from the nine months ended September 30, 2023.

In the automobile segment, net sales amounted to ₩100,975 billion for the nine months ended September 30, 2024, a 4.4% increase from the nine months ended September 30, 2023. Operating profit of the automobile segment including internal transaction adjustments amounted to ₩9,206 billion for the nine months ended September 30, 2024, a 5.2% decrease from the nine months ended September 30, 2023.

In the finance segment, net sales amounted to ₩20,258 billion for the nine months ended September 30, 2024, a 21.0% increase from the nine months ended September 30, 2023. Operating income of the finance segment, including internal transaction adjustments, amounted to ₩1,421 billion for the nine months ended September 30, 2024, a 20.8% increase from the nine months ended September 30, 2023.

As of September 30, 2024, HMC had ₩21,652 billion in cash and cash equivalents and short-term financial instruments.

INDEX TO FINANCIAL STATEMENTS

HYUNDAI MOTOR COMPANY

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2024 AND 2023 (Unaudited)
WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

HYUNDAI MOTOR COMPANY
AND ITS SUBSIDIARIES

Contents

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Report on review of interim consolidated financial statements

(English translation of a report originally issued in Korean)

The Stockholders and Board of Directors
Hyundai Motor Company

We have reviewed the accompanying interim condensed consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of September 30, 2024, and the related interim condensed consolidated statements of income, interim condensed consolidated statements of comprehensive income for each of the three-month and nine-month periods ended September 30, 2024 and 2023, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for each of the nine-month periods ended September 30, 2024 and 2023, and a summary of material accounting policy information and other explanatory information.

Management's responsibility for the interim consolidated financial statements

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the Review Standards for Quarterly and Semi annual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information 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 ("KSA") 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Other matter

We have audited the consolidated statement of financial position of the Group as of December 31, 2023, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended (not presented herein) in accordance with KSA, and our report dated March 6, 2024 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2023, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

Ernst & Young Han Young

November 14, 2024

This review report is effective as of November 14, 2024, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's review report to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim consolidated financial statements and may result in modification to this review report.

HYUNDAI MOTOR COMPANY
AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2024 AND 2023 (Unaudited)

"The accompanying interim consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company."

Chang, Jae Hoon
Chief Executive Officer
HYUNDAI MOTOR COMPANY

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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2024 (Unaudited) AND DECEMBER 31, 2023

ASSETS	NOTES	September 30, 2024	December 31, 2023
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	19	₩ 14,991,980	₩ 19,166,619
Short-term financial instruments	19	6,660,019	7,339,968
Other financial assets	5,19	2,246,757	2,802,611
Trade notes and accounts receivable	3,19	5,625,817	4,682,182
Other receivables	4,19	3,610,994	3,431,169
Inventories	6	18,800,314	17,400,346
Current tax assets		102,163	195,696
Financial services receivables	14,19	47,441,653	43,120,684
Non-current assets classified as held for sale	8	55,045	434,503
Other assets	7,19	4,558,676	3,150,939
Total current assets		104,093,418	101,724,717
Non-current assets:			
Long-term financial instruments	19	176,892	154,966
Other financial assets	5,19	5,553,801	4,423,388
Long-term trade notes and accounts receivable	3,19	235,749	210,979
Other receivables	4,19	1,311,046	855,015
Property, plant and equipment	9,37	41,401,884	38,920,900
Investment property	10,37	142,654	146,148
Intangible assets	11,37	6,553,538	6,218,585
Investments in joint ventures and associates	13	32,508,877	28,476,142
Net defined benefit assets	32	386,735	488,181
Deferred tax assets	31	3,786,285	3,604,977
Financial services receivables	14,19	69,442,974	64,566,977
Investments in operating leases	12	36,740,488	29,664,618
Right-of-use assets	12	1,182,681	1,037,643
Other assets	7,19	2,569,581	1,970,119
Total non-current assets		201,993,185	180,738,638
Total assets		₩ 306,086,603	₩ 282,463,355

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2024 (Unaudited) AND DECEMBER 31, 2023

(Cont'd)

LIABILITIES AND EQUITY	NOTES	September 30, 2024	December 31, 2023
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 11,842,130	₩ 10,952,046
Other payables	19,36	7,862,858	8,642,808
Short-term borrowings	15,19	6,329,074	9,035,548
Current portion of long-term debt and debentures	15,19	21,568,808	25,109,158
Income tax payable		1,437,766	1,324,720
Provisions	16	7,117,138	7,316,877
Other financial liabilities	17,19	102,113	56,712
Lease liabilities	12,19	267,282	224,350
Non-current liabilities classified as held for sale	8	-	122,851
Other liabilities	18,19,25	11,295,312	10,577,033
Total current liabilities		67,822,481	73,362,103
Non-current liabilities:			
Long-term other payables	19,36	494,025	616,011
Debentures	15,19	87,990,893	73,033,493
Long-term debt	15,19	20,473,756	17,569,760
Net defined benefit liabilities	32	88,949	77,268
Provisions	16	4,598,210	4,333,841
Other financial liabilities	17,19	224,325	176,399
Deferred tax liabilities	31	5,516,050	5,438,976
Lease liabilities	12,19	864,659	834,052
Other liabilities	18,19,25	6,499,229	5,212,012
Total non-current liabilities		126,750,096	107,291,812
Total liabilities		194,572,577	180,653,915
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	20	4,587,609	4,378,489
Other capital items	21	(618,295)	(1,197,084)
Accumulated other comprehensive income (loss)	22	562,450	(838,892)
Retained earnings	23	95,253,364	88,665,805
Equity attributable to the owners of the Company		101,274,121	92,497,311
Non-controlling interests		10,239,905	9,312,129
Total equity		111,514,026	101,809,440
Total liabilities and equity		₩ 306,086,603	₩ 282,463,355

The accompanying notes are an integral part of the interim consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023 (Unaudited)

	NOTES	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
		(In millions of Korean Won, except per share amounts)			
Sales	25,37	₩ 42,928,332	₩ 128,607,452	₩ 40,991,126	₩ 120,994,346
Cost of sales	29	34,430,404	101,944,501	32,527,819	95,861,744
Gross profit		8,497,928	26,662,951	8,463,307	25,132,602
Selling and administrative expenses	26,29	4,917,028	15,245,553	4,634,839	13,413,493
Operating profit		3,580,900	11,417,398	3,828,468	11,719,109
Gain on investments in joint ventures and associates, net	13	776,900	2,778,933	716,250	2,491,504
Finance income	27	391,585	1,060,028	389,568	1,208,125
Finance expenses	27	224,982	623,448	258,265	732,836
Other income	28	560,305	1,438,885	474,293	1,426,906
Other expenses	28,29	715,035	1,409,270	440,842	1,752,245
Profit before income tax		4,369,673	14,662,526	4,709,472	14,360,563
Income tax expense	31	1,163,823	3,587,665	1,367,724	4,028,524
Profit from continuing operations		₩ 3,205,850	₩ 11,074,861	₩ 3,341,748	₩ 10,332,039
Discontinued operations					
Loss from discontinued operations	8	₩ -	₩ (319,110)	₩ (38,297)	₩ (262,372)
Profit for the period		₩ 3,205,850	₩ 10,755,751	₩ 3,303,451	₩ 10,069,667
Profit attributable to:					
Owners of the Company		3,045,569	10,246,351	3,189,680	9,736,253
Non-controlling interests		160,281	509,400	113,771	333,414
Earnings per share attributable to the owners of the Company:	30				
Basic earnings per share:					
Common stock		₩ 11,606	₩ 39,051	₩ 12,173	₩ 37,184
From continuing operations		11,606	40,268	12,273	37,879
From discontinued operations		-	(1,217)	(100)	(695)
1st preferred stock		₩ 11,503	₩ 38,696	₩ 12,186	₩ 37,196
From continuing operations		11,503	39,901	12,286	37,891
From discontinued operations		-	(1,205)	(100)	(695)
Diluted earnings per share:					
Common stock		₩ 11,606	₩ 39,051	₩ 12,173	₩ 37,184
1st preferred stock		₩ 11,503	₩ 38,696	₩ 12,186	₩ 37,196

The accompanying notes are an integral part of the interim consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023 (Unaudited)

	2024		2023	
	Three-month period ended September 30	Nine-month period ended September 30	Three-month period ended September 30	Nine-month period ended September 30
	(In millions of Korean Won)			
Profit for the period	₩ 3,205,850	₩ 10,755,751	₩ 3,303,451	₩ 10,069,667
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Gain on financial assets measured at FVOCI, net	187,298	240,210	18,382	109,380
Remeasurements of defined benefit plans	(4,278)	(13,627)	957	(28,188)
Changes in retained earnings of equity-accounted investees, net	(37,335)	(73,048)	18,581	(131,774)
Changes in share of OCI of equity-accounted investees, net	76,035	56,434	(5,753)	22,294
	221,720	209,969	32,167	(28,288)
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on financial assets measured at FVOCI, net	16,745	12,931	(4,668)	(2,952)
Gain (loss) on valuation of cash flow hedge derivatives, net	213,235	(80,672)	14,384	(185,444)
Changes in share of OCI of equity-accounted investees, net	(449,569)	371,808	216,863	624,607
Gain (loss) on foreign operations translation, net	(1,431,807)	885,983	291,901	1,375,387
	(1,651,396)	1,190,050	518,480	1,811,598
Total other comprehensive income (loss)	(1,429,676)	1,400,019	550,647	1,783,310
Total comprehensive income	₩ 1,776,174	₩ 12,155,770	₩ 3,854,098	₩ 11,852,977
Comprehensive income attributable to:				
Shareholders of the Company	1,788,832	11,577,384	3,684,888	11,402,791
Non-controlling interests	(12,658)	578,386	169,210	450,186
Total comprehensive income	₩ 1,776,174	₩ 12,155,770	₩ 3,854,098	₩ 11,852,977

The accompanying notes are an integral part of the interim consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023 (Unaudited)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
				(In millions of Korean Won)				
Balance at January 1, 2023	₩ 1,488,993	₩ 4,241,303	₩ (1,713,928)	₩ (1,620,682)	₩ 79,953,601	₩ 82,349,287	₩ 8,547,258	₩ 90,896,545
Comprehensive income:								
Profit for the period	-	-	-	-	9,736,253	9,736,253	333,414	10,069,667
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	148,014	(40,055)	107,959	(1,531)	106,428
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(165,754)	-	(165,754)	(19,690)	(185,444)
Changes in valuation of equity-accounted investees, net	-	-	-	622,914	(131,774)	491,140	23,987	515,127
Remeasurements of defined benefit plans	-	-	-	-	(22,402)	(22,402)	(5,786)	(28,188)
Gain on foreign operations translation, net	-	-	-	1,255,595	-	1,255,595	119,792	1,375,387
Total comprehensive income	-	-	-	1,860,769	9,542,022	11,402,791	450,186	11,852,977
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,965,429)	(1,965,429)	(140,764)	(2,106,193)
Increase in paid-in capital of subsidiaries by issuing stock	-	24,396	-	-	-	24,396	689,136	713,532
Acquisition of investment in subsidiaries	-	22,898	-	-	-	22,898	(26,345)	(3,447)
Disposals of investment in subsidiaries	-	-	-	-	-	-	20,546	20,546
Disposals of treasury stocks	-	22,797	79,010	-	-	101,807	-	101,807
Retirement of treasury stocks	-	-	315,412	-	(315,412)	-	-	-
Issue of hybrid bonds	-	-	-	-	-	-	159,590	159,590
Repayments of hybrid bonds	-	-	-	-	-	-	(300,000)	(300,000)
Others	-	519	-	-	(36,209)	(35,690)	15,200	(20,490)
Total transactions with owners, recorded directly in equity	-	70,610	394,422	-	(2,317,050)	(1,852,018)	417,363	(1,434,655)
Balance at September 30, 2023 (Unaudited)	₩ 1,488,993	₩ 4,311,913	₩ (1,319,506)	₩ 240,087	₩ 87,178,573	₩ 91,900,060	₩ 9,414,807	₩ 101,314,867

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023 (Unaudited)

(Cont'd)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
				(In millions of Korean Won)				
Balance at January 1, 2024	₩ 1,488,993	₩ 4,378,489	₩ (1,197,084)	₩ (838,892)	₩ 88,665,805	₩ 92,497,311	₩ 9,312,129	₩ 101,809,440
Comprehensive income:								
Profit for the period	-	-	-	-	10,246,351	10,246,351	509,400	10,755,751
Gain on financial assets measured at FVOCI, net	-	-	-	234,015	14,464	248,479	4,662	253,141
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(70,461)	-	(70,461)	(10,211)	(80,672)
Changes in valuation of equity-accounted investees, net	-	-	-	412,102	(73,048)	339,054	16,140	355,194
Remeasurements of defined benefit plans	-	-	-	-	(11,725)	(11,725)	(1,902)	(13,627)
Gain on foreign operations translation, net	-	-	-	825,686	-	825,686	60,297	885,983
Total comprehensive income	-	-	-	1,401,342	10,176,042	11,577,384	578,386	12,155,770
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(3,264,412)	(3,264,412)	(119,000)	(3,383,412)
Increase in paid-in capital of subsidiaries by issuing stock	-	(1,747)	-	-	-	(1,747)	331,717	329,970
Acquisition of investment in subsidiaries	-	-	-	-	-	-	8,360	8,360
Disposals of investment in subsidiaries	-	-	-	-	-	-	(2,603)	(2,603)
Disposals of treasury stocks	-	213,059	266,531	-	-	479,590	-	479,590
Retirement of treasury stocks	-	(1,728)	312,258	-	(312,258)	(1,728)	-	(1,728)
Issue of hybrid bonds	-	-	-	-	-	-	139,640	139,640
Others	-	(464)	-	-	(11,813)	(12,277)	(8,724)	(21,001)
Total transactions with owners, recorded directly in equity	-	209,120	578,789	-	(3,588,483)	(2,800,574)	349,390	(2,451,184)
Balance at September 30, 2024	₩ 1,488,993	₩ 4,587,609	₩ (618,295)	₩ 562,450	₩ 95,253,364	₩ 101,274,121	₩ 10,239,905	₩ 111,514,026

The accompanying notes are an integral part of the interim consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023 (Unaudited)

	NOTES	Nine-month period ended September 30, 2024	2023
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	33		
Profit for the period		₩ 10,755,751	₩ 10,069,667
Adjustments		17,201,373	15,278,946
Changes in operating assets and liabilities		(24,571,899)	(21,768,234)
		3,385,225	3,580,379
Interest received		1,191,807	1,301,311
Interest paid		(4,308,417)	(2,925,392)
Dividend received		984,724	700,422
Income tax paid		(2,983,781)	(3,006,491)
Net cash used in operating activities		(1,730,442)	(349,771)
Cash flows from investing activities:			
Changes in short-term financial instruments, net		700,658	(1,030,067)
Changes in other financial assets (current), net		(232,688)	3,654,944
Decreases in other financial assets (non-current)		90,580	70,967
Collection of other receivables		42,118	45,575
Disposals of long-term financial instruments		420	42,058
Proceeds from disposals of property, plant and equipment		107,319	93,745
Proceeds from disposals of intangible assets		8,459	2,318
Proceeds from disposals of investment in joint ventures and associates		12,604	16,498
Increases in other financial assets (non-current)		(897,163)	(226,673)
Increases in other receivables		(497,499)	(79,263)
Purchases of long-term financial instruments		(20,417)	(64,643)
Acquisitions of property, plant and equipment		(5,624,593)	(4,427,300)
Acquisitions of intangible assets		(1,322,531)	(1,163,187)
Acquisitions of investments in joint ventures and associates		(1,747,731)	(1,439,029)
Net cash flows from changes in consolidation scope		-	(12,787)
Others		4,452	20,474
Net cash used in investing activities		(9,376,012)	(4,496,370)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND 2023 (Unaudited)

(Cont'd)	NOTES	Nine-month period ended September 30, 2024		Nine-month period ended September 30, 2023	
		(In millions of Korean Won)			
Cash flows from financing activities:					
Proceeds from short-term borrowings		₩	1,902,484	₩	1,633,038
Proceeds from long-term debt and debentures			46,477,102		35,536,845
Proceeds from capital contribution from non-controlling interest			334,269		713,369
Acquisition of investment in subsidiaries			-		(4,801)
Repayment of short-term borrowings			(4,814,949)		(5,978,589)
Repayment of long-term debt and debentures			(33,638,393)		(25,762,911)
Repayment of lease liabilities			(188,337)		(186,702)
Dividends paid			(3,383,412)		(2,106,167)
Issue of hybrid bonds			139,640		159,590
Repayment of hybrid bonds			-		(300,000)
Others			(175,377)		126,784
Net cash provided by financing activities			6,653,027		3,830,456
Effect of exchange rate changes on cash and cash equivalents			278,788		463,494
Net decrease in cash and cash equivalents			(4,174,639)		(552,191)
Cash and cash equivalents, beginning of the period			19,166,619		20,864,879
Cash and cash equivalents, end of the period		₩	14,991,980	₩	20,312,688

The accompanying notes are an integral part of the interim consolidated financial statements.

1. GENERAL:

Hyundai Motor Company (the "Company" or "Parent Company") was incorporated in December 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the "Group") manufacture and distribute motor vehicles and parts, operate vehicle financing and credit card processing, and manufacture trains.

The shares of the Company have been listed on the Korea Exchange since June, 1974, and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxembourg Stock Exchange.

As of September 30, 2024, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 21.86%) and Mr. Chung, Mong Koo (11,395,859 shares, 5.44%).

(1) The Group's consolidated subsidiaries as of September 30, 2024 are as follows.

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
HYUNDAI CAPITAL SERVICES, INC.	Financing	Korea	59.72%	
HYUNDAI CARD CO., LTD. (*1)	″	″	36.96%	
HYUNDAI ROTEM COMPANY (*2)	Manufacturing	″	33.77%	
HYUNDAI KEFICO CORPORATION	″	″	100.00%	
HYUNDAI PARTECS	″	″	56.00%	
Hyundai NGV	Engineering	″	68.29%	
MAINtrans company	Services	″	100.00%	HYUNDAI ROTEM COMPANY 100.00%
Rotem SRS Co., Ltd.	″	″	100.00%	″
S-Trans Co., Ltd.	″	″	100.00%	″
Gimpo Goldline SRS Co., Ltd.	″	″	100.00%	″
JEONBUK HYUNDAI MOTORS FC CO., LTD	Football club	″	100.00%	
AirPlug Inc.	R&D and Sales	″	99.41%	
42dot Inc.	″	″	58.69%	
42 Air, Inc	″	USA	100.00%	42dot Inc. 100.00%
Movia Inc.	Transporting	Korea	100.00%	″
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	″	80.00%	HMA 80.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	″	100.00%	HMA 100.00%
Hyundai Motor Group Metaplant America, LLC (HMGMA)	″	″	60.00%	HMA 60.00%
Hyundai Translead (HT)	″	″	100.00%	
Hyundai America Technical Center, Inc. (HATCI)	R&D	″	100.00%	
Genesis Motor America LLC	Sales	″	100.00%	HMA 100.00%
HTWO Logistics	Logistics	″	75%	
Hyundai Rotem USA Corporation	Manufacturing	″	100.00%	HYUNDAI ROTEM COMPANY 100.00%
Hyundai Rotem Smart Electric America	″	″	100.00%	Hyundai Rotem USA Corporation 100.0%
Hyundai Motor Investment, Inc.	Investment	″	100.00%	
HYUNDAI AUTO CANADA CORP. (HACC)	Sales	Canada	100.00%	HMA 100.00%
HYUNDAI AUTO CANADA CAPTIVE INSURANCE INC. (HACCI)	Insurance	″	100.00%	″
Hyundai Capital Canada Inc. (HCCA)	Financing	″	70.00%	HYUNDAI CAPITAL SERVICES, INC. 20.00%
Hyundai Capital Lease Inc. (HCLI)	″	″	100.00%	HCCA 100.00%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
HK Lease Funding LP	Financing	Canada	100.00%	HCLI 99.99%, HCCA Funding Inc. 0.01%
HCCA Funding Inc.	〃	〃	100.00%	HCLI 100.00%
HCCA Funding Two Inc.	〃	〃	100.00%	HCCA 100.00%
HK Retail Funding LP	〃	〃	100.00%	HCCA 99.99%, HCCA Funding Two Inc 0.01%
HYUNDAI MOTOR INDIA LIMITED (HMI)	Manufacturing	India	100.00%	
HYUNDAI MOTOR INDIA ENGINEERING PRIVATE LIMITED (HMIE)	R&D	〃	100.00%	HMI 100.00%
HYUNDAI INDIA INSURANCE BROKING PRIVATE LIMITED (HIIB)	Insurance	〃	100.00%	〃
HYUNDAI CAPITAL INDIA PRIVATE LIMITED (HCI)	Financing	〃	100.00%	HYUNDAI CAPITAL SERVICES, INC. 100.00%
Hyundai Mobility Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Mobility Japan R&D Center Co., Ltd. (HMJ R&D)	R&D	〃	100.00%	
Hyundai Motor Business Service Company (HMBSC)	Services	Saudi Arabia	100.00%	
HYUNDAI MOTOR MIDDLE EAST AND AFRICA L.L.C	〃	United Arab Emirates	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	〃	〃	100.00%	BJMSS 100.00%
Genesis Motor Sales (Shanghai) Co., LTD.	〃	〃	100.00%	
Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.	Real estate development	〃	99.00%	CMEs 99.00%
Rotem Equipments (Beijing) Co., Ltd.	Sales	〃	100.00%	HYUNDAI ROTEM COMPANY 100.00%
KEFICO Automotive Systems(Beijing) Co., Ltd.	Manufacturing	〃	100.00%	HYUNDAI KEFICO CORPORATION 100.00%
Hyundai Truck & Bus (China) Co., Ltd. (HTBC)	〃	〃	100.00%	
HYUNDAI THANH CONG VIETNAM AUTO MANUFACTURING CORPORATION (HTMV)(*1)	〃	Vietnam	50.00%	
HYUNDAI THANH CONG COMMERCIAL VEHICLE JOINT STOCK COMPANY (HTCV)(*1)	Sales	〃	50.00%	
HYUNDAI THANH CONG VIET NAM AUTO JOINT VENTURE JOINT STOCK COMPANY (HTV)(*1)	〃	〃	50.00%	
HYUNDAI KEFICO VIETNAM COMPANY LIMITED	Manufacturing	〃	100.00%	HYUNDAI KEFICO CORPORATION 100.00%
HYUNDAI KEFICO INDIA PRIVATE LIMITED	〃	India	100.00%	〃
HYUNDAI MOTOR COMPANY AUSTRALIA PTY LIMITED (HMCA)	Sales	Australia	100.00%	
HYUNDAI MOTOR PHILIPPINES, INC. (HMPH)	〃	Philippines	100.00%	
HYUNDAI MOBILITY (THAILAND) CO., LTD. (HMT)	〃	Thailand	100.00%	
Hyundai Mobility Manufacturing (Thailand) Co., Ltd. (HMMT)	〃	〃	99.99%	HMT 99.99%
PT HYUNDAI MOTOR MANUFACTURING INDONESIA (HMMI)	Manufacturing	Indonesia	100.00%	
PT HYUNDAI MOTORS INDONESIA (HMID)	Sales	〃	100.00%	HMMI 0.01%
PT Hyundai Solusi Mobilitas (HSM)	〃	〃	99.99%	HMID 99.99%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
PT. HYUNDAI CAPITAL INDONESIA (HCID)	Financing	Indonesia	100.00%	HYUNDAI CAPITAL SERVICES, INC. 100.00%
Hyundai Capital Australia Pty Limited	″	Australia	100.00%	″
HR Mechanical Services Limited	Services	New Zealand	100.00%	HYUNDAI ROTEM COMPANY 100.00%
Hyundai Motor Manufacturing Czech s.r.o. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Motor Czech s.r.o. (HMCZ)	Sales	″	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and Sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	″	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	″	100.00%	
Hyundai Motorsport GmbH (HMSG)	Marketing	″	100.00%	HME 100.00%
Hyundai Motor Europe Quality Center GmbH	Research	″	100.00%	″
Hyundai Capital Europe GmbH.	Financing	″	100.00%	HYUNDAI CAPITAL SERVICES, INC. 100.00%
HMCIS B.V.	Holding company	Netherlands	100.00%	
Hyundai Motor Netherlands B.V. (HMNL)	Sales	″	100.00%	
Hyundai Motor Sweden AB (HMS)	″	Sweden	100.00%	
Hyundai Motor CIS Limited Liability Company (HMCIS)	″	Russia	100.00%	HMCIS B.V. 100.00%
Hyundai Mobility Lab Limited Liability Company. (HML)	R&D	″	99.00%	HMCIS 99.00%
HYUNDAI CAPITAL SERVICES LIMITED LIABILITY COMPANY	Financing	″	100.00%	Hyundai Capital Europe 100.00%
Limited liability company Hyundai Truck & Bus Rus (HTBR)	Sales	″	100.00%	
Hyundai Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi (HAOSVT)	Manufacturing	Turkiye	97.00%	
Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S	″	″	50.50%	HYUNDAI ROTEM COMPANY 50.50%
Hyundai Rotem Company – Hyundai EUROTEM Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI	Sales	″	100.00%	HYUNDAI ROTEM COMPANY 65.00%, Hyundai EURotem A.S. 35.00%
Hyundai Rotem Company - Hyundai EUROTEM Mahmutbey Projesi ORTAK GIRISIMI	″	″	100.00%	HYUNDAI ROTEM COMPANY 85.00%, Hyundai EURotem A.S. 15.00%
Rotem SRS Ukraine LLC.	Services	Ukraine	100.00%	Rotem SRS Co., Ltd. 100.00%
Rotem SRS Egypt LLC.	″	Egypt	98.00%	Rotem SRS Co., Ltd. 98.00%
HYUNDAI MOTOR UK LIMITED (HMUK)	Sales	UK	100.00%	
HYUNDAI MOTOR COMPANY ITALY S.R.L. (HMCI)	″	Italy	100.00%	
HYUNDAI MOTOR ESPANA, S.L.U. (HMES)	″	Spain	100.00%	
HYUNDAI MOTOR FRANCE (HMF)	″	France	100.00%	
Hyundai Motor Poland sp. z o.o. (HMP)	″	Poland	100.00%	
HYUNDAI ROTEM EUROPE sp. z o.o.	Services	″	100.00%	HYUNDAI ROTEM COMPANY 100.00%
GENESIS MOTOR EUROPE GmbH (GME)	Sales	Germany	100.00%	
GENESIS MOTOR UK LIMITED (GMUK)	″	UK	100.00%	GME 100.00%
GENESIS MOTOR SWITZERLAND AG (GMCH)	″	Switzerland	100.00%	″
GENESIS MOTOR DEUTSCHLAND GmbH (GMD)	″	Germany	100.00%	″
Hyundai Hydrogen Mobility AG (HHM)	″	Switzerland	75.00%	
Hyundai Hydrogen Mobility Germany GmbH (HHMG)	″	Germany	100.00%	HHM 100.00%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
HYUNDAI MOTOR DE MEXICO S DE RL DE CV (HMM)	Sales	Mexico	100.00%	HT 0.01%
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	〃	99.99%	HT 99.99%
HYUNDAI KEFICO MEXICO, S. DE R.L. DE C.V.	〃	〃	100.00%	HYUNDAI KEFICO CORPORATION 100.00%
Hyundai Rio Vista, Inc.	Real estate development	USA	100.00%	HT 100.00%
HYUNDAI MOTOR BRASIL MONTADORA DE AUTOMOVEIS LTDA (HMB)	Manufacturing	Brazil	100.00%	
Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda.	Financing	〃	100.00%	HYUNDAI CAPITAL SERVICES, INC. 100.00%
Hyundai Capital Kazakhstan Limited Liability Partnership	〃	Kazakhstan	100.00%	HYUNDAI CAPITAL SERVICES LIMITED LIABILITY COMPANY 100.00%
PT Hyundai Capital Finance Indonesia	〃	Indonesia	75.06%	HYUNDAI CAPITAL SERVICES, INC. 75.06%
Hyundai Rotem Brasil Industria E Comercio De Trens Ltda.	Manufacturing	Brazil	100.00%	HYUNDAI ROTEM COMPANY 100.00%
HMS SERVICOS DE MOBILIDADE LTDA.	Holding company	〃	99.99%	HMB 99.99%
China Millennium Corporations (CMEs)	〃	Cayman Islands	59.60%	
China Mobility Fund, L.P.	Investment	〃	72.00%	
ZER01NE Accelerator Investment Fund No.1	〃	Korea	99.00%	
Autopia Sixty-Sixth ~ Seventy-Eighth Asset Securitization Specialty Company (*1)	Financing	〃	0.50%	HYUNDAI CAPITAL SERVICES, INC. 0.50%
Hyundai Auto Funding ESG First Asset Securitization Specialty Company(*1)	〃	〃	0.50%	〃
Mobilitybest2 Co., Ltd.(*1)	〃	〃	0.00%	HYUNDAI CAPITAL SERVICES, INC. 0.00%
Super Series Eleventh ~ Sixteenth Securitization Specialty Co., Ltd. (*1)	〃	〃	0.50%	HYUNDAI CARD CO., LTD. 0.50%
Bluewalnut Co., Ltd.	〃	〃	100.00%	HYUNDAI CARD CO., LTD. 100.00%
Bluewalnut America, Inc.	〃	USA	100.00%	Bluewalnut Co., Ltd. 100.00%
Bluewalnut Europe GmbH	〃	Germany	100.00%	〃
Hyundai Connected Mobility GmbH	Mobility Service	〃	100.00%	
MOCEAN Co.,Ltd	〃	Korea	73.28%	
UB1st Co., Ltd	Manufacturing	〃	67.99%	42dot Inc. 67.99%
Hyundai Cha Funding, LLC	Financing	USA	100.00%	HCA 100.00%
Hyundai Lease Titling Trust	〃	〃	100.00%	〃
Hyundai HK Funding, LLC	〃	〃	100.00%	〃
Hyundai HK Funding Two, LLC	〃	〃	100.00%	〃
Hyundai HK Funding Three, LLC	〃	〃	100.00%	〃
Hyundai HK Funding Four, LLC	〃	〃	100.00%	〃
Hyundai HK Funding Five, LLC	〃	〃	100.00%	〃
Hyundai ABS Funding, LLC	〃	〃	100.00%	〃
HK Real Properties, LLC	〃	〃	100.00%	〃
Hyundai Auto Lease Offering, LLC	〃	〃	100.00%	〃
Hyundai HK Lease, LLC	〃	〃	100.00%	〃
Extended Term Amortizing Program, LLC	〃	〃	100.00%	〃
Hyundai Asset Backed Lease, LLC	〃	〃	100.00%	〃
HCA Exchange, LLC	〃	〃	100.00%	〃
Hyundai Protection Plan, Inc.	Insurance	〃	100.00%	〃
Hyundai Protection Plan Florida, Inc.	〃	〃	100.00%	〃
Hyundai Capital Insurance Services, LLC	〃	〃	100.00%	〃
Hyundai Capital Insurance Company	〃	〃	100.00%	〃
Power Protect Extended Services, Inc.	〃	〃	100.00%	〃
Power Protect Extended Services Florida, Inc.	〃	〃	100.00%	〃

(*1) The Group is considered to have substantive control over the entities by virtue of an agreement or relationship with other investors, or relationship with structured entities.
(*2) Even though the shareholding ratio of ownership is less than half, the Group has de facto control over the entity due to the relative size of the voting rights held and the degree of share dispersion of other voting rights holders.

(2) Summarized financial position and results of operations of major consolidated subsidiaries as of and for the nine-month period ended September 30, 2024 are as follows.

Name of subsidiaries	Assets	Liabilities	Sales	Profit for the period
	(In millions of Korean Won)			
HYUNDAI CAPITAL SERVICES, INC. (*)	₩ 38,651,654	₩ 32,152,505	₩ 3,922,642	₩ 380,491
HYUNDAI CARD CO., LTD. (*)	25,585,831	21,542,349	2,779,107	240,098
HYUNDAI ROTEM COMPANY (*)	4,595,238	2,703,307	2,935,829	260,244
HYUNDAI KEFICO CORPORATION (*)	2,061,156	1,016,208	1,950,244	34,089
HCA(*)	97,079,759	88,449,762	13,207,699	494,992
HMA	16,809,819	9,038,640	34,630,198	1,247,790
HCCA(*)	11,069,970	10,253,305	975,406	52,920
HMMA	5,277,390	3,710,668	11,352,874	255,597
HMMC	4,573,896	1,899,131	8,426,051	458,310
HMI(*)	4,211,786	2,067,803	8,376,573	735,481
HAOSVT	2,261,343	1,071,445	3,821,736	208,301
HMB	2,113,789	1,283,087	2,719,259	77,023
HACC(*)	2,066,243	1,173,387	4,731,503	196,278
HMMI	1,918,688	1,098,608	1,429,254	143,288
HME(*)	1,517,145	1,378,948	12,358,431	54,779

(*) Based on the subsidiary's consolidated financial statements

Summarized financial position and results of operations of major consolidated subsidiaries as of and for the nine-month period ended September 30, 2023 are as follows.

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
HYUNDAI CAPITAL SERVICES, INC. (*)	₩ 39,326,389	₩ 33,377,402	₩ 3,776,314	₩ 315,674
HYUNDAI CARD CO., LTD. (*)	23,801,013	19,943,322	2,437,408	225,740
HYUNDAI ROTEM COMPANY (*)	4,970,577	3,359,242	2,598,206	110,594
HYUNDAI KEFICO CORPORATION (*)	2,213,340	1,192,507	1,891,867	39,339
HCA (*)	80,864,370	72,608,009	10,318,325	404,992
HMA	16,077,176	9,112,778	29,999,768	2,500,795
HCCA(*)	8,248,687	7,640,146	729,655	45,161
HMI (*)	5,205,345	2,235,683	8,001,462	689,825
HMMC	4,772,441	2,103,065	8,075,001	400,270
HMMA	4,677,225	3,396,228	9,872,626	175,812
HAOSVT	2,013,735	1,055,601	3,495,638	147,792
HACC (*)	1,999,004	1,090,212	3,614,951	161,200
HMB	1,943,328	1,234,213	2,585,796	27,477
HME (*)	1,511,488	1,305,467	13,315,710	131,267
HMCA	1,006,977	795,214	1,935,271	55,756
HMMR	843,776	383,403	36,717	(267,491)

(*) Based on the subsidiary's consolidated financial statements

(3) The financial statements of all subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting periods as the Company's.

(4) Summarized cash flows of non-wholly owned subsidiaries in which the Group has a material non-controlling interest for the nine-month period ended September 30, 2024 are as follows.

Description		HYUNDAI CAPITAL SERVICES, INC.		HYUNDAI CARD CO., LTD.		HYUNDAI ROTEM COMPANY
		(In millions of Korean Won)				
Provided by (used in) operating activities	₩	1,436,676	₩	(786,051)	₩	(97,935)
Provided by (used in) investing activities		(218,744)		(65,016)		343,892
Provided by (used in) financing activities		(1,315,259)		1,052,221		(272,201)
Effect of exchange rate changes on cash and cash equivalents		-		(19)		(4,786)
Net increase(decrease) in cash and cash equivalents	₩	(97,327)	₩	201,135	₩	(31,030)

Summarized cash flows of non-wholly owned subsidiaries in which the Group has a material non-controlling interest for the nine-month period ended September 30, 2023 are as follows.

Description		HYUNDAI CAPITAL SERVICES, INC.		HYUNDAI CARD CO., LTD.		HYUNDAI ROTEM COMPANY
		(In millions of Korean Won)				
Provided by (used in) operating activities	₩	(868,034)	₩	1,879,699	₩	407,457
Provided by (used in) investing activities		(232,997)		(273,532)		333,859
Provided by (used in) financing activities		289,894		(1,703,725)		(478,660)
Effect of exchange rate changes on cash and cash equivalents		-		-		3,390
Net increase (decrease) in cash and cash equivalents	₩	(811,137)	₩	(97,558)	₩	266,046

(5) Details of material non-controlling interests in non-wholly owned subsidiaries as of and for the nine-month period ended September 30, 2024 are as follows.

Description		HYUNDAI CAPITAL SERVICES, INC.		HYUNDAI CARD CO., LTD.		HYUNDAI ROTEM COMPANY
		(In millions of Korean Won)				
Ownership percentage of non-controlling interests		40.28%		63.04%		66.23%
Accumulated non-controlling interests	₩	2,610,643	₩	2,659,465	₩	1,103,031
Profit attributable to non-controlling interests		145,382		151,367		170,727
Dividends paid to non-controlling interests		-		83,561		7,229

Details of material non-controlling interests in non-wholly owned subsidiaries as of and for year ended December 31, 2023 are as follows.

Description		HYUNDAI CAPITAL SERVICES, INC.		HYUNDAI CARD CO., LTD.		HYUNDAI ROTEM COMPANY
		(In millions of Korean Won)				
Ownership percentage of non-controlling interests		40.28%		63.04%		66.23%
Accumulated non-controlling interests	₩	2,425,670	₩	2,490,730	₩	942,579
Profit attributable to non-controlling interests		187,078		142,315		98,254
Dividends paid to non-controlling interests		-		38,442		-

(6) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the nine-month period ended September 30, 2024 are as follows.

Changes	Name of subsidiaries	Description
Included	Autopia Seventy-Eighth Asset Securitization Specialty Company	Establishment
″	Hyundai Capital Kazakhstan Limited Liability Partnership	″
″	Gimpo Goldline SRS Co., Ltd.	″
″	Hyundai Rotem Smart Electric America	″
″	Hyundai Mobility Manufacturing (Thailand) Co., Ltd. (HMMT)	″
″	Hyundai HK Funding Five, LLC	″
″	HTWO Logistics	″
″	HYUNDAI KEFICO INDIA PRIVATE LIMITED	″
″	Hyundai Motor Europe Quality Center GmbH	″
″	Hyundai Auto Funding ESG First Asset Securitization Specialty Company	″
″	Mobilitybest2 Co., Ltd.	″
″	Bluewalnut America, Inc.	″
″	Bluewalnut Europe GmbH	″
″	PT Hyundai Capital Finance Indonesia	Acquisition
Excluded	Autopia Sixty-Fifth Asset Securitization Specialty Company	Liquidation
″	Super Series Nineth Securitization Specialty Co., Ltd.	″
″	Super Series Tenth Securitization Specialty Co., Ltd.	″
″	Zavurov First Co., Ltd.	″
″	Hyundai Motor Manufacturing Rus LLC (HMMR)	Disposition

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES:

(1) Basis of consolidated financial statements preparation

The Group prepares statutory interim consolidated financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”) 1034 *Interim Financial Reporting*, enacted by the *Act on External Audit of Stock Companies.* The accompanying interim consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2023, which have been prepared in accordance with KIFRS.

There are new or amended accounting standards effective from January 1, 2024, but those standards did not have a material impact on the Group's interim consolidated financial statements. Except for these standards, the significant accounting policies used for the preparation of the interim consolidated financial statements are consistent with those applied to the annual consolidated financial statements as of and for the year ended December 31, 2023.

(2) Material accounting estimates and key sources of estimation uncertainties

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations.

Significant judgments made by management on the Group's application of accounting policies and the major sources of estimation uncertainty for the preparation of financial statements are consistent with those for the annual consolidated financial statements as of and for the year ended December 31, 2023.

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 5,640,946	₩ 282,500	₩ 4,701,721	₩ 241,556
Loss allowance	(15,129)	(6,485)	(19,539)	(5,005)
Present value discount accounts	-	(40,266)	-	(25,572)
	₩ 5,625,817	₩ 235,749	₩ 4,682,182	₩ 210,979

(2) Aging analysis of trade notes and accounts receivable

As of September 30, 2024, aging analysis of total trade notes and accounts receivable that are past due but not impaired is as follows.

Description	Not due	Overdue Within 90days	Overdue Within 180days More than 91days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
	(In millions of Korean Won)					
Total trade note and accounts receivable	₩ 5,170,857	₩ 380,849	₩ 15,677	₩ 356,063	₩ 5,923,446	₩ 21,614

As of December 31, 2023, aging analysis of total trade notes and accounts receivable that are past due but not impaired is as follows.

Description	Not due	Overdue Within 90days	Overdue Within 180days More than 91days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
	(In millions of Korean Won)					
Total trade note and accounts receivable	₩ 4,227,084	₩ 396,061	₩ 56,367	₩ 263,765	₩ 4,943,277	₩ 24,544

(3) The changes in loss allowance for the nine-month periods ended September 30, 2024 and 2023 are as follows

Description	Nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Beginning of the period	₩ 24,544	₩ 24,886
Reversal of impairment loss	(2,920)	291
Write-off	(341)	(256)
Effect of foreign exchange differences and others	331	549
End of the period	₩ 21,614	₩ 25,470

4. OTHER RECEIVABLES:

(1) Other receivables as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others (*)	₩ 2,614,769	₩ 418,614	₩ 2,223,588	₩ 462,064
Due from customers for contract work	984,701	-	1,191,078	-
Lease and rental deposits	15,079	380,532	17,104	332,215
Deposits	9,364	511,900	9,020	60,736
Others	14,796	-	9,237	-
Loss allowance	(27,715)	-	(18,858)	-
	₩ 3,610,994	₩ 1,311,046	₩ 3,431,169	₩ 855,015

(*) As of September 30, 2024 and December 31, 2023, the Group recognized the reimbursement related to the warranty provisions as a separate asset in the amount of ₩989,793 million and ₩1,008,099 million, respectively.

(2) The changes in other allowance for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Beginning of the period	₩ 18,858	₩ 134,385
Impairment loss	5,798	2,655
Write-off	(1,051)	(3,149)
Effect of foreign exchange differences and others	4,110	(18,387)
End of the period	₩ 27,715	₩ 115,504

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of September 30, 2024 are as follows.

Description	September 30, 2024	
	Current	Non-current
	(In millions of Korean Won)	
Financial assets measured at FVPL	₩ 1,727,035	₩ 614,540
Financial assets measured at FVOCI	94,789	3,320,490
Financial assets measured at amortized cost	121,131	1,263,570
Derivative assets that are effective hedging instruments	303,802	355,201
	₩ 2,246,757	₩ 5,553,801

Other financial assets as of December 31, 2023 are as follows.

Description	December 31, 2023	
	Current	Non-current
	(In millions of Korean Won)	
Financial assets measured at FVPL	₩ 2,374,032	₩ 493,423
Financial assets measured at FVOCI	89,252	2,900,170
Financial assets measured at amortized cost	20,604	588,502
Derivative assets that are effective hedging instruments	318,723	441,293
	₩ 2,802,611	₩ 4,423,388

(2) Financial assets measured at FVOCI as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024 Acquisition cost		September 30, 2024 Book value		December 31, 2023 Book value	
	(In millions of Korean Won)					
Debt instruments	₩	759,759	₩	761,249	₩	611,668
Equity instruments (*)		2,620,750		2,654,030		2,377,754
	₩	3,380,509	₩	3,415,279	₩	2,989,422

(*) The Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading at the date of initial recognition.

(3) Equity instruments classified into financial assets measured at FVOCI as of September 30, 2024 and December 31, 2023 are as follows.

Name of the company	Ownership percentage	September 30, 2024 Acquisition cost		September 30, 2024 Book value		December 31, 2023 Book value	
	(%)	(In millions of Korean Won)					
KT Corporation (*1)	4.76	₩	458,793	₩	492,500	₩	421,442
Hyundai Glovis Co., Ltd.	4.88		210,688		447,115		350,625
ANI Technologies Private Limited (OLA)	3.38		278,955		282,285		282,285
Hyundai Steel Company (*2)	6.87		727,028		255,943		334,836
Hyundai Oilbank Co., Ltd.	4.35		53,734		224,367		224,367
Grab Holdings Limited	1.10		442,922		215,056		186,356
OLA Electric Mobility(*4)	2.47		14,295		170,925		14,295
HD Hyundai	2.20		9,018		132,710		109,811
Hyundai M Partners Co., Ltd.	9.29		9,888		14,958		14,720
NICE Information Service Co., Ltd.	2.25		3,312		14,493		12,935
Hyundai Green Food Co., Ltd. (*3)	2.36		5,203		9,491		9,187
Hyundai G.F. Holdings Co., Ltd. (*3)	0.97		9,801		6,919		5,487
NICE Holdings Co., Ltd.	1.30		3,491		5,275		6,480
Hyundai Asan Corporation	0.88		22,500		2,117		2,117
Others			371,122		379,876		402,811
		₩	2,620,750	₩	2,654,030	₩	2,377,754

(*1) The Group acquired 12,011,143 shares in KT Corporation by the exchange of treasury stocks for the purpose of strengthening its business partnership with KT Corporation, and the shares acquired by the Group are restricted from disposal for a certain period of time.

(*2) The Group entered into a total return swap agreement to transfer 1,367,114 shares out of total 10,540,709 shares with a third party. The Group has disposed of all of its shares during the year ended December 31, 2023.

(*3) During the year ended December 31, 2023, Hyundai Green Food Co., Ltd. was spun off into Hyundai G.F. Holdings Co., Ltd., the surviving entity, and Hyundai Green Food Co., Ltd., the new entity.

(*4) During the nine-month period ended September 30, 2024, the shares of OLA Electric Mobility have been listed on the National Stock Exchange of India(NSE).

6. INVENTORIES:

Inventories as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Finished goods	₩ 10,961,863	₩ 10,509,361
Merchandise	264,724	121,347
Semifinished goods	706,134	632,114
Work in progress	698,687	497,054
Raw materials	3,352,292	3,535,109
Supplies	366,641	360,031
Materials in transit	864,446	566,475
Others (*1)	1,585,527	1,178,855
Total (*2)	₩ 18,800,314	₩ 17,400,346

(*1) As of September 30, 2024 and December 31, 2023, others include inventories provided by operating lease with repurchase agreement in the amount of ₩374,970 million and ₩157,442 million, respectively.

(*2) As of September 30, 2024 and December 31, 2023, the Group recognized a valuation allowance in the amount of ₩320,772 million and ₩238,834 million, respectively.

7. OTHER ASSETS:

Other assets as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 620,637	₩ 275	₩ 668,301	₩ 379
Advanced payments	1,688,530	74,332	1,175,996	137,377
Prepaid expenses	1,600,374	2,457,618	713,067	1,795,515
Prepaid value-added tax and others	649,135	37,356	593,575	36,848
	₩ 4,558,676	₩ 2,569,581	₩ 3,150,939	₩ 1,970,119

8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS:

(1) Non-current assets classified as held for sale and non-current liabilities classified as held for sale as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Land	₩ 16,314	₩ -
Building and others	38,731	-
Subsidiaries (*)	-	434,503
Total	₩ 55,045	₩ 434,503
Non-current liabilities classified as held for sale(*)	₩ -	₩ 122,851

(*) As the Group decided to sell all of its shares of Hyundai Motor Manufacturing Rus LLC during the year ended December 31, 2023, it classified assets and liabilities related to Hyundai Motor Manufacturing Rus LLC as of December 31, 2023 as disposal group held for sale, recognizing other comprehensive loss cumulatively in the amount of ₩321,879 million. The Group also recognized impairment loss in the amount of ₩483,992 million arising from measuring disposal group held for sale at fair value less costs to sell. The entire disposal group held for sale was eliminated as sale of Hyundai Motor Manufacturing Rus LLC was completed during the period ended September 30, 2024.

(2) The sale of Hyundai Motor Manufacturing Rus LLC (HMMR) was approved by the Board of Directors on December 19, 2023, and the sale was completed during the period ended September 30, 2024. As a result, Hyundai Motor Manufacturing Rus LLC (HMMR) was excluded from the consolidated financial statements during the period ended September 30, 2024, and related profits and losses were classified as discontinued operations.

Operating results of Hyundai Motor Manufacturing Rus LLC (HMMR) for the nine-month periods ended September 30, 2024 and 2023 are as follows.

	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	(In millions of Korean Won, except per share amounts)	
Sales	₩ 210	₩ 36,706
Cost of sales	689	92,551
Gross profit	(479)	(55,845)
Selling and administrative expenses	1,288	10,835
Operating profit	(1,767)	(66,680)
Gain on investments in joint ventures and associates, net	787	1,242
Finance income	(2,559)	7,789
Finance expenses	130	116,822
Other income	16,813	94,921
Other expenses (*)	326,185	56,368
Impairment loss (reversal) on revaluation	(21,954)	132,141
Loss before income tax	(291,087)	(268,059)
Income tax expense (benefit)	28,023	(5,687)
Discontinued operations		
Loss from discontinued operations	₩ (319,110)	₩ (262,372)

(*) Other expenses include accumulated loss of ₩319,662 million on foreign operations translation which was previously recognized as other comprehensive income and reclassified subsequently to profit or loss.

Assets and liabilities classified as held for sale due to discontinued operations as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Assets:		
Current assets:		
Cash and cash equivalents	₩ -	₩ 70,804
Other receivables	-	4,445
Inventories	-	268,071
Other assets	-	11,773
Others	-	2,730
Total current assets	-	357,823
Non-current assets:		
Other assets	-	8,927
Property, plant and equipment	-	54,761
Deferred tax assets	-	12,295
Others	-	697
Total non-current assets	-	76,680
Liabilities:		
Current liabilities:		
Trade notes and accounts payable	-	3,061
Current portion of long-term debts	-	88,462
Provisions	-	8,682
Other liabilities	-	13,631
Total current liabilities	-	113,836
Non-current liabilities:		
Provisions	-	9,015
Total non-current liabilities	-	9,015

Net cash flows generated from Hyundai Motor Manufacturing Rus LLC (HMMR) for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Cash flows used in operating activities	₩ (7,108)	₩ (242,829)
Cash flows provided by (used in) investing activities	5,556	(63,948)
Cash flows used in financing activities	(88,831)	(17,050)

9. PROPERTY, PLANT AND EQUIPMENT:

The changes in property, plant and equipment ("PP&E") for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Beginning of the period	₩ 38,920,900	₩ 36,153,190
Acquisitions	5,132,858	3,939,385
Disposals	(192,645)	(237,675)
Depreciation	(2,487,284)	(2,438,635)
Others (*)	28,055	(168,641)
End of the period	₩ 41,401,884	₩ 37,247,624

(*) Others include the effect of foreign exchange differences, transfers from or to other accounts, changes in the scope of consolidation and others.

10. INVESTMENT PROPERTY:

(1) The changes in investment property for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Beginning of the period	₩ 146,148	₩ 144,450
Depreciation	(4,052)	(4,052)
Effect of foreign exchange differences	558	193
Others (*)	-	6,677
End of the period	₩ 142,654	₩ 147,268

(*) Others include transfers from or to other accounts and others.

(2) Income and expenses related to investment property for the three-month and nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Rental income	₩ 12,263	₩ 35,735	₩ 11,326	₩ 32,141
Operating and maintenance expenses	3,428	9,537	3,079	9,496

11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	(In millions of Korean Won)	
Beginning of the period	₩ 6,218,585	₩ 6,102,377
Internal developments and external acquisitions	1,299,620	1,145,236
Disposals	(8,695)	(12,285)
Amortization	(1,100,351)	(1,272,490)
Impairment loss	(1,900)	(160,058)
Others (*)	146,279	214,755
End of the period	₩ 6,553,538	₩ 6,017,535

(*) Others include the effect of foreign exchange differences, transfers from or to other accounts, changes in the scope of consolidation and others.

(2) Research and development expenditures for the three-month and nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Development costs (intangible assets)	₩ 427,272	₩ 1,058,750	₩ 343,858	₩ 799,928
Research and development (*1)	728,685	2,002,104	688,147	1,894,059
Total (*2)	₩ 1,155,957	₩ 3,060,854	₩ 1,032,005	₩ 2,693,987

(*1) Presented in manufacturing costs and administrative expenses.
(*2) Amortization of development costs is not included.

12. LEASES (AS A LESSEE) AND INVESTMENTS IN OPERATING LEASES (AS A LESSOR):

(1) The changes in right-of-use assets for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	(In millions of Korean Won)	
Beginning of the period	₩ 1,037,643	₩ 1,117,293
Acquisitions	320,337	443,420
Disposals	(57,030)	(246,793)
Depreciation	(235,590)	(199,422)
Others (*)	117,321	(15,063)
End of the period	₩ 1,182,681	₩ 1,099,435

(*) Others include the effect of foreign exchange differences, changes in the scope of consolidation and others.

(2) Lease liabilities as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Undiscounted lease liabilities	₩ 1,327,892	₩ 1,260,621
Discounted lease liabilities	1,131,941	1,058,402
Current	267,282	224,350
Non-current	864,659	834,052

(3) Investments in operating leases as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024		December 31, 2023	
	(In millions of Korean Won)			
Acquisition cost	₩	44,206,049	₩	37,319,651
Accumulated depreciation		(7,347,311)		(7,520,255)
Accumulated impairment loss		(118,250)		(134,778)
	₩	36,740,488	₩	29,664,618

(4) Future minimum lease payment receivable related to investments in operating leases as of September 30, 2024 and December 31, 2023 is as follows.

Description	September 30, 2024		December 31, 2023	
	(In millions of Korean Won)			
Not later than one year	₩	6,514,944	₩	5,356,971
Later than one year and not later than five years		8,644,888		6,674,656
Later than five years		222		233
	₩	15,160,054	₩	12,031,860

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of September 30, 2024 and December 31, 2023 are as follows.

Name of the company	Nature of business	Location	September 30, 2024 Ownership percentage	September 30, 2024 Book value	December 31, 2023 Book value
			(%)	(In millions of Korean Won)	
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	₩ 673,295	₩ 637,681
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	31.40	98,969	91,058
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	-	9,413
HMG Global LLC	New business Investment & Management	USA	49.50	1,935,523	1,275,203
Motional AD LLC (*1,4)	R&D	USA	44.20	1,265,830	700,691
Boston Dynamics AI Institute, LLC	R&D	USA	47.50	207,211	246,535
supernal, LLC	R&D	USA	44.44	288,640	163,943
Hyundai Capital Bank Europe GmbH (HCBE)	Financing	Germany	49.00	689,225	671,589
Hyundai Capital France (HCF) (*1)	Financing	France	50.00	139,049	123,879
HYUNDAI MOTOR GROUP INNOVATION CENTER IN SINGAPORE PTE. LTD. (HMGICS)	Manufacturing	Singapore	40.00	143,961	117,494
Kia Corporation	Manufacturing	Korea	34.34	18,220,006	15,976,149
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,188,163	3,125,635
Hyundai Transys Inc.	Manufacturing	Korea	41.13	1,216,097	1,181,611
Hyundai WIA Corporation	Manufacturing	Korea	25.35	803,633	783,750
Hyundai Commercial Inc.	Financing	Korea	37.50	523,836	492,127
Hyundai Autoever Corp.	IT service	Korea	31.59	516,358	486,425
Hyundai Motor Securities Co., Ltd.	Securities Brokerage	Korea	25.43	350,901	344,646
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	289,329	321,030
Tiger Alternative Investment trust No.318 (*1)	Real Estate Investment	Korea	50.00	251,365	250,796
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	76,279	84,997
Others				1,631,207	1,391,490
				₩ 32,508,877	₩ 28,476,142

(*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions, which require consent from the director who is designated by the other investors, for certain transactions, such as payment of dividend.

(*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.

(*3) The entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, because the Group does not have control over the entity by virtue of an agreement with the other investors.

(*4) During the nine-month period ended September 30, 2024, the Group's ownership percentage increased to 44.20% as the Group contributed capital of ₩340,366 million, acquired Aptive's shares of Motional AD LLC of ₩319,100 million and common stock owned by Aptiv were converted into preferred stock.

(2) The changes in investments in joint ventures and associates for the nine-month period ended September 30, 2024 are as follows.

Name of the company	Beginning of the period	Acquisitions (disposals)	Share of profits (losses) for the period	Dividends	Others (*)	End of the period
			(In millions of Korean Won)			
BHAF	₩ 637,681	₩ -	₩ 7,709	₩ -	₩ 27,905	₩ 673,295
WAE	91,058	-	(179)	-	8,090	98,969
BHMC	9,413	-	(9,413)	-	-	-
HMG Global LLC	1,275,203	620,447	(85,455)	-	125,328	1,935,523
Motional AD LLC	700,691	659,466	(75,047)	-	(19,280)	1,265,830
Boston Dynamics AI Institute, LLC	246,535	-	(46,251)	-	6,927	207,211
supernal, LLC	163,943	317,006	(197,143)	-	4,834	288,640
HCBE	671,589	-	2,938	-	14,698	689,225
HCF	123,879	-	8,158	-	7,012	139,049
HMGICS	117,494	33,234	(13,377)	-	6,610	143,961
Kia Corporation	15,976,149	-	2,864,591	(768,982)	148,248	18,220,006
Hyundai Engineering & Construction Co., Ltd.	3,125,635	-	74,162	(13,996)	2,362	3,188,163
Hyundai Transys Inc.	1,181,611	(334)	31,437	-	3,383	1,216,097
Hyundai WIA Corporation	783,750	-	15,830	(5,860)	9,913	803,633
Hyundai Commercial Inc.	492,127	-	43,745	-	(12,036)	523,836
Hyundai Autoever Corp.	486,425	-	41,076	(12,390)	1,247	516,358
Hyundai Motor Securities Co., Ltd.	344,646	-	9,108	(3,226)	373	350,901
Eukor Car Carriers Inc.	321,030	-	46,487	(81,669)	3,481	289,329
Tiger Alternative Investment trust No.318	250,796	30	5,039	(4,500)	-	251,365
Haevichi Hotels & Resorts Co., Ltd.	84,997	-	(8,728)	-	10	76,279
Others	1,391,490	163,247	59,002	(14,158)	31,626	1,631,207
	₩ 28,476,142	₩ 1,793,096	₩ 2,773,689	₩ (904,781)	₩ 370,731	₩ 32,508,877

(*) Others consist of changes in accumulated other comprehensive income (loss) and others.

The changes in investments in joint ventures and associates for the nine-month period ended September 30, 2023 are as follows.

Name of the company	Beginning of the period	Acquisitions	Share of profits (losses) for the period	Dividends	Others (*)	End of the period
			(In millions of Korean Won)			
BHAF	₩ 759,766	₩ -	₩ 19,636	₩ -	₩ 11,795	₩ 791,197
BHMC	525,250	-	(183,848)	-	9,749	351,151
WAE	215,786	-	(4,392)	-	3,202	214,596
HMG Global LLC	608,223	683,893	(63,810)	-	48,571	1,276,877
Motional AD LLC	907,061	-	(150,336)	-	26,464	783,189
supernal, LLC	178,564	215,887	(123,397)	-	8,501	279,555
Boston Dynamics AI Institute, LLC	266,357	-	(14,819)	-	15,779	267,317
HCBE	508,110	140,581	(25,920)	-	43,184	665,955
HCF	75,323	38,990	4,448	-	3,943	122,704
HMGICS	104,556	29,300	(13,795)	-	4,602	124,663
Kia Corporation	13,251,475	-	2,568,832	(480,614)	222,675	15,562,368
Hyundai Engineering & Construction Co., Ltd.	3,033,945	-	95,852	(13,996)	31,386	3,147,187
Hyundai Transys Inc.	1,157,462	-	50,138	-	19,039	1,226,639
Hyundai WIA Corporation	759,270	-	8,169	(4,826)	17,929	780,542
Hyundai Commercial Inc	374,970	-	80,105	-	45,670	500,745
Hyundai Autoever Corp.	449,994	-	36,270	(9,877)	1,930	478,317
Hyundai Motor Securities Co., Ltd.	332,624	-	13,493	(4,436)	2,391	344,072
Eukor Car Carriers Inc.	269,261	-	63,353	(38,646)	18,852	312,820
Tiger Alternative Investment trust No.318	-	256,200	(2,324)	-	-	253,876
Haevichi Hotels & Resorts Co., Ltd.	96,303	-	(7,906)	-	14	88,411
Others	1,325,137	48,903	59,157	(79,496)	20,710	1,374,411
	₩ 25,199,437	₩ 1,413,754	₩ 2,408,906	₩ (631,891)	₩ 556,386	₩ 28,946,592

(*) Others consist of changes in accumulated other comprehensive income (loss) and others.

(3) Summarized financial information of the Group's major joint ventures and associates as of and for the nine-month period ended September 30, 2024 is as follows.

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
		(In millions of Korean Won)		
BHAF (*)	₩ 1,853,919	₩ -	₩ 583,551	₩ -
WAE	362,534	345,342	84,609	5,795
BHMC	1,427,080	2,498,616	3,935,704	331,918
HMG Global LLC	431,650	4,407,181	119,719	369,285
Motional AD LLC	402,903	2,959,766	71,635	141,940
Boston Dynamics AI Institute, LLC	424,462	75,122	35,744	27,884
supernal, LLC	394,704	398,656	40,276	103,587
HCBE (*)	15,936,723	-	14,535,303	-
HCF (*)	4,249,091	-	3,972,156	-
HMGICS	110,865	683,386	319,279	122,205
Kia Corporation	40,127,998	47,407,261	26,903,101	8,358,763
Hyundai Engineering & Construction Co., Ltd.	19,658,640	5,319,194	11,579,954	2,641,506
Hyundai Transys Inc.	5,115,174	4,015,176	3,849,158	1,917,677
Hyundai WIA Corporation	3,688,605	2,998,531	2,133,520	688,502
Hyundai Commercial Inc. (*)	13,042,940	-	11,332,620	-
Hyundai Autoever Corp.	1,834,884	1,100,390	896,064	358,760
Hyundai Motor Securities Co., Ltd. (*)	12,515,615	-	11,216,164	-
Eukor Car Carriers Inc.	1,059,991	3,172,585	885,957	939,560
Tiger Alternative Investment trust No.318	14,481	370,476	289,205	29,727
Haevichi Hotels & Resorts Co., Ltd.	35,878	451,387	175,760	192,971

Name of the company	Sales	Profit (loss) for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
		(In millions of Korean Won)		
BHAF (*)	₩ 128,145	₩ 14,544	₩ -	₩ 14,544
WAE	331,320	6,492	-	6,492
BHMC	2,414,160	(478,435)	-	(478,435)
HMG Global LLC	76,696	(327,224)	139,777	(187,447)
Motional AD LLC	1,128	(274,756)	209	(274,547)
Boston Dynamics AI Institute, LLC	-	(38,204)	-	(38,204)
supernal, LLC	-	(439,668)	-	(439,668)
HCBE (*)	1,064,177	6,690	29,264	35,954
HCF (*)	214,394	16,316	14,025	30,341
HMGICS	127,416	(33,441)	-	(33,441)
Kia Corporation	80,300,635	8,033,587	375,900	8,409,487
Hyundai Engineering & Construction Co., Ltd.	25,423,400	394,586	2,091	396,677
Hyundai Transys Inc.	9,553,248	113,711	15,262	128,973
Hyundai WIA Corporation	6,475,856	71,151	49,859	121,010
Hyundai Commercial Inc. (*)	667,407	131,524	(21,025)	110,499
Hyundai Autoever Corp.	904,634	44,713	(4,049)	40,664
Hyundai Motor Securities Co., Ltd. (*)	1,161,495	35,810	1,469	37,279
Eukor Car Carriers Inc.	2,369,947	421,310	(11,338)	409,972
Tiger Alternative Investment trust No.318	27,260	10,152	-	10,152
Haevichi Hotels & Resorts Co., Ltd.	120,732	(20,183)	25	(20,158)

(*) The companies operate financial business and their total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

Summarized financial information of the Group's major joint ventures and associates as of and for the nine-month period ended September 30, 2023 is as follows.

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
		(In millions of Korean Won)		
BHAF (*)	₩ 3,152,159	₩ -	₩ 1,659,335	₩ -
BHMC	2,938,685	2,709,509	4,496,743	386,604
WAE	341,655	415,617	107,009	5,104
HMG Global LLC	349,318	3,193,459	94,607	323,476
Motional AD LLC	314,252	3,149,654	123,440	289,283
supernal, LLC	419,982	355,920	19,155	127,700
Boston Dynamics AI Institute, LLC	558,075	69,306	24,809	40,073
HCBE (*)	13,133,761	-	11,779,650	-
HCF (*)	3,058,694	-	2,814,451	-
HMGICS	56,969	628,620	154,632	226,437
Kia Corporation	38,802,365	42,841,816	27,464,676	8,833,097
Hyundai Engineering & Construction Co., Ltd.	17,737,374	5,305,091	9,507,619	2,996,659
Hyundai Transys Inc.	4,491,623	3,565,733	3,318,248	1,677,660
Hyundai WIA Corporation	4,020,662	3,157,799	2,327,314	1,050,573
Hyundai Commercial Inc. (*)	11,975,996	-	10,333,921	-
Hyundai Autoever Corp.	1,635,938	884,630	706,611	242,505
Hyundai Motor Securities Co., Ltd. (*)	12,529,814	-	11,257,214	-
Eukor Car Carriers Inc.	1,405,296	3,348,614	733,994	1,412,927
Tiger Alternative Investment trust No.318	12,268	820,100	300,962	29,100
Haevichi Hotels & Resorts Co., Ltd.	48,936	401,695	241,114	61,445

Name of the company	Sales	Profit (loss) for the period from continuing operations	Other comprehensive income	Total comprehensive income (loss)
		(In millions of Korean Won)		
BHAF (*)	₩ 183,969	₩ 37,049	₩ -	₩ 37,049
BHMC	3,502,616	(300,969)	-	(300,969)
WAE	265,654	(16,388)	-	(16,388)
HMG Global LLC	64,619	(252,013)	-	(252,013)
Motional AD LLC	1,297	(600,831)	11,670	(589,161)
supernal, LLC	-	(277,672)	-	(277,672)
Boston Dynamics AI Institute, LLC	-	(30,404)	-	(30,404)
HCBE (*)	941,183	30,362	87,042	117,404
HCF (*)	116,788	8,795	6,231	15,026
HMGICS	41,629	(34,487)	-	(34,487)
Kia Corporation	75,480,266	7,157,764	688,430	7,846,194
Hyundai Engineering & Construction Co., Ltd.	21,052,970	544,236	165,157	709,393
Hyundai Transys Inc.	8,735,229	135,083	52,159	187,242
Hyundai WIA Corporation	6,479,103	33,943	51,632	85,575
Hyundai Commercial Inc. (*)	542,171	135,802	28,626	164,428
Hyundai Autoever Corp.	2,165,646	107,225	7,134	114,359
Hyundai Motor Securities Co., Ltd. (*)	1,134,239	53,053	15,289	68,342
Eukor Car Carriers Inc.	2,294,961	551,629	150,898	702,527
Tiger Alternative Investment trust No.318	3,130	(4,624)	-	(4,624)
Haevichi Hotels & Resorts Co., Ltd.	120,302	(20,161)	11	(20,150)

(*) The companies operate financial business and their total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

(4) Summarized additional financial information of the Group's major joint ventures as of and for the nine-month period ended September 30, 2024 is as follows.

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
	(In millions of Korean Won)						
BHAF(*)	₩ 451,868	₩ 374,050	₩ -	₩ 6,116	₩ 126,741	₩ 25,132	₩ 8,866
BHMC	601,921	702,247	97,204	274,907	13,607	38,515	1,587
Motional AD LLC	50,937	4,391	7,121	74,314	9,143	1,608	6,088
HCF (*)	156,838	3,972,156	-	-	160,245	99,958	5,466
Tiger Alternative Investment trust No.318	13,636	289,205	29,727	2,191	7	11,185	-

(*) As these entities operate finance business and do not distinguish current and non-current portion in their separate financial statements, total assets (liabilities) are all included in current financial assets (liabilities).

Summarized additional financial information of the Group's major joint ventures as of and for the nine-month period ended September 30, 2023 is as follows.

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
	(In millions of Korean Won)						
BHAF (*)	₩ 827,223	₩ 1,396,179	₩ -	₩ 6,753	₩ 182,024	₩ 48,100	₩ 15,657
BHMC	1,130,141	605,198	130,389	470,721	18,874	36,627	2,082
Motional AD LLC	31,780	33,477	31,238	80,705	3,445	1,998	8,872
supernal, LLC	410,440	-	-	6,585	566	2,827	-
HCF (*)	20,101	2,814,451	-	-	85,731	47,071	3,022
Tiger Alternative Investment trust No.318	11,171	-	-	1,309	165	3,324	-

(*) As these entities operate finance business and do not distinguish current and non-current portion in their separate financial statements, total assets (liabilities) are all included in current financial assets (liabilities).

(5) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of September 30, 2024 is as follows.

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
	(In millions of Korean Won)			
BHAF	₩ 673,295	₩ -	₩ -	₩ 673,295
WAE (*1)	196,406	7,809	(105,246)	98,969
BHMC	(170,963)	-	170,963	-
HMG Global LLC	1,935,523	-	-	1,935,523
Motional AD LLC(*2)	798,523	466,971	336	1,265,830
Boston Dynamics AI Institute, LLC	207,081	-	130	207,211
supernal, LLC	288,647	-	(7)	288,640
HCBE	678,094	9,041	2,090	689,225
HCF	138,464	585	-	139,049
HMGICS	141,107	-	2,854	143,961
Kia Corporation	18,083,073	197,089	(60,156)	18,220,006
Hyundai Engineering & Construction Co., Ltd. (*1)	2,456,383	731,362	418	3,188,163
Hyundai Transys Inc.	1,202,861	-	13,236	1,216,097
Hyundai WIA Corporation	897,261	-	(93,628)	803,633
Hyundai Commercial Inc.	523,836	-	-	523,836
Hyundai Autoever Corp. (*1)	457,436	58,822	100	516,358
Hyundai Motor Securities Co., Ltd.	310,849	40,052	-	350,901
Eukor Car Carriers Inc.	288,847	-	482	289,329
Tiger Alternative Investment trust No.318 (*1)	195,316	56,049	-	251,365
Haevichi Hotels & Resorts Co., Ltd. (*1)	72,703	3,576	-	76,279

(*1) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

(*2) The amounts are tentative, pending completion of an external appraiser's valuation of the fair value of acquired assets and assumed liabilities.

Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2023 is as follows.

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
	(In millions of Korean Won)			
BHAF	₩ 637,681	₩ -	₩ -	₩ 637,681
WAE (*)	188,495	7,809	(105,246)	91,058
BHMC	34,671	-	(25,258)	9,413
HMG Global LLC	1,275,203	-	-	1,275,203
Motional AD LLC	709,112	-	(8,421)	700,691
Boston Dynamics AI Institute, LLC	246,405	-	130	246,535
supernal, LLC	163,949	-	(6)	163,943
HCBE	660,815	9,041	1,733	671,589
HCF	123,294	585	-	123,879
HMGICS	114,640	-	2,854	117,494
Kia Corporation	15,853,616	197,089	(74,556)	15,976,149
Hyundai Engineering & Construction Co., Ltd. (*)	2,393,998	731,362	275	3,125,635
Hyundai Transys Inc.	1,167,997	-	13,614	1,181,611
Hyundai WIA Corporation	878,333	-	(94,583)	783,750
Hyundai Commercial Inc.	492,127	-	-	492,127
Hyundai Autoever Corp. (*)	427,504	58,822	99	486,425
Hyundai Motor Securities Co., Ltd.	305,343	40,052	(749)	344,646
Eukor Car Carriers Inc.	321,049	-	(19)	321,030
Tiger Alternative Investment trust No.318 (*)	194,777	56,019	-	250,796
Haevichi Hotels & Resorts Co., Ltd. (*)	81,421	3,576	-	84,997

(*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

(6) The market price of listed equity securities as of September 30, 2024 is as follows.

Name of the company	Price per share	Total number of shares	Market value
	(In millions of Korean Won, except price per share)		
Kia Corporation	₩ 99,900	137,318,251	₩ 13,718,093
Hyundai Autoever Corp.	156,300	8,664,334	1,354,235
Hyundai Engineering & Construction Co., Ltd.	30,500	23,327,400	711,486
Hyundai WIA Corporation	51,500	6,893,596	355,020
Hyundai Motor Securities Co., Ltd.	8,840	8,065,595	71,300

(7) Gain (loss) on investments in joint ventures and associates for the three-month and nine-month periods ended September 30, 2024 and 2023 is as follows.

Description	2024		2023	
	Three-month period ended September 30	Nine-month period ended September 30	Three-month period ended September 30	Nine-month period ended September 30
	(In millions of Korean Won)			
Gain on share of earnings of equity-accounted investees, net	₩ 777,171	₩ 2,773,689	₩ 716,251	₩ 2,408,906
Gain(loss) on disposals of investments in associates	188	5,396	(1)	89,981
Impairment loss on investments in associates	(459)	(152)	-	(7,383)
	₩ 776,900	₩ 2,778,933	₩ 716,250	₩ 2,491,504

14. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Loans	₩ 94,921,304	₩ 86,800,272
Card receivables	22,350,571	21,196,283
Financial lease receivables	2,272,961	2,052,053
Others	7,758	7,043
	119,552,594	110,055,651
Loss allowance	(1,934,729)	(1,769,240)
Loan origination fee	(723,646)	(587,895)
Present value discount accounts	(9,592)	(10,855)
	₩ 116,884,627	₩ 107,687,661

(2) The changes in loss allowance of financial services receivables for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Beginning of the period	₩ 1,769,240	₩ 1,726,916
Impairment loss	1,062,884	728,900
Write-off	(838,213)	(753,743)
Disposals and others	(69,838)	(64,501)
Effect of foreign exchange differences	10,656	30,720
End of the period	₩ 1,934,729	₩ 1,668,292

(3) Gross investments in financial leases and their present value of minimum lease receipts as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024 Gross investments in financial leases	September 30, 2024 Present value of minimum lease payment receivable	December 31, 2023 Gross investments in financial leases	December 31, 2023 Present value of minimum lease payment receivable
	(In millions of Korean Won)			
Not later than one year	₩ 821,602	₩ 674,405	₩ 809,793	₩ 676,940
Later than one year and not later than five years	1,751,692	1,546,439	1,535,881	1,354,786
Later than five years	46,883	41,899	22,215	19,309
	₩ 2,620,177	₩ 2,262,743	₩ 2,367,889	₩ 2,051,035

(4) Unearned interest income of financial leases as of September 30, 2024 and December 31, 2023 is as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,620,177	₩ 2,367,889
Net lease investments:		
Present value of minimum lease payment receivable	2,262,743	2,051,035
Present value of unguaranteed residual value	10,218	1,018
	2,272,961	2,052,053
Unearned interest income	₩ 347,216	₩ 315,836

15. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of September 30, 2024 and December 31, 2023 are as follows.

Description	Lender	Annual interest rate	September 30, 2024	December 31, 2023
		(%)	(In millions of Korean Won)	
Overdrafts	Citi Bank and others	3M EURIBOR+0.45 ~SOFR+0.94	₩ 247,915	₩ 177,130
General borrowings	Korea Development Bank and others	TIBOR+0.8~11.39	1,971,076	4,664,576
Borrowings collateralized by trade receivables	SCB	5.92	43,236	-
Banker's Usance	KEB Hana Bank and others	0.54~5.80	278,526	308,187
Commercial paper	Shinhan Bank and others	4.05~5.45	3,788,321	3,785,655
Credit facilities	Korea Development Bank	-	-	100,000
			₩ 6,329,074	₩ 9,035,548

(2) Long-term debts as of September 30, 2024 and December 31, 2023 are as follows.

Description	Lender	Annual interest rate	September 30, 2024	December 31, 2023
		(%)	(In millions of Korean Won)	
General borrowings	Shinhan Bank and others	0.10 ~3M SOFR+1.35	₩ 7,592,045	₩ 8,081,132
Credit facilities	KEB Hana Bank and others	4.29~9.13	29,600	40,200
Commercial paper	Kiwoom Securities and others	1.56~4.74	1,500,000	1,790,000
Asset-backed securities	HSBC and others	4.55~6.12	17,423,228	14,865,832
			26,544,873	24,777,164
Less: present value discounts			(120,457)	(164,297)
Less: current maturities			(5,950,660)	(7,043,107)
			₩ 20,473,756	₩ 17,569,760

(3) Debentures as of September 30, 2024 and December 31, 2023 are as follows.

Description	Latest maturity date	Annual interest rate	September 30, 2024	December 31, 2023
		(%)	(In millions of Korean Won)	
Non-guaranteed public debentures	March 29, 2032	1.00~6.63	₩ 34,108,304	₩ 33,702,908
Non-guaranteed private debentures	September 26, 2031	1.27~6.82	44,576,249	34,403,777
Asset-backed securities	October 15, 2031	0.38~6.09	25,183,562	23,189,001
			103,868,115	91,295,686
Less: discount on debentures			(259,074)	(196,142)
Less: current maturities			(15,618,148)	(18,066,051)
			₩ 87,990,893	₩ 73,033,493

16. PROVISIONS:

The changes in provisions for the nine-month period ended September 30, 2024 are as follows.

Description	Warranty	Other long-term employee benefits	Others
	(In millions of Korean Won)		
Beginning of the period	₩ 9,121,153	₩ 637,190	₩ 1,892,375
Charged	2,312,050	59,085	959,868
Utilized	(2,403,982)	(71,860)	(880,923)
Effect of foreign exchange differences and others	35,234	137	55,021
End of the period	₩ 9,064,455	₩ 624,552	₩ 2,026,341

The changes in provisions for the nine-month period ended September 30, 2023 are as follows.

Description	Warranty	Other long-term employee benefits	Others
	(In millions of Korean Won)		
Beginning of the period	₩ 10,392,529	₩ 598,637	₩ 1,439,415
Charged	2,007,351	55,525	955,505
Utilized	(2,583,749)	(59,775)	(654,180)
Effect of foreign exchange differences and others	213,527	774	8,833
End of the period	₩ 10,029,658	₩ 595,161	₩ 1,749,573

17. OTHER FINALCIAL LIABILITIES:

(1) Other financial liabilities as of September 30, 2024 are as follows.

Description	September 30, 2024	
	Current	Non-current
	(In millions of Korean Won)	
Financial liabilities measured at FVPL	₩ 31,749	₩ 203
Derivative liabilities that are effective hedging instruments	69,834	221,021
Financial Liabilities measured at amortized cost	530	3,101
	₩ 102,113	₩ 224,325

(2) Other financial liabilities as of December 31, 2023 are as follows.

Description	December 31, 2023	
	Current	Non-current
	(In millions of Korean Won)	
Financial liabilities measured at FVPL	₩ 35,241	₩ 808
Derivative liabilities that are effective hedging instruments	20,909	172,047
Financial Liabilities measured at amortized cost	562	3,544
	₩ 56,712	₩ 176,399

18. OTHER LIABILITIES:

Other liabilities as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advances received	₩ 1,287,859	₩ 119,201	₩ 1,154,776	₩ 105,755
Withholdings	1,531,023	293,197	1,232,665	271,117
Accrued expenses	4,782,851	-	4,481,203	-
Unearned income	1,360,856	4,995,993	1,248,837	4,026,192
Due to customers for contract work	1,237,994	-	1,636,127	-
Others	1,094,729	1,090,838	823,425	808,948
	₩ 11,295,312	₩ 6,499,229	₩ 10,577,033	₩ 5,212,012

19. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of September 30, 2024 are as follows.

Description	Financial assets measured at FVPL	Financial assets measured at amortized cost	Financial assets measured at FVOCI	Derivative assets that are effective hedging instruments	Book value	Fair value
	(In millions of Korean Won)					
Cash and cash equivalents	₩ -	₩ 14,991,980	₩ -	₩ -	₩ 14,991,980	₩ 14,991,980
Short-term and long-term financial instruments	-	6,836,911	-	-	6,836,911	6,836,911
Trade notes and accounts receivable	-	5,861,566	-	-	5,861,566	5,861,566
Other receivables	-	2,522,411	-	-	2,522,411	2,522,411
Other financial assets	2,341,575	1,384,701	3,415,279	659,003	7,800,558	7,800,558
Other assets	735	621,372	-	-	622,107	622,107
Financial services receivables	-	116,884,627	-	-	116,884,627	112,645,179
	₩ 2,342,310	₩ 149,103,568	₩ 3,415,279	₩ 659,003	₩ 155,520,160	₩ 151,280,712

Financial assets by categories as of December 31, 2023 are as follows.

Description	Financial assets measured at FVPL	Financial assets measured at amortized cost	Financial assets measured at FVOCI	Derivative assets that are effective hedging instruments	Book value	Fair value
			(In millions of Korean Won)			
Cash and cash equivalents	₩ -	₩ 19,166,619	₩ -	₩ -	₩ 19,166,619	₩ 19,166,619
Short-term and long-term financial instruments	-	7,494,934	-	-	7,494,934	7,494,934
Trade notes and accounts receivable	-	4,893,161	-	-	4,893,161	4,893,161
Other receivables	-	1,605,675	-	-	1,605,675	1,605,675
Other financial assets	2,867,455	609,106	2,989,422	760,016	7,225,999	7,225,999
Other assets	1,086	668,668	-	-	669,754	669,754
Financial services receivables	-	107,687,661	-	-	107,687,661	105,443,151
	₩ 2,868,541	₩ 142,125,824	₩ 2,989,422	₩ 760,016	₩ 148,743,803	₩ 146,499,293

(2) Financial liabilities by categories as of September 30, 2024 are as follows.

Description	Financial liabilities measured at FVPL	Financial liabilities measured at amortized cost	Derivative liabilities that are effective hedging instruments	Book value	Fair value
			(In millions of Korean Won)		
Trade notes and accounts payable	₩ -	₩ 11,842,130	₩ -	₩ 11,842,130	₩ 11,842,130
Other payables	-	7,001,323	-	7,001,323	7,001,323
Borrowings and debentures	569,324	135,793,207	-	136,362,531	138,239,550
Other financial liabilities	31,952	3,631	290,855	326,438	326,438
Lease liabilities	-	1,131,941	-	1,131,941	1,131,941
Other liabilities	-	4,235,012	-	4,235,012	4,235,012
	₩ 601,276	₩ 160,007,244	₩ 290,855	₩ 160,899,375	₩ 162,776,394

Financial liabilities by categories as of December 31, 2023 are as follows.

Description	Financial liabilities measured at FVPL	Financial liabilities measured at amortized cost	Derivative liabilities that are effective hedging instruments	Book value	Fair value
			(In millions of Korean Won)		
Trade notes and accounts payable	₩ -	₩ 10,952,046	₩ -	₩ 10,952,046	₩ 10,952,046
Other payables	-	7,560,541	-	7,560,541	7,560,541
Borrowings and debentures	29,705	124,718,254	-	124,747,959	124,403,404
Other financial liabilities	36,049	4,106	192,956	233,111	233,111
Lease liabilities	-	1,058,402	-	1,058,402	1,058,402
Other liabilities	-	4,267,077	-	4,267,077	4,267,077
	₩ 65,754	₩ 148,560,426	₩ 192,956	₩ 148,819,136	₩ 148,474,581

(3) Fair value estimation

The Group categorizes the assets and liabilities measured at fair value into the following three-level fair value hierarchy in accordance with the inputs used for fair value measurement.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within 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).

Fair value measurements of financial instruments by fair value hierarchy levels as of September 30, 2024 are as follows.

	September 30, 2024			
Description	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets measured at FVPL	₩ 59,876	₩ 1,743,067	₩ 539,367	₩ 2,342,310
Derivative assets that are effective hedging instruments	-	659,003	-	659,003
Financial assets measured at FVOCI	1,882,541	733,754	798,984	3,415,279
	₩ 1,942,417	₩ 3,135,824	₩ 1,338,351	₩ 6,416,592
Financial liabilities:				
Financial liabilities measured at FVPL	₩ -	₩ 540,790	₩ 60,486	₩ 601,276
Derivative liabilities that are effective hedging instruments	-	290,127	728	290,855
	₩ -	₩ 830,917	₩ 61,214	₩ 892,131

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2023 are as follows.

	December 31, 2023			
Description	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets measured at FVPL	₩ 54,853	₩ 2,401,437	₩ 412,251	₩ 2,868,541
Derivative assets that are effective hedging instruments	-	760,016	-	760,016
Financial assets measured at FVOCI	1,599,823	580,478	809,121	2,989,422
	₩ 1,654,676	₩ 3,741,931	₩ 1,221,372	₩ 6,617,979
Financial liabilities:				
Financial liabilities measured at FVPL	₩ -	₩ 5,318	₩ 60,436	₩ 65,754
Derivative liabilities that are effective hedging instruments	-	191,803	1,153	192,956
	₩ -	₩ 197,121	₩ 61,589	₩ 258,710

The changes in financial instruments classified as Level 3 for the nine-month period ended September 30, 2024 are as follows.

Description	Beginning of the period	Purchases	Disposals	Valuation	Others	End of the period
	(In millions of Korean Won)					
Financial assets measured at FVPL	₩ 412,251	₩ 172,330	₩ (17,171)	₩ 9,974	₩ (38,017)	₩ 539,367
Financial assets measured at FVOCI	809,121	1,200	(5,771)	5,547	(11,113)	798,984
Financial liabilities measured at FVPL	60,436	-	-	295	(245)	60,486
Derivative liabilities that are effective hedging instruments	1,153	-	-	(425)	-	728

The changes in financial instruments classified as Level 3 for the nine-month period ended September 30, 2023 are as follows.

Description	Beginning of the period	Purchases	Disposals	Valuation	Others	End of the period
	(In millions of Korean Won)					
Financial assets measured at FVPL	₩ 268,620	₩ 81,529	₩ (8,576)	₩ 8,637	₩ 16	₩ 350,226
Financial assets measured at FVOCI	893,964	709	(18,247)	(2,633)	(3,070)	870,723
Financial liabilities measured at FVPL	200,227	-	-	541	-	200,768
Derivative liabilities that are effective hedging instruments	1,935	-	-	400	-	2,335

(4) Interest income, dividend income and interest expenses by categories of financial instruments for the nine-month period ended September 30, 2024 are as follows.

Description	Nine-month period ended September 30, 2024		
	Interest income	Dividend income	Interest expenses
	(In millions of Korean Won)		
Non-financial services:			
Financial assets measured at amortized cost	₩ 719,288	₩ -	₩ -
Financial assets measured at FVPL	18,442	-	-
Financial assets measured at FVOCI	-	79,177	-
Financial liabilities measured at amortized cost	-	-	225,247
	₩ 737,730	₩ 79,177	₩ 225,247
Financial services:			
Financial assets measured at amortized cost	₩ 4,544,375	₩ -	₩ -
Financial assets measured at FVPL	44,812	785	-
Financial assets measured at FVOCI	133	-	-
Financial liabilities measured at amortized cost	-	-	4,313,354
	₩ 4,589,320	₩ 785	₩ 4,313,354

Interest income, dividend income and interest expenses by categories of financial instruments for the nine-month period ended September 30, 2023 are as follows.

Description	Nine-month period ended September 30, 2023		
	Interest income	Dividend income	Interest expenses
	(In millions of Korean Won)		
Non-financial services:			
Financial assets measured at amortized cost	₩ 671,311	₩ -	₩ -
Financial assets measured at FVPL	55,723	-	-
Financial assets measured at FVOCI	-	76,951	-
Financial liabilities measured at amortized cost	-	-	434,198
	₩ 727,034	₩ 76,951	₩ 434,198
Financial services:			
Financial assets measured at amortized cost	₩ 3,416,747	₩ -	₩ -
Financial assets measured at FVPL	3,908	707	-
Financial assets measured at FVOCI	503	-	-
Financial liabilities measured at amortized cost	-	-	2,756,390
	₩ 3,421,158	₩ 707	₩ 2,756,390

(5) The commission incomes (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities measured at FVPL for the nine-month periods ended September 30, 2024 and 2023 are ₩1,024,038 million and ₩921,864 million, respectively. In addition, the fee expenses (cost of sales from financial services) related to financial assets or liabilities other than financial assets or liabilities measured at FVPL for the nine-month periods ended September 30, 2024 and 2023 are ₩402,129 million and ₩367,470 million, respectively.

(6) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the nine-month period ended September 30, 2024.

(7) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy are as follows.

- Currency forwards, options and swap

Fair value of currency forwards, options and swap is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same remaining period of derivatives to be measured. If the forward exchange rate, which has the same remaining period of currency forwards, options and swap, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates.

As the inputs used to measure fair value of currency forwards, options and swap are supported by observable market data, such as forward exchange rates, the Group classifies the estimates of fair value measurements of the currency forwards, options and swap as Level 2 of the fair value hierarchy.

- Interest rate swap

The discount rate and forward interest rate used to measure the fair value of interest rate swap are determined based on an applicable yield curve derived from interest quoted in the current market at the end of the reporting period. The fair value of interest rate swap was measured as a discount on the estimated future cash flows of interest rate swap based on forward interest rates derived from the above method at an appropriate discount rate.

As the inputs used to measure fair value of interest rate swap are supported by observable market data, such as yield curves, the Group classifies the estimates of fair value measurements of the interest rate swap as Level 2 of the fair value hierarchy.

- Debt instruments including corporate bonds

Fair value of debt instruments including corporate bonds is measured applying discounted cash flow method. The rate used to discount cash flows is determined based on swap rate and credit spreads of debt instruments, which have the similar credit rating and period quoted in the current market with those of debt instruments including corporate bonds that should be measured. The Group classifies fair value measurements of debt instruments including corporate bonds as Level 2 of the fair-value hierarchy since the rate, which has significant effects on fair value of debt instruments including corporate bonds, is based on observable market data.

- Unlisted equity securities

Fair value of unlisted equity securities is measured using discounted cash flow projection and market approach, and as for discounted cash flow projections, certain assumptions not based on observable market prices or rate, such as sales growth rate, pre-tax operating income ratio and discount rate based on business plan and circumstance of industry are used to estimate the future cash flow. The discount rate used to discount the future cash flows is calculated by applying the Capital Asset Pricing Model, using the data of similar listed companies. The Group determines that the effect of estimation and assumptions referred above affecting fair value of unlisted equity securities is significant and classifies fair value measurements of unlisted securities as Level 3 of the fair value hierarchy.

- Redeemable convertible preference share

Fair value of redeemable convertible preference share is measured based on the fair value, exercise price, maturity, and the stock price volatility up to the maturity of the underlying asset, using the binomial option pricing model. The discount rate used in the binomial option pricing model is applied by converting the rate of return on corporate bonds with equivalent credit rating corresponding to the remaining maturity into a continuously compounding discount rate, and the stock price volatility up to maturity uses historical volatility of proxy companies in similar industries in response to the remaining maturity. The fair value of the underlying asset is assumed to be maintained until the end of the current period after estimating the underlying asset value on the contracted date by inverting the underlying asset value inherent in the terms of the transaction on the premise that the acquisition of related shares is an orderly transaction and traded at fair value. The Group classifies the fair value measurement of redeemable convertible preference share as Level 3 in the fair value hierarchy based on the conclusion that the effect of the above assumptions and estimates on the fair value of redeemable convertible preference share is significant.

(8) The quantitative information about significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy and the description of relationships of significant unobservable inputs to the fair value are as follows.

Description	Fair value at September 30, 2024		Valuation techniques	Unobservable inputs	Description of relationship
	(In millions of Korean Won)				
Unlisted equity securities and others	₩	1,338,351	Discounted cash flow and others	Sales growth rate Pre-tax operating profit margin ratio Discount rate	If the sales growth rate and the pre-tax operating profit margin ratio increase or the discount rate declines, the fair value increases

Description	Fair value at September 30, 2024		Valuation techniques	Unobservable inputs	Description of relationship
	(In millions of Korean Won)				
Redeemable convertible preference share	₩	61,214	Binomial option pricing model and others	Risk discount rate Risk free discount rate Stock price volatility	If the discount rate declines and stock price volatility increases, the fair value increases

The Group does not expect changes in significant unobservable inputs that are made to reflect possibly reasonable alternative assumptions would have significant impact on the fair value.

20. CAPITAL STOCK AND CAPITAL SURPLUS:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of September 30, 2024 and December 31, 2023 are as follows.

(1) Common stock

Description	September 30, 2024		December 31, 2023	
	(In millions of Korean Won, except par value)			
Issued		209,416,191 shares		211,531,506 shares
Par value	₩	5,000	₩	5,000
Capital stock		1,157,982		1,157,982

The Company completed stock retirement of 10,000,000 common shares, 1,320,000 common shares, 6,608,292 common shares, 2,136,681 and 2,115,315 common shares as of March 5, 2001, May 4, 2004, July 27, 2018, February 3, 2023 and March 27, 2024, respectively. Due to these stock retirements, the total face value of outstanding stock differs from the capital stock amount.

(2) Preferred stock

Description	Par value	Issued	Korean Won	Dividend rate
			(In millions of Korean Won)	
1st preferred stock	₩ 5,000	23,871,988 shares	₩ 125,550	Dividend rate of common stock + 1%
2nd preferred stock	〃	35,759,391 shares	193,069	The lowest stimulated dividend rate: 2%
3rd preferred stock	〃	2,380,404 shares	12,392	The lowest stimulated dividend rate: 1%
		62,011,783 shares	₩ 331,011	

As of March 5, 2001, the Company retired 1,000,000 second preferred shares and as of July 27, 2018, the Company retired 753,297 first preferred shares, 1,128,414 second preferred shares and 49,564 third preferred shares and as of February 3, 2023, the Company retired 243,566 first preferred shares, 364,854 second preferred shares and 24,287 third preferred shares and as of March 27, 2024, the Company retired 241,131 first preferred shares, 361,206 second preferred shares and 24,044 third preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount.

(3) Capital surplus as of September 30, 2024 and December 31, 2023 is as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	1,266,275	1,057,155
	₩ 4,587,609	₩ 4,378,489

21. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. The number of treasury stocks as of September 30, 2024 and December 31, 2023 is as follows.

Description	September 30, 2024	December 31, 2023
	(Number of shares)	
Common stock (*)	3,506,065	7,700,625
1st preferred stock	1,945,862	2,186,993
2nd preferred stock	992,364	1,353,570
3rd preferred stock	24,530	48,574

(*) As part of share-based compensation plans, the Company may pay its executives and employees with treasury stocks that are immediately vested upon grant as their bonus, depending on its business performance. The Company paid 2,079,245 shares of common treasury stocks during the nine-month period ended September 30, 2024.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME OR LOSS:

(1) Accumulated other comprehensive income as of September 30, 2024 is as follows.

Description	September 30, 2024
	(In millions of Korean Won)
Gain on valuation of financial assets measured at FVOCI	₩ 608,522
Loss on valuation of financial assets measured at FVOCI	(604,514)
Gain on valuation of cash flow hedge derivatives	59,682
Loss on valuation of cash flow hedge derivatives	(95,654)
Gain on share of the other comprehensive income of equity-accounted investees	659,295
Loss on share of the other comprehensive income of equity-accounted investees	(418,627)
Gain on foreign operations translation, net	353,746
	₩ 562,450

(2) Accumulated other comprehensive loss as of December 31, 2023 is as follows.

Description		December 31, 2023
		(In millions of Korean Won)
Gain on valuation of financial assets measured at FVOCI	₩	366,933
Loss on valuation of financial assets measured at FVOCI		(596,940)
Gain on valuation of cash flow hedge derivatives		96,683
Loss on valuation of cash flow hedge derivatives		(62,194)
Gain on share of the other comprehensive income of equity-accounted investees		239,708
Loss on share of the other comprehensive income of equity-accounted investees		(411,142)
Loss on foreign operations translation, net		(471,940)
	₩	(838,892)

23. RETAINED EARNINGS:

Retained earnings as of September 30, 2024 and December 31, 2023 are as follows.

Description		September 30, 2024		December 31, 2023
		(In millions of Korean Won)		
Legal reserve (*)	₩	744,836	₩	744,836
Discretionary reserve		53,466,696		49,710,496
Unappropriated		41,041,832		38,210,473
	₩	95,253,364	₩	88,665,805

(*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. 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.

Appraisal gains, amounting to ₩1,852,871 million, derived from asset revaluation pursuant to the Asset Revaluation Law of Korea, are included in retained earnings. It may be only transferred to capital stock or used to reduce accumulated deficit, if any.

24. HYBRID BOND:

(1) HYUNDAI CARD CO., LTD., a subsidiary of the Group, issued hybrid bonds and the Group classified these as equity (non-controlling interests). As of September 30, 2024, hybrid bonds are as follows.

Description	Issue date	Maturity date	Annual interest rate		September 30, 2024
			(%)		(In millions of Korean Won)
The 876th Hybrid Tier 1 (Private)	July 12, 2023	July 12, 2053	6.00	₩	160,000
The 898th Hybrid Tier 1 (Private)	January 31, 2024	January 31, 2054	5.56	₩	120,000
The 899th Hybrid Tier 1 (Private)	February 1, 2024	February 1, 2054	5.56	₩	20,000
Issue cost					(770)
				₩	299,230

(2) As of September 30, 2024, the conditions of hybrid bonds that HYUNDAI CARD CO., LTD., a subsidiary of the Group, issued are as follows.

	Description
Maturity	Thirty years (Maturity extension is possible according to the issuer's decision upon maturity)
Interest rate	Issue date ~ 5 years: An annual fixed interest rate of 6%, 5.56% Increase of 2% thereafter which is limited to one time only in accordance with Step-up clause
Interest payment condition	Three months, optional postponement of payment
Others	Repayment before maturity by issuer is permitted after five years from issue date

25. SALES:

(1) Sales for the three-month and nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Sales of goods	₩ 35,912,066	₩ 107,260,224	₩ 34,734,219	₩ 102,931,823
Rendering of services	1,248,436	3,678,289	1,061,745	3,110,430
Royalties	31,310	161,242	59,591	181,072
Financial services revenue	4,467,688	14,023,761	4,046,517	11,651,720
Revenue related to construction contracts	1,061,600	2,824,291	912,907	2,554,946
Others	207,232	659,645	176,147	564,355
	₩ 42,928,332	₩ 128,607,452	₩ 40,991,126	₩ 120,994,346

(2) As of September 30, 2024, the aggregate transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligation that is expected to be recognized as revenue in future periods is as follows.

Description	Within a year	After a year
	(In millions of Korean Won)	
Deferred revenue and others	₩ 2,025,634	₩ 4,929,002

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three-month and nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Selling expenses:				
Export expenses	₩ 23,070	₩ 63,321	₩ 25,000	₩ 64,824
Overseas market expenses	97,865	301,963	102,713	302,844
Advertisements and sales promotion	891,383	2,566,567	795,834	2,410,458
Sales commissions	250,447	779,148	235,258	763,748
Expenses for warranties	565,967	2,701,084	809,553	2,048,898
Transportation expenses	26,510	80,948	27,674	81,009
	1,855,242	6,493,031	1,996,032	5,671,781
Administrative expenses:				
Payroll	1,086,728	3,066,542	926,772	2,697,852
Post-employment benefits	38,183	123,348	36,150	106,901
Welfare expenses	179,359	542,638	150,810	454,705
Service charges	616,907	1,687,331	474,094	1,357,858
Research	607,971	1,657,195	554,958	1,533,978
Others	532,638	1,675,468	496,023	1,590,418
	3,061,786	8,752,522	2,638,807	7,741,712
	₩ 4,917,028	₩ 15,245,553	₩ 4,634,839	₩ 13,413,493

27. FINANCE INCOME AND EXPENSES:

(1) Finance income for the three-month and nine-month periods ended September 30, 2024 and 2023 is as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Interest income	₩ 235,214	₩ 737,730	₩ 260,275	₩ 727,034
Gain on foreign exchange transactions	9,812	57,670	46,998	142,426
Gain on foreign currency translation	123,818	158,134	61,917	234,923
Dividend income	11,105	79,177	5,153	76,951
Gain on derivatives and others	11,636	27,317	15,225	26,791
	₩ 391,585	₩ 1,060,028	₩ 389,568	₩ 1,208,125

(2) Finance expenses for the three-month and nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Interest expenses	₩ 114,638	₩ 333,566	₩ 139,094	₩ 447,783
Loss on foreign exchange transactions	56,270	55,141	14,807	83,045
Loss on foreign currency translation	34,278	176,962	83,825	165,091
Loss on derivatives and others	19,796	57,779	20,539	36,917
	₩ 224,982	₩ 623,448	₩ 258,265	₩ 732,836

28. OTHER INCOME AND EXPENSES:

(1) Other income for the three-month and nine-month periods ended September 30, 2024 and 2023 is as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Gain on foreign exchange transactions	₩ 100,649	₩ 322,248	₩ 175,255	₩ 622,961
Gain on foreign currency translation	302,318	673,888	146,864	405,139
Gain on disposals of PP&E	7,689	21,649	16,100	29,940
Commission income	4,282	10,847	4,583	11,239
Rental income	30,672	89,405	26,627	76,819
Others	114,695	320,848	104,864	280,808
	₩ 560,305	₩ 1,438,885	₩ 474,293	₩ 1,426,906

(2) Other expenses for the three-month and nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Loss on foreign exchange transactions	₩ 202,012	₩ 302,247	₩ 145,458	₩ 537,225
Loss on foreign currency translation	346,353	700,410	151,366	374,385
Loss on disposals of PP&E	63,165	106,977	32,852	174,497
Donations	46,272	104,538	33,762	136,088
Others	57,233	195,098	77,404	530,050
	₩ 715,035	₩ 1,409,270	₩ 440,842	₩ 1,752,245

29. EXPENSES BY NATURE:

Expenses by nature for the three-month and nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	2024 Three-month period ended September 30	2024 Nine-month period ended September 30	2023 Three-month period ended September 30	2023 Nine-month period ended September 30
	(In millions of Korean Won)			
Changes in inventories	₩ 436,920	₩ (728,155)	₩ (56,420)	₩ (2,431,453)
Raw materials and merchandise used	23,380,639	70,490,242	22,405,106	69,553,329
Employee benefits	3,488,261	9,742,609	2,968,850	8,800,083
Depreciation	834,876	2,491,336	816,681	2,442,687
Amortization	359,428	1,100,351	408,952	1,272,490
Others	11,562,343	35,502,941	11,060,331	31,390,346
Total (*)	₩ 40,062,467	₩ 118,599,324	₩ 37,603,500	₩ 111,027,482

(*) Sum of cost of sales, selling and administrative expenses and other expenses in the consolidated statements of income.

30. EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

Basic earnings per common stock and preferred stock are computed by dividing profit available to common stock and preferred stock by the weighted-average number of common stock and preferred stock outstanding during the periods. The Group does not compute diluted earnings per common stock for the three-month and nine-month periods ended September 30, 2024 and 2023, since there are no dilutive items during the periods.

(1) Basic earnings per common stock and preferred stock attributable to the owners of the Company for the three-month and nine-month periods ended September 30, 2024 are computed as follows.

	Three-month period ended September 30, 2024			Nine-month period ended September 30, 2024		
Description	Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 2,365,919	203,858,427	₩ 11,606	₩ 7,960,106	203,841,225	₩ 39,051
1st Preferred stock (*2)	252,207	21,926,126	11,503	848,446	21,926,126	38,696
2nd Preferred stock	400,344	34,767,027	11,515	1,346,637	34,767,027	38,733
3rd Preferred stock	27,099	2,355,874	11,503	91,162	2,355,874	38,696

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 *Earnings per Share*.

Basic earnings per common stock and preferred stock attributable to the owners of the Company for the three-month and nine-month periods ended September 30, 2023 are computed as follows.

	Three-month period ended September 30, 2023			Nine-month period ended September 30, 2023		
Description	Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 2,469,682	202,875,846	₩ 12,173	₩ 7,538,562	202,739,263	₩ 37,184
1st Preferred stock (*2)	267,189	21,926,126	12,186	815,564	21,926,126	37,196
2nd Preferred stock	424,101	34,767,027	12,198	1,294,498	34,767,027	37,233
3rd Preferred stock	28,708	2,355,874	12,186	87,629	2,355,874	37,196

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 *Earnings per Share*.

(2) Basic earnings per common stock and preferred stock from continuing operations attributable to the owners of the Company for the three-month and nine-month periods ended September 30, 2024 are computed as follows.

	Three-month period ended September 30, 2024			Nine-month period ended September 30, 2024		
Description	Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 2,365,919	203,858,427	₩ 11,606	₩ 8,208,217	203,841,225	₩ 40,268
1st Preferred stock (*2)	252,207	21,926,126	11,503	874,866	21,926,126	39,901
2nd Preferred stock	400,344	34,767,027	11,515	1,388,529	34,767,027	39,938
3rd Preferred stock	27,099	2,355,874	11,503	94,001	2,355,874	39,901

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 *Earnings per Share*.

Basic earnings per common stock and preferred stock from continuing operations attributable to the owners of the Company for the three-month and nine-month periods ended September 30, 2023 are computed as follows.

Description	Three-month period ended September 30, 2023 Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Nine-month period ended September 30, 2023 Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 2,489,938	202,875,846	₩ 12,273	₩ 7,679,627	202,739,263	₩ 37,879
1st Preferred stock (*2)	269,378	21,926,126	12,286	830,810	21,926,126	37,891
2nd Preferred stock	427,572	34,767,027	12,298	1,318,673	34,767,027	37,928
3rd Preferred stock	28,943	2,355,874	12,286	89,267	2,355,874	37,891

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 *Earnings per Share*.

(3) Basic earnings per common stock and preferred stock from discontinued operations attributable to the owners of the Company for the three-month and nine-month periods ended September 30, 2024 are computed as follows.

Description	Three-month period ended September 30, 2024 Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Nine-month period ended September 30, 2024 Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ -	203,858,427	₩ -	₩ (248,111)	203,841,225	₩ (1,217)
1st Preferred stock (*2)	-	21,926,126	-	(26,420)	21,926,126	(1,205)
2nd Preferred stock	-	34,767,027	-	(41,892)	34,767,027	(1,205)
3rd Preferred stock	-	2,355,874	-	(2,839)	2,355,874	(1,205)

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 *Earnings per Share*.

Basic earnings per common stock and preferred stock from discontinued operations attributable to the owners of the Company for the three-month and nine-month periods ended September 30, 2023 are computed as follows.

Description	Three-month period ended September 30, 2023 Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Nine-month period ended September 30, 2023 Profit attributable to shares	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ (20,256)	202,875,846	₩ (100)	₩ (141,065)	202,739,263	₩ (695)
1st Preferred stock (*2)	(2,189)	21,926,126	(100)	(15,246)	21,926,126	(695)
2nd Preferred stock	(3,471)	34,767,027	(100)	(24,175)	34,767,027	(695)
3rd Preferred stock	(235)	2,355,874	(100)	(1,638)	2,355,874	(695)

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 *Earnings per Share*.

31. INCOME TAX EXPENSE:

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognized in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognized as profit or loss and others. The average effective tax rates (income tax expense divided by profit before income tax) for the nine-month periods ended September 30, 2024 and 2023 are 24.5% and 28.1%, respectively. The Group applies KIFRS 1012 for the temporary exception to deferred income tax, so does not recognize deferred tax assets and liabilities related to Pilar Two legislations and does not report for the related information. The Group expects that Pillar Two legislations would not affect its income tax for the nine-month period ended September 30, 2024, but various factors might cause a change in this expectation by the end of the annual reporting period.

32. RETIREMENT BENEFIT PLAN:

(1) Expenses recognized in relation to defined contribution plans for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Paid-in cash	₩ 12,372	₩ 11,477
Recognized liability	5,542	3,772
	₩ 17,914	₩ 15,249

(2) The significant actuarial assumptions used by the Group as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
Discount rate (*)	6.04%	5.77%
Rate of expected future salary increase	5.12%	4.88%

(*) The Group applied the market yields of high-quality corporate bonds (AA+) and others as the discount rate as of September 30, 2024, to discount the defined benefit obligation to the present value, and the same discount rate was applied as the expected return rate when calculating interest income on plan assets.

Employee turnover and mortality assumptions used for actuarial valuation are based on the economic conditions and statistical data of each country where entities within the Group are located.

(3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 6,646,298	₩ 6,538,236
Fair value of plan assets	(6,944,084)	(6,949,149)
	₩ (297,786)	₩ (410,913)
Net defined benefit liabilities	88,949	77,268
Net defined benefit assets	(386,735)	(488,181)

(4) Changes in net defined benefit assets and liabilities for the nine-month period ended September 30, 2024 are as follows.

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the period	₩ 6,538,236	₩ (6,949,149)	₩ (410,913)
Current service cost	433,209	-	433,209
Interest expenses (income)	206,566	(231,529)	(24,963)
	7,178,011	(7,180,678)	(2,667)
Remeasurements:			
Return on plan assets	-	(12,989)	(12,989)
Actuarial gains and losses arising from changes in demographic assumptions	(6,896)	-	(6,896)
Actuarial gains and losses arising from changes in financial assumptions	19,187	-	19,187
Actuarial gains and losses arising from experience adjustments and others	4,168	-	4,168
	16,459	(12,989)	3,470
Contributions	-	(215,855)	(215,855)
Benefits paid	(557,894)	475,694	(82,200)
Transfers in (out)	6,018	(5,540)	478
Effect of foreign exchange differences and others	3,704	(4,716)	(1,012)
End of the period	₩ 6,646,298	₩ (6,944,084)	₩ (297,786)

Changes in net defined benefit assets and liabilities for the nine-month period ended September 30, 2023 are as follows.

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the period	₩ 6,033,698	₩ (6,809,339)	₩ (775,641)
Current service cost	387,334	-	387,334
Interest expenses (income)	206,222	(249,395)	(43,173)
	6,627,254	(7,058,734)	(431,480)
Remeasurements:			
Return on plan assets	-	12,253	12,253
Actuarial gains and losses arising from changes in financial assumptions	2,767	-	2,767
Actuarial gains and losses arising from experience adjustments and others	13,046	-	13,046
	15,813	12,253	28,066
Contributions	-	(215,653)	(215,653)
Benefits paid	(538,897)	451,115	(87,782)
Transfers in (out)	2,918	(2,800)	118
Effect of foreign exchange differences and others	51,253	(93,603)	(42,350)
End of the period	₩ 6,158,341	₩ (6,907,422)	₩ (749,081)

(5) The fair value of the plan assets as of September 30, 2024 and December 31, 2023 is as follows.

Description	September 30, 2024		December 31, 2023	
	(In millions of Korean Won)			
Insurance instruments	₩	6,942,644	₩	6,946,600
Others		1,440		2,549
	₩	6,944,084	₩	6,949,149

33. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	Nine-month period ended September 30, 2024		2023	
	(In millions of Korean Won)			
Profit for the period	₩	10,755,751	₩	10,069,667
Adjustments:				
Retirement benefit costs		413,788		347,933
Depreciation		2,491,336		2,442,687
Amortization of intangible assets		1,100,351		1,272,490
Provision for warranties		2,412,019		1,801,682
Income tax expense		3,587,665		4,028,524
Loss(gain) on foreign currency translation, net		45,350		(100,586)
Loss on disposals of PP&E, net		85,328		144,557
Interest income, net		(404,164)		(279,251)
Gain on share of earnings of equity-accounted investees, net		(2,773,689)		(2,408,906)
Cost of sales from financial services, net		8,922,245		6,677,190
Others		1,321,144		1,352,626
		17,201,373		15,278,946
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable		(883,172)		(445,185)
Decrease(increase) in other receivables		(33,883)		373,185
Decrease(increase) in other financial assets		790,486		(623,616)
Increase in inventories		(1,254,816)		(2,988,236)
Increase in other assets		(2,229,827)		(1,118,190)
Increase(decrease) in trade notes and accounts payable		717,864		(319,098)
Decrease in other payables		(395,713)		(169,958)
Increase in other liabilities		2,476,186		2,793,609
Increase(decrease) in other financial liabilities		17,173		(12,623)
Decrease in net defined benefit liabilities		(206,229)		(207,426)
Payment of severance benefits		(82,200)		(87,782)
Decrease in provisions		(3,352,326)		(3,272,703)
Changes in financial services receivables		(9,139,326)		(10,867,014)
Investment in operating leases		(11,200,446)		(4,478,689)
Others		204,330		(344,508)
		(24,571,899)		(21,768,234)
Cash generated from operations	₩	3,385,225	₩	3,580,379

34. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of September 30, 2024 and December 31, 2023 are as follows.

Description		September 30, 2024		December 31, 2023
		(In millions of Korean Won)		
Total liabilities	₩	194,572,577	₩	180,653,915
Total equity		111,514,026		101,809,440
Debt-to-equity ratio		174.5%		177.4%

(2) Financial risk management

The Group is exposed to various financial risks such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to its financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to an acceptable level of risks to the Group. Overall, the Group's financial risk management policy is consistent with that of the prior period.

1) Market risk

The Group is mainly exposed to financial risks arising from changes in foreign exchange rates and interest rates. Accordingly, the Group uses financial derivative contracts to hedge and to manage its interest rate risk and foreign currency risk.

a) Foreign exchange risk management

The Group is exposed to various foreign exchange risks by making transactions in foreign currencies. The Group is mainly exposed to foreign exchange risk in USD, EUR, JPY and others.

The Group manages foreign exchange risk by matching the inflow and the outflow of foreign currencies according to each currency and maturity, and by adjusting the foreign currency settlement date based on its exchange rate forecast. The Group uses foreign exchange derivatives, such as currency forward, currency option, and currency swap, as hedging instruments. However, speculative foreign exchange trade on derivative financial instruments is prohibited.

Sensitivity analysis for a 5% change in exchange rate of the functional currency against each foreign currency on profit before income tax as of September 30, 2024 is as follows.

	Foreign Exchange Rate Sensitivity			
Foreign Currency		Increase by 5%		Decrease by 5%
		(In millions of Korean Won)		
USD	₩	123,524	₩	(123,524)
EUR		31,871		(31,871)
JPY		(1,263)		1,263

b) Interest rate risk management

The Group has borrowings with fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates for short-term borrowings and has a policy to borrow funds with fixed interest rates to hedge the future cash flow fluctuation risk for long-term debt if possible. The Group manages its interest rate risk through regular assessments of the change in market conditions and the adjustments in nature of its interest rates.

Sensitivity analysis for a 1% change in interest rates on profit before income tax as of September 30, 2024 is as follows.

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 25,462	₩ (25,462)
Short-term and long-term financial instruments	17,370	(17,370)
Borrowings and debentures	(129,740)	129,740

The Company's subsidiaries, HYUNDAI CARD CO., LTD. and HYUNDAI CAPITAL SERVICES, INC., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of September 30, 2024 and December 31, 2023, the amounts of interest rate risk measured at VaR are ₩297,762 million and ₩146,303 million, respectively.

c) Price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of September 30, 2024, the amounts of financial assets measured at FVPL and financial assets measured at FVOCI are ₩59,876 million and ₩2,654,030 million, respectively.

2) Credit risk

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in a financial loss for the Group. The Group operates a policy to transact only with counterparties who meet a certain level of credit rating which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for the guarantee of indebtedness discussed in Note 36, the book value of financial assets in the consolidated financial statements represents the maximum amounts of exposure to credit risk.

3) Liquidity risk

The Group manages liquidity risk based on maturity profile of its funding. The Group analyses and reviews actual cash outflow and its budget to match the maturity of its financial liabilities to that of its financial assets.

The Group retains an appropriate level of deposit to cope with uncertainty caused by the inherent nature of the industry which is sensitive to economic fluctuation and to invest in R&D constantly. In addition, the Group has agreements with financial institutions related to trade financing and overdraft to mitigate any significant unexpected market deterioration. Also, the Group continues to strengthen its credit rating to secure a stable financing capability.

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before maturity as of September 30, 2024 is as follows.

Description	Remaining contract period			
	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	(In millions of Korean Won)			
Non-interest-bearing liabilities	₩ 22,885,420	₩ 53,277	₩ -	₩ 22,938,697
Interest-bearing liabilities	32,635,429	108,119,236	8,397,147	149,151,812
Lease liabilities	304,977	709,023	313,892	1,327,892
Financial guarantee	311,847	68,852	69,889	450,588

The maturity analysis is based on the non-discounted cash flows and the earliest maturity date at which payments, i.e. both principal and interest, should be made.

(3) Derivative instruments

The Group enters into derivative instrument contracts such as currency forwards, currency options, currency swaps and interest swaps to hedge its exposure to changes in foreign exchange rate.

As of September 30, 2024 and December 31, 2023, the Group recognized a net loss of ₩35,972 million and a net profit of ₩34,489 million, respectively, in accumulated other comprehensive income or loss, for effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 90 months as of September 30, 2024.

For the nine-month periods ended September 30, 2024 and 2023, the Group recognized a net profit of ₩121,175 million and ₩397,448 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments and others.

35. RELATED-PARTY AND OTHER TRANSACTIONS:

The transactions and balances of receivables and payables within the Group are wholly eliminated in the preparation of the consolidated financial statements of the Group.

(1) For the nine-month period ended September 30, 2024, significant transactions arising from operations between the Group and related parties or affiliates under the Monopoly Regulation and Fair Trade Act of the Republic of Korea ("the Act") are as follows.

Description		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
		(In millions of Korean Won)			
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 445,558	₩ 10,694	₩ 9,224,826	₩ 76,332
	Mobis Alabama, LLC	140,093	-	2,047,780	31,265
	Mobis Automotive Czech s.r.o.	619	1,476	2,078,940	21,822
	Mobis India, Ltd.	16,504	2,960	1,172,673	12,761
	Mobis Parts America, LLC	155,384	3,291	1,315,467	553
	Mobis Module CIS, LLC	44	22	716	23
	Mobis Parts Europe N.V.	19,393	2,512	546,884	1,226
	Others	58,973	1,591	1,173,211	7,718
Joint ventures and associates	Kia Corporation	1,113,715	647,325	509,698	492,915
	Kia Russia & CIS, LLC	107	-	-	7
	Kia Slovakia s.r.o.	27,943	4	625,200	33
	Kia Georgia, Inc.	593,295	24,561	53	337
	BHMC	126,517	1	650,585	22,384
	HMGC	12,310	677	28,591	52,387
	Hyundai WIA Corporation	107,414	1,431	753,173	38,648
	Others	914,619	63,982	5,210,622	3,579,893
Other related parties		39,615	7,420	1,614	6,557
Affiliates under the Act		830,446	54,435	9,483,436	1,078,967

For the nine-month period ended September 30, 2023, significant transactions arising from operations between the Group and related parties or affiliates under the Act are as follows.

Description		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
		(In millions of Korean Won)			
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 422,499	₩ 12,284	₩ 11,270,963	₩ 56,719
	Mobis Alabama, LLC	183,027	35	1,776,140	23,258
	Mobis Automotive Czech s.r.o.	9	1,450	2,278,360	10
	Mobis India, Ltd.	14,130	2,021	1,056,318	27,489
	Mobis Parts America, LLC	143,941	3,207	1,205,482	813
	Mobis Module CIS, LLC	54	209	1,810	-
	Mobis Parts Europe N.V.	15,110	1,394	482,291	2,514
	Others	47,569	1,271	1,160,841	6,053
Joint ventures and associates	Kia Corporation	1,256,462	559,080	497,923	572,460
	Kia Russia & CIS, LLC	169	28	-	-
	Kia Slovakia s.r.o.	69,007	12	573,125	-
	Kia Georgia, Inc.	650,089	1,010	15	-
	BHMC	151,406	-	23,030	-
	HMGC	16,011	650	75,955	27,452
	Hyundai WIA Corporation	204,712	454	677,710	8,561
	Others	686,176	53,999	4,293,512	2,177,709
Other related parties		42,942	3,279	1,486	7
Affiliates under the Act		735,212	76,264	8,662,206	970,231

(2) As of September 30, 2024, significant balances related to the transactions between the Group and related parties or affiliates under the Act are as follows.

Description		Receivables (*1,2)		Payables	
		Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
		(In millions of Korean Won)			
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 102,197	₩ 158,731	₩ 1,839,400	₩ 274,351
	Mobis Alabama, LLC	28,143	11	269,237	-
	Mobis Automotive Czech s.r.o.	1,071	866	311,969	-
	Mobis India, Ltd.	-	15	179,353	-
	Mobis Parts America, LLC	29,816	29,858	150,433	-
	Mobis Module CIS, LLC	5	-	-	-
	Mobis Parts Europe N.V.	1,124	207	76,625	189
	Others	53,168	10,090	128,917	34,685
Joint ventures and associates	Kia Corporation	478,590	322,547	99,289	140,710
	Kia Slovakia s.r.o.	-	478	81,412	31
	Kia Georgia, Inc.	74,616	38,951	-	30,270
	Kia America, Inc.	1	126,220	2	15,151
	BHMC	330,773	15,466	185,154	28
	HMGC	5,015	34,100	11	10,783
	Hyundai WIA Corporation	126,966	12,013	161,873	23,503
	Others	225,775	240,603	844,078	1,062,382
Other related parties		265	-	-	3,710
Affiliates under the Act		230,616	72,849	1,393,065	391,139

(*1) The Group has recognized the loss allowance for the related parties' receivables in the amount of ₩359 million as of September 30, 2024 and the reversal of impairment loss is recognized in the amount of ₩61 million for the nine-month period ended September 30, 2024.

(*2) As of September 30, 2024, outstanding payment of ₩12,061 million of corporate purchase card agreement provided by HYUNDAI CARD CO., LTD. is included. For the nine-month period ended September 30, 2024, amount used and repayment of agreement are ₩529,609 million and ₩535,628 million, respectively.

As of December 31, 2023, significant balances related to the transactions between the Group and related parties or affiliates under the Act are as follows.

Description		Receivables (*1,2) Trade notes and accounts receivable	Receivables (*1,2) Other receivables and others	Payables Trade notes and accounts payable	Payables Other payables and others
		(In millions of Korean Won)			
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 142,677	₩ 150,906	₩ 2,248,687	₩ 459,196
	Mobis Alabama, LLC	31,106	-	157,597	-
	Mobis Automotive Czech s.r.o.	1,253	830	210,894	511
	Mobis India, Ltd.	-	-	160,011	-
	Mobis Parts America, LLC	29,790	26,986	123,415	-
	Mobis Module CIS, LLC	5	85	7	-
	Mobis Parts Europe N.V.	819	149	52,525	44
	Others	90,363	2,250	72,019	18,361
Joint ventures and associates	Kia Corporation	541,374	422,304	78,946	145,081
	Kia Russia & CIS, LLC	-	50	-	141
	Kia Slovakia s.r.o.	7,481	138	55,158	246
	Kia Georgia, Inc.	65,196	51,650	-	34,214
	Kia America, Inc.	-	240,582	-	16,877
	BHMC	302,632	14,681	24	27
	HMGC	16,089	23,602	373	27,900
	Hyundai WIA Corporation	118,669	13,229	144,310	25,746
	Others	259,635	181,298	718,951	994,901
Other related parties		137	-	20	326
Affiliates under the Act		201,220	65,233	1,173,602	484,603

(*1) The Group has recognized the loss allowance for the related parties' receivables in the amount of ₩608 million as of December 31, 2023 and the reversal of impairment loss is recognized in the amount of ₩349 million for the year ended December 31, 2023.

(*2) As of December 31, 2023, outstanding payment of ₩18,080 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. is included. For the year ended December 31, 2023, amount used and repayment of agreement are ₩420,695 million and ₩426,207 million, respectively.

(3) Significant fund transactions and equity contribution transactions for the nine-month period ended September 30, 2024 between the Group and related parties are as follows.

Description	Loans Lending	Loans Collection	Borrowings Borrowing	Borrowings Repayment	Equity contribution
	(In thousands of Euro and in millions of Korean won)				
Joint ventures and associates	-	€ 22,000	-	₩ 1,300	₩ 1,757,869
		¥ 10,000			

Significant fund transactions and equity contribution transactions for the nine-month period ended September 30, 2023 between the Group and related parties are as follows.

Description	Loans Lending	Loans Collection	Borrowings Borrowing	Borrowings Repayment	Equity contribution
	(In thousands of Euro and US dollar, In millions of Korean won)				
Joint ventures and associates	€ 68,600	-	$ 562,000	$ 565,000	₩ 1,411,016
			-	₩ 3,413	

For the nine-month period ended September 30, 2024, the Group traded in other financial assets and others of ₩1,195,000 million with HYUNDAI MOTOR SECURITIES CO., LTD., an associate of the Group. The Group has other financial assets of ₩285,000 million in the consolidated statement of financial position as of September 30, 2024.

For the nine-month period ended September 30, 2024, HYUNDAI MOTOR SECURITIES CO., LTD., an associate of the Group, acquired bonds issued by HYUNDAI KEFICO CORPORATION, a subsidiary of the Group, in the amount of ₩20,000 million.

For the nine-month period ended September 30, 2023, HYUNDAI MOTOR SECURITIES CO., LTD., an associate of the Group, acquired bonds issued by HYUNDAI KEFICO CORPORATION and HYUNDAI ROTEM COMPANY, subsidiaries of the Group, in the amount of ₩15,000 million and ₩5,000 million, respectively.

(4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the nine-month periods ended September 30, 2024 and 2023, is as follows.

Description	Nine-month period ended September 30, 2024		2023	
	(In millions of Korean Won)			
Short-term employee salaries	₩	246,535	₩	225,888
Retirement benefit costs		36,737		34,167
Other long-term benefits		1,527		1,260
Share-based payment		321		811
	₩	285,120	₩	262,126

(5) As of September 30, 2024, the Group offers payment guarantee to related parties and affiliates under the Act.

36. COMMITMENTS AND CONTINGENCIES:

(1) As of September 30, 2024, the debt guarantees provided by the Group, excluding the ones provided to the Company's subsidiaries, are as follows.

Description	Domestic		Overseas (*)	
	(In millions of Korean Won)			
To associates	₩	28,910	₩	221,107
To others		314		228,939
	₩	29,224	₩	450,046

(*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of September 30, 2024.

(2) As of September 30, 2024, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurance for potential losses which may result from product liabilities and other lawsuits. In addition, as of September 30, 2024, the Group is under investigation by related authorities in relation to the theta 2 engine recall, and its results and impacts are unpredictable. The Group is unable to estimate the outcome of the lawsuits and the amount and timing of outflows of resources are uncertain. The Group expects that the impact on the consolidated financial statements will not be material.

(3) As of September 30, 2024, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩691,824 million. In addition, the Group pledged certain bank deposits, checks and promissory notes, including 213,466 shares of Kia Corporation, as collateral to financial institutions and others. Certain receivables held by the Group's foreign subsidiaries, such as financial services receivables, are pledged as collateral for their borrowings.

(4) As of September 30, 2024, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank.

(5) As of September 30, 2024, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. have entered into agreements for certain borrowings including trigger clauses for the purpose of credit enhancement. If the credit rating of Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. falls below a certain level, this may result in early repayment of the borrowings or termination of the contracts.

(6) As of September 30, 2024, the Company has a shareholder agreement with the third party investors regarding shares of Hyundai Card Co., Ltd. and Hyundai Commercial Inc. This includes the call options that allow the Company to buy shares from the investors and the put options that allow the investors to dispose of the shares to the Company.

(7) For the year ended December 31, 2023, the Company has an agreement to dispose of its shares of Hyundai Motor Manufacturing Rus LLC, which includes the call options clause that allows the Company to repurchase its shares. The call option can be terminated under an uncontrollable situation, but can be maintained through efforts by both parties to address such situation.

(8) In December 2019, the Company entered into an agreement to invest ₩1,408,220 million in the construction of new Global Business Center (GBC). As of September 30, 2024, the Company has recognized relevant liability in the amount of ₩821,602 million in accordance with the agreement with the Seoul government to implement public contributions relating to the new construction project.

37. SEGMENT INFORMATION:

(1) The Group's operating segments include vehicle segment, finance segment and others segment. The vehicle segment is engaged in the manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Others segment includes the R&D, train manufacturing and other activities.

(2) Sales and operating profit by operating segment for the nine-month period ended September 30, 2024 are as follows.

	For the nine-month period ended September 30, 2024				
Description	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Net sales (*1)	₩ 100,974,789	₩ 20,258,233	₩ 7,374,430	₩ -	₩ 128,607,452
Total sales (*2)	165,092,353	20,548,502	8,633,203	(65,666,606)	128,607,452
Operating profit	9,010,122	1,421,282	789,997	195,997	11,417,398

(*1) Net sales represent sales from external customers.
(*2) Total sales include inter-company sales within the Group.

Assets and liabilities by operating segment as of September 30, 2024 are as follows.

	September 30, 2024				
Description	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 145,045,586	₩ 172,448,948	₩ 10,738,367	₩ (22,146,298)	₩ 306,086,603
Total liabilities	54,404,293	152,390,932	4,449,911	(16,672,559)	194,572,577

Sales and operating profit by operating segment for the nine-month period ended September 30, 2023 are as follows.

	For the nine-month period ended September 30, 2023				
Description	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Net sales (*1)	₩ 96,687,726	₩ 16,739,212	₩ 7,567,408	₩ -	₩ 120,994,346
Total sales (*2)	156,737,551	16,953,013	8,948,835	(61,645,053)	120,994,346
Operating profit	9,855,049	1,176,684	835,543	(148,167)	11,719,109

(*1) Net sales represent sales from external customers.
(*2) Total sales include inter-company sales within the Group.

Assets and liabilities by operating segment as of December 31, 2023 are as follows.

	December 31, 2023				
Description	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 136,896,274	₩ 154,437,674	₩ 11,166,625	₩ (20,037,218)	₩ 282,463,355
Total liabilities	52,192,746	135,929,495	5,797,213	(13,265,539)	180,653,915

(3) Sales and operating profit by operating segment for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	For the nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Vehicle (*)		
Sales	₩ 165,092,353	₩ 156,737,551
Cost of sales	142,925,694	135,309,539
Gross profit	22,166,659	21,428,012
Selling and administrative expenses	13,156,537	11,572,963
Operating profit	9,010,122	9,855,049
Gain on investments in joint ventures and associates, net	18,843	25,014
Finance income and expenses	5,258,273	4,354,820
Other income and expenses	90,433	(196,824)
Profit before income tax	14,377,671	14,038,059
Income tax expense	2,907,344	2,978,761
Profit for the period	11,470,327	11,059,298
Finance (*)		
Sales	20,548,502	16,953,013
Cost of sales	17,292,341	14,034,867
Gross profit	3,256,161	2,918,146
Selling and administrative expenses	1,834,879	1,741,462
Operating profit	1,421,282	1,176,684
Gain on investments in joint ventures and associates, net	53,404	31,954
Finance income and expenses	862	1,030
Other income and expenses	10,448	9,509
Profit before income tax	1,485,996	1,219,177
Income tax expense	335,422	235,892
Profit for the period	1,150,574	983,285
Others (*)		
Sales	8,633,203	8,948,835
Cost of sales	7,235,002	7,662,342
Gross profit	1,398,201	1,286,493
Selling and administrative expenses	608,204	450,950
Operating profit	789,997	835,543
Loss on investments in joint ventures and associates, net	(77)	(158)
Finance income and expenses	46,213	(1,243)
Other income and expenses	1,930	(57,155)
Profit before income tax	838,063	776,987
Income tax expense	206,288	181,436
Profit for the period	631,775	595,551
Consolidation adjustments	(2,177,815)	(2,306,095)
Profit for the period from continuing operations	11,074,861	10,332,039
Profit attributable to:		
Owners of the Company	10,565,613	9,918,377
Non-controlling interests	509,248	413,662
Loss for the period from discontinued operations	₩ (319,110)	₩ (262,372)
Loss attributable to:		

Owners of the Company	(319,262)	(182,124)
Non-controlling interests	152	(80,248)

(*) The amounts are aggregates of entities belonging to each segment, unadjusted for elimination of intercompany transactions.

(4) Assets by operating segment as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Vehicle (*)		
Current assets:		
Cash and cash equivalents	₩ 11,296,615	₩ 15,633,984
Financial instruments	11,023,710	10,016,084
Inventories	19,081,941	18,149,965
Trade notes and accounts receivable	11,711,720	9,568,659
Other assets	5,147,046	3,876,820
Total current assets	58,261,032	57,245,512
Non-current assets:		
Financial assets	4,704,102	3,496,251
Property, plant and equipment	37,955,235	35,662,209
Intangible assets	5,000,112	4,717,443
Investments in joint ventures and associates	32,525,296	29,724,875
Other assets	6,599,809	6,049,984
Total non-current assets	86,784,554	79,650,762
Total assets	145,045,586	136,896,274
Finance (*)		
Current assets:		
Cash and cash equivalents	2,954,700	2,632,288
Financial instruments	3,381,699	3,874,879
Inventories	415,220	316,540
Financial services receivables	47,792,977	43,425,548
Other assets	3,681,132	2,907,748
Total current assets	58,225,728	53,157,003
Non-current assets:		
Financial assets	1,621,448	1,382,273
Property, plant and equipment	792,106	850,165
Intangible assets	323,149	336,904
Investments in joint ventures and associates	1,823,789	1,677,486
Financial services receivables	69,637,161	64,809,911
Investments in operating leases	37,370,391	30,266,083
Other assets	2,655,176	1,957,849
Total non-current assets	114,223,220	101,280,671
Total assets	172,448,948	154,437,674
Others (*)		
Current assets:		
Cash and cash equivalents	707,672	1,040,150
Financial instruments	1,925,432	1,467,699
Inventories	1,452,964	1,607,765
Trade notes and accounts receivable	1,155,908	1,428,134
Other assets	2,110,331	2,272,612
Total current assets	7,352,307	7,816,360
Non-current assets:		
Financial assets	61,455	61,200
Property, plant and equipment	2,569,785	2,528,297
Intangible assets	274,788	237,022
Investments in joint ventures and associates	1,273	469
Other assets	478,759	523,277
Total non-current assets	3,386,060	3,350,265
Total assets	10,738,367	11,166,625
Consolidation adjustments	(22,146,298)	(20,037,218)
Total assets	₩ 306,086,603	₩ 282,463,355

(*) The amounts are aggregates of entities belonging to each segment, unadjusted for elimination of intercompany transactions

Liabilities by operating segment as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Vehicle (*)		
Current liabilities:		
Trade notes and accounts payable	₩ 18,039,793	₩ 15,991,327
Other payables	5,796,178	6,613,077
Borrowings and debentures	2,284,539	3,225,872
Provisions	6,986,542	7,306,099
Other liabilities	9,745,652	8,418,082
Total current liabilities	42,852,704	41,554,457
Non-current liabilities:		
Borrowings and debentures	1,899,369	2,057,140
Net defined benefit liabilities	48,515	44,953
Provisions	5,025,244	4,605,057
Other liabilities	4,578,461	3,931,139
Total non-current liabilities	11,551,589	10,638,289
Total liabilities	54,404,293	52,192,746
Finance (*)		
Current liabilities:		
Other payables	3,491,745	3,310,026
Borrowings and debentures	32,260,172	35,489,760
Provisions	291,865	271,574
Other liabilities	2,359,504	1,998,487
Total current liabilities	38,403,286	41,069,847
Non-current liabilities:		
Borrowings and debentures	106,966,078	88,296,175
Net defined benefit liabilities	1,188	-
Provisions	29,507	28,309
Other liabilities	6,990,873	6,535,164
Total non-current liabilities	113,987,646	94,859,648
Total liabilities	152,390,932	135,929,495
Others (*)		
Current liabilities:		
Trade notes and accounts payable	864,179	1,065,212
Other payables	226,089	222,056
Borrowings and debentures	776,399	805,496
Provisions	127,784	147,511
Other liabilities	1,893,267	2,605,152
Total current liabilities	3,887,718	4,845,427
Non-current liabilities:		
Borrowings and debentures	187,086	610,861
Net defined benefit liabilities	39,245	32,315
Provisions	167,355	158,811
Other liabilities	168,507	149,799
Total non-current liabilities	562,193	951,786
Total liabilities	4,449,911	5,797,213
Consolidation adjustments	(16,672,559)	(13,265,539)
Total liabilities	₩ 194,572,577	₩ 180,653,915

(*) The amounts are aggregates of entities belonging to each segment, unadjusted for elimination of intercompany transactions

Equity by operating segment as of September 30, 2024 and December 31, 2023 is as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Vehicle (*)		
Capital stock	₩ 14,062,116	₩ 13,814,222
Capital surplus	4,747,970	4,457,140
Other capital items	(618,373)	(1,197,161)
Accumulated other comprehensive loss	(297,506)	(1,351,352)
Retained earnings	72,747,076	68,980,668
Equity attributable to the owners of the Company	90,641,283	84,703,517
Non-controlling interests	10	11
Total equity	90,641,293	84,703,528
Finance (*)		
Capital stock	3,676,315	3,483,947
Capital surplus	446,317	446,317
Other capital items	299,230	158,830
Accumulated other comprehensive income	1,188,446	979,767
Retained earnings	14,439,522	13,439,318
Equity attributable to the owners of the Company	20,049,830	18,508,179
Non-controlling interests	8,186	-
Total equity	20,058,016	18,508,179
Others (*)		
Capital stock	1,023,588	1,021,187
Capital surplus	1,596,208	1,411,438
Other capital items	(5,713)	(5,713)
Accumulated other comprehensive income	327,090	253,353
Retained earnings	3,380,083	2,720,065
Equity attributable to the owners of the Company	6,321,256	5,400,330
Non-controlling interests	(32,800)	(30,918)
Total equity	6,288,456	5,369,412
Consolidation adjustments	(5,473,739)	(6,771,679)
Total equity	₩ 111,514,026	₩ 101,809,440

(*) The amounts are aggregates of entities belonging to each segment, unadjusted for elimination of intercompany transactions.

(5) Cash flows by operating segment for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	For the nine-month period ended September 30, 2024	2023
	(In millions of Korean Won)	
Vehicle (*)		
Cash flows from operating activities:		
Profit for the period	₩ 11,448,005	₩ 10,791,808
Adjustments	5,124,980	5,869,085
Changes in operating assets and liabilities	(5,390,659)	(6,782,177)
Interest received	797,424	768,757
Dividend received	4,684,471	3,594,273
Income tax paid	(2,680,633)	(2,623,004)
Net cash provided by operating activities	13,983,588	11,618,742
Cash flows from investing activities:		
Changes in financial instruments	292,502	(1,317,866)
Changes in investment in joint ventures and associates	(1,729,625)	(1,241,219)
Changes in property, plant and equipment intangible assets	(6,263,094)	(4,984,820)
Others	(3,730,421)	1,371,955
Net cash used in investing activities	(11,430,638)	(6,171,950)
Cash flows from financing activities:		
Changes in short-term borrowings	(129,460)	(2,421,779)
Changes in long-term debt and debentures	(722,951)	(1,054,772)
Proceeds from capital contribution from non-controlling interest	803,279	2,121,827
Dividends paid	(6,918,721)	(4,807,431)
Others	(142,516)	(106,457)
Net cash used in financing activities	(7,110,369)	(6,268,612)
Effect of exchange rate changes on cash and cash equivalents	278,723	378,141
Net increase (decrease) in cash and cash equivalents	(4,278,696)	(443,679)
Finance (*)		
Cash flows from operating activities:		
Profit for the period	1,150,574	983,285
Adjustments	9,568,756	7,339,790
Changes in operating assets and liabilities	(19,315,046)	(15,772,656)
Interest paid	(3,939,291)	(2,393,351)
Dividend received	995	50,102
Income tax paid	(146,111)	(182,711)
Net cash used in operating activities	(12,680,123)	(9,975,541)
Cash flows from investing activities:		
Changes in investment in joint ventures and associates	(40,228)	(179,571)
Changes in property, plant and equipment intangible assets	(115,974)	(350,614)
Others	(615,708)	(84,025)
Net cash used in investing activities	(771,910)	(614,210)
Cash flows from financing activities:		
Changes in short-term borrowings	(431,500)	(1,587,305)
Changes in long-term debt and debentures	14,211,720	11,458,240
Proceeds from capital contribution from non-controlling interest	198,926	3,612
Purchases of treasury stocks	-	(3,685)
Dividends paid	(132,544)	(60,977)
Others	(85,399)	(50,364)
Net cash provided by financing activities	13,761,203	9,759,521
Effect of exchange rate changes on cash and cash equivalents	13,242	42,159

Description	For the nine-month period ended September 30, 2024	2023
Net increase (decrease) in cash and cash equivalents	322,412	(788,071)
Others (*)		
Cash flows from operating activities:		
Profit for the period	631,775	595,551
Adjustments	511,618	538,108
Changes in operating assets and liabilities	(352,741)	(118,403)
Interest received (paid)	33,898	3,285
Dividend received	150	68
Income tax paid	(158,118)	(200,776)
Net cash provided by operating activities	666,582	817,833
Cash flows from investing activities:		
Changes in financial instruments	393,559	263,914
Changes in investment in joint ventures and associates	(880)	(441)
Changes in property, plant and equipment intangible assets	(399,512)	(237,383)
Others	(832,117)	50,456
Net cash used in investing activities	(838,950)	76,546
Cash flows from financing activities:		
Changes in short-term borrowings	115,943	(136,106)
Changes in long-term debt and debentures	(458,377)	(459,748)
Proceeds from capital contribution from non-controlling interest	297,986	449,975
Dividends paid	(58,942)	(130,135)
Others	(44,762)	(42,860)
Net cash used in financing activities	(148,152)	(318,874)
Effect of exchange rate changes on cash and cash equivalents	1,079	17,377
Net increase (decrease) in cash and cash equivalents	(319,441)	592,882
Consolidation adjustments	101,086	86,677
Net increase (decrease) in cash and cash equivalents	(4,174,639)	(552,191)
Cash and cash equivalents, beginning of the period	19,166,619	20,864,879
Cash and cash equivalents, end of the period	₩ 14,991,980	₩ 20,312,688

(*) The amounts are aggregates of entities belonging to each segment, unadjusted for elimination of intercompany transactions.

(6) Sales by region based on where the Group's entities are located for the nine-month periods ended September 30, 2024 and 2023 are as follows.

Description	For the nine-month period ended September 30, 2024 Korea	North America	Asia	Europe	Others	Total
	(In millions of Korean Won)					
Net sales	₩ 37,344,076	₩ 57,382,610	₩ 13,360,853	₩ 16,751,525	₩ 3,768,388	₩ 128,607,452

Description	For the nine-month period ended September 30, 2023 Korea	North America	Asia	Europe	Others	Total
	(In millions of Korean Won)					
Net sales	₩ 37,641,140	₩ 49,050,955	₩ 13,012,530	₩ 17,880,885	₩ 3,408,836	₩ 120,994,346

(7) Non-current assets by region where the Group's entities are located as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Korea	₩ 36,684,240	₩ 35,311,711
North America	6,244,591	4,751,419
Asia	3,019,599	3,021,481
Europe	1,787,767	1,806,587
Others	582,150	656,502
	48,318,347	45,547,700
Consolidation adjustments	(220,271)	(262,067)
Total (*)	₩ 48,098,076	₩ 45,285,633

(*) Total amount is the same as summation of PP&E, intangible assets and investment properties.

(8) There is no single external customer who represents 10% or more of the Group's sales for the nine-month periods ended September 30, 2024 and 2023.

38. CONSTRUCTION CONTRACTS:

(1) Cost, income and loss and claimed construction from construction in progress as of September 30, 2024 and December 31, 2023 are as follows.

Description	September 30, 2024	December 31, 2023
	(In millions of Korean Won)	
Accumulated cost	₩ 14,050,820	₩ 14,689,631
Accumulated income	769,354	937,245
Accumulated construction in process	14,820,174	15,626,876
Progress billing	15,073,467	16,071,925
Due from customers	984,701	1,191,078
Due to customers	1,237,994	1,636,127
Reserve (*)	54,847	62,197

(*) Reserve is recognized as long-term trade notes and accounts receivable in the consolidated financial statements.

(2) Effects on profit or loss of current and future periods, and due from customers related to changes in accounting estimates of total contract revenue and total contract costs of contracts in progress of HYUNDAI ROTEM COMPANY, a subsidiary of the Company, as of September 30, 2024 are as follows.

Description	September 30, 2024
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ 498,922
Changes in accounting estimates of total contract costs	434,513
Effects on profit or loss of current period	100,184
Effects on profit or loss of future periods	(35,775)
Changes in due from customers	62,570
Provision for construction loss	28,872

Effects on profit or loss of current and future periods were calculated with estimated total contract costs and estimated total contract revenue based on factors that are considered to be relevant from commencement of the contract to September 30, 2024. Total contract revenue and costs may change in future periods.

(3) There is no contract as of September 30, 2024, in which contract revenue is recognized by the proportion of contract costs incurred, that accounted for more than 5% of the Group's revenue in the prior period.

39. BUSINESS COMBINATION:

(1) The Group acquired hydrogen fuel cell segment from Hyundai MOBIS Co., Ltd. to enhance the Group's competitiveness in the hydrogen business. The total consideration for the combination is ₩217,500 million, and the amounts of assets acquired and liabilities assumed from the combination are ₩242,100 million and ₩29,600 million, respectively, the fair values of which are tentative since independent valuation is yet to be completed.

(2) The Group acquired 75.06% of shares in PT. Hyundai Capital Finance Indonesia for the nine-month period ended September 30, 2024.

The accounting for the business combination at the acquisition date is as follows.

Description	Amounts (*) (In millions of Korean Won)
Total considerations transferred	₩ 26,550
Non-controlling interests	8,360
Assets acquired and liabilities assumed	
Current assets	33,551
Non-current assets	-
Current liabilities	37
Non-current liabilities	-
Fair value of identifiable net assets	33,514
Goodwill	1,396

(*) The amounts of sales and net loss of the acquiree since the acquisition date included in the consolidated statement of income for the nine-month period ended September 30, 2024 are ₩535 million and ₩459 million, respectively.

40. SUBSEQUENT EVENTS:

(1) The Group declared interim dividend by the resolution of the Board of Directors on October 24, 2024. The details are as follows.

Description	Contents
Interim dividend amounts	Dividends per share : ₩2,000 (Gross amounts of dividend : ₩529,918 million)
Dividend yield ratio	0.8% (Common stock criteria)
Base date of dividend	September 30, 2024

(2) HYUNDAI MOTOR INDIA LIMITED, a subsidiary of the Group was listed on the National Stock Exchange of India(NSE) on October 22, 2024 and the Group sold 17.5% of its shares in HYUNDAI MOTOR INDIA LIMITED at ₩4,392,400 million.

$60,000,000,000

Hyundai Capital America

Medium-Term Notes, Series A

OFFERING MEMORANDUM SUPPLEMENT
December 12, 2024

U.S. Agents	*International Agents*
Barclays	**Barclays**
BNP PARIBAS	**BNP PARIBAS**
BofA Securities	**BofA Securities**
Citigroup	**Citigroup**
COMMERZBANK	**Commerzbank**
Credit Agricole CIB	**Crédit Agricole CIB**
HSBC	**HSBC**
J.P. Morgan	**J.P. Morgan**
Lloyds Securities	**Lloyds Bank Corporate Markets**
Mizuho	**Mizuho**
MUFG	**MUFG**
RBC Capital Markets	**RBC Capital Markets**
Santander	**Santander**
Scotiabank	**Scotiabank**
SMBC Nikko	**SMBC**
SOCIETE GENERALE	**Société Générale Corporate & Investment Banking**
TD Securities	**TD Securities**
US Bancorp	**US Bancorp**
Wells Fargo Securities	**Wells Fargo Securities**

$60,000,000,000
Hyundai Capital America

Medium-Term Notes, Series A
General Terms of Sale

The following terms will generally apply to the Medium-Term Notes, Series A (the "Notes"), that Hyundai Capital America will offer and sell from time to time using this offering memorandum. We will include information regarding the specific terms for each note in a pricing supplement (a "Pricing Supplement") to this offering memorandum. We may include information regarding a type of medium-term note not described herein in an additional supplement to this offering memorandum and information regarding the specific terms of any such note in a pricing supplement to that additional supplement. Any reference to this "Offering Memorandum" or to a "pricing supplement" herein shall include any such additional supplement or pricing supplement, unless the context requires otherwise.

Maturity:	Generally, one year or more from the date of issue.	**Ranking**:	The Notes will constitute our senior unsecured obligations.
Redemption:	Terms of specific Notes may permit redemption at our option.	**Other Terms**:	You should review "Description of the Notes" and the applicable Pricing Supplement for other terms that apply to your Notes.
Interest Rates:	Fixed, floating or zero coupon.		

Investing in the Notes involves risks that are described in the "Risk Factors" section beginning on page 8 of this Offering Memorandum.

The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes are being initially offered in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and outside the United States to non-U.S. persons in compliance with Regulation S of the Securities Act. For further details about eligible offerees and resale restrictions, see "Plan of Distribution" and "Transfer Restrictions."

Unless otherwise specified in an applicable Pricing Supplement, the Notes will not be listed on any securities exchange or any automated quotation system.

We may sell Notes to the agents referred to below as principals for resale at varying or fixed offering prices or through the agents as agents using their reasonable efforts on our behalf. We may also sell Notes without the assistance of the agents. For further details, see "Plan of Distribution."

Barclays
BNP PARIBAS
BNY Mellon Capital Markets, LLC
BofA Securities
Citigroup
COMMERZBANK
Credit Agricole CIB
HSBC
J.P. Morgan
Lloyds Securities
Mizuho
MUFG
RBC Capital Markets
Santander
SMBC Nikko
SOCIETE GENERALE
TD Securities
US Bancorp
Wells Fargo Securities

The date of this Offering Memorandum is March 12, 2024.

No agent, dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum. Neither we nor any of the agents named on the cover of this Offering Memorandum or in any amendment or supplement hereto (collectively, the "Agents") or our or their respective affiliates take any responsibility for, or provide assurance as to the reliability of, any information that others may give you. This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Offering Memorandum at any time, nor any sale made in connection with this Offering Memorandum, shall, in any circumstances, create an implication that there has been no change in our affairs or the affairs of Hyundai Motor Company since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to the date of this Offering Memorandum.

Notice to Prospective Investors in the European Economic Area

This Offering Memorandum and any related Pricing Supplement is not a prospectus for the purposes of Regulation (EU) 2017/1129, as amended (the "Prospectus Regulation"). This Offering Memorandum and any related Pricing Supplement have been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (the "EEA") will only be made to a legal entity which is a qualified investor as defined in the Prospectus Regulation ("EEA Qualified Investors"). Accordingly any person making or intending to make an offer in any Member State of the EEA Notes which are the subject of the offering contemplated in this Offering Memorandum and any related Pricing Supplement may only do so with respect to EEA Qualified Investors. Neither Hyundai Capital America nor the Agents have authorised, nor do they authorise, the making of any offer of Notes in any Member State of the EEA other than to EEA Qualified Investors.

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 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 ("MiFID II"); or (ii) a customer within the meaning of the 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 MiFID II; or (iii) not an EEA Qualified Investor. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the "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 PRIIPs Regulation.

MiFID II product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled "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 (an "EU distributor") should take into consideration the target market assessment; however, an EU 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 target market assessment) and determining appropriate distribution channels.

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

Notice to Prospective Investors in the United Kingdom

This Offering Memorandum and any related Pricing Supplement is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law (the "UK Prospectus Regulation"). This Offering Memorandum and any related Pricing Supplement have been prepared on the basis that any offer of Notes in the United Kingdom will only be made to a legal entity which is a qualified investor as defined in the UK Prospectus Regulation ("UK Qualified Investors"). Accordingly any person making or intending to make an offer in the United Kingdom of Notes which are the subject of the offering contemplated in this Offering Memorandum and any related Pricing Supplement may only do so with respect to UK Qualified Investors. Neither Hyundai Capital America nor the Agents have authorised, nor do they authorise, the making of any offer of Notes in the United Kingdom other than to UK Qualified Investors.

PROHIBITION OF SALES TO UNITED KINGDOM 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. 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 in the United Kingdom; or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, as amended (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 in the United Kingdom; or (iii) not a UK Qualified Investor. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended as it forms part of domestic law in the United Kingdom (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

The communication of this Offering Memorandum, any related Pricing Supplement and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, this Offering Memorandum, any related Pricing Supplement and such other documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. This this Offering Memorandum, any related Pricing Supplement and such other documents and/or materials are for distribution only to persons who (i) have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), (ii) who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). This Offering Memorandum, any related Pricing Supplement and such other documents and/or materials are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum, any related Pricing Supplement and any other document or materials relates will be engaged in only with relevant persons. Any person that is not a relevant person should not act or rely on this Offering Memorandum, any related Pricing Supplement or any other documents and/or materials relating to the issue of the Notes offered hereby or any of their contents.

UK MiFIR product governance / target market – The Pricing Supplement in respect of any 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 "UK distributor") should take into consideration the target market assessment; however, a UK 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 of Notes about whether, for the purpose of the UK MiFIR Product Governance Rules, any Agent subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Agents nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

TABLE OF CONTENTS

In this Offering Memorandum, references to "HCA," the "Company," "we," "us" and "our" refer to Hyundai Capital America, a California corporation and the issuer of the Notes, and to its subsidiaries, except where otherwise indicated or where the context otherwise requires, including in the sections entitled "Summary—General Terms of the Notes" and "Description of the Notes."

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of Notes described in this Offering Memorandum. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

Notwithstanding anything in this Offering Memorandum to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation Section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions between us, the Agents or their respective representatives and each prospective investor regarding the transactions described in this Offering Memorandum.

We have furnished the information contained in this Offering Memorandum. The Agents make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum (financial, legal or otherwise) and assume no responsibility for such information. Nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Agents as to the past or future.

Neither the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission nor any other regulatory authority has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this Offering Memorandum entitled "Transfer Restrictions" and "Plan of Distribution."

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the Notes, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

In this Offering Memorandum, we rely on and refer to information and statistics regarding our industry. We obtained this market data from independent industry publications or other publicly available information. Although we believe that these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

This Offering Memorandum contains summaries of the indenture, Notes and support agreement that are believed to be accurate, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum constitute "forward-looking statements," including statements regarding HCA'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 Memorandum, including, without limitation, those regarding HCA's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to HCA's products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Offering Memorandum (whether made by HCA or any third party) involve known and unknown risks, uncertainties and other factors that may cause HCA's actual results, performance or achievements to be materially different from any 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 HCA's present and future business strategies and the environment in which HCA will operate in the future. Factors that could cause HCA'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 Memorandum speak only as of the date of this Offering Memorandum. HCA 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 HCA's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

SUMMARY

The following summary contains basic information about us and this offering. It may not contain all the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire document, including the financial statements and related notes, and the documents to which we have referred you.

Our Company

HCA was incorporated in the State of California on September 6, 1989. HCA is a majority-owned subsidiary of Hyundai Motor America ("HMA"), the primary distributor of Hyundai vehicles in the United States. HMA is a wholly owned subsidiary of Hyundai Motor Company ("HMC"), which is a worldwide manufacturer and distributor of motor vehicles headquartered in South Korea. As of December 31, 2023, HMA owns 80% of the outstanding common stock of HCA and Kia America, Inc. ("KUS"), a wholly owned subsidiary of Kia Corporation ("KC"), owns 20% of the outstanding common stock of HCA. KUS is the primary distributor of Kia vehicles in the United States. KC is an affiliate of HMC, and both companies have outstanding common stock listed on the Korea Exchange ("KRX"), but are not registered with the SEC in the United States of America. HCA offers indirect automotive consumer loan and lease financing and direct dealer financing through its retail dealer agreements with HMA, KUS and Genesis Motor America LLC ("GMA"), a subsidiary of HMA, dealerships, and a small number of other dealerships, all of which are located within the United States. In August 2016, Genesis, a division of HMA, began distributing a new line of vehicles under the Genesis brand. GMA began distributing Genesis brand vehicles beginning with the 2019 model year. As the sole captive finance subsidiary for HMA and KUS in the U.S., our company is strategically important to HMC. HMC has shown a strong willingness to support our business by providing a support agreement and allowing HCA to retain 100% of its net income. Our two shareholders have made $1.5 billion in equity investments since we began operations.

For the purposes of this offering memorandum, references to HMA include GMA, and references to Hyundai include the Genesis brand, unless otherwise noted.

We provide indirect retail passenger motor vehicle loan and lease financing by purchasing motor vehicle retail installment sale contracts and leases from dealers. We also provide direct wholesale financing to many of these dealers by financing inventories and making loans for facilities refurbishment, real estate purchases, construction, and working capital requirements. During the fiscal year ended December 31, 2023, approximately 63% of our total financing revenue, net of depreciation expense, came from retail financing, 30% from leasing, and 7% from wholesale dealer financing. We believe we are well positioned in the market and offer a full line-up of financing products to our customers and dealers. We had total assets of $63.4 billion as of December 31, 2023.

One of our funding sources has been the packaging and sale of retail and wholesale loans and leases through asset-backed securitization ("ABS") transactions. For the years ended December 31, 2023, 2022 and 2021, we securitized approximately $9.5 billion, $8.9 billion and $8.5 billion of receivables, respectively, through ABS debt offerings. At December 31, 2023, we had approximately $30.1 billion, or 50%, of our total gross finance receivables and investment in operating leases pledged to secure $20.3 billion of indebtedness incurred in connection with ABS transactions and asset-backed loans and conduits. Our other funding sources consist of borrowings from HMC affiliates, revolving lines of credit, term loans, and the issuance of commercial paper and bonds. At December 31, 2023, we had approximately $3.4 billion of affiliate borrowings outstanding, $2.3 billion of revolving lines of credit and term loans outstanding, $4.5 billion available to draw on revolving lines of credit, $2.5 billion aggregate principal amount outstanding under our commercial paper program and $23.9 billion aggregate principal amount of senior unsecured notes outstanding.

The retail installment sale contracts we purchase are for both new and used vehicles and are sourced from dealers. The leases we purchase are new vehicle, closed-end lease contracts and are also sourced from dealers. We are responsible for the residual value of leased vehicles if the lessee or dealer does not purchase the asset at lease maturity. We collect payments and service our leases and retail installment sales contracts, employing various collection methods, including a risk/behavioral-based collection strategy to minimize risk of loss. We extend credit lines to dealers that operate exclusive Hyundai and Kia dealerships, to dealers that operate Hyundai and Kia and non-Hyundai and non-Kia dealerships in one franchise, and to dealers that operate dealerships authorized by non-

Hyundai and non-Kia manufacturers for their purchase of inventories of new and used Hyundai, Kia and other vehicles in the normal course of business. Dealers who have non-Hyundai and non-Kia dealerships may use part of our financing, pursuant to their related wholesale financing agreement, to finance vehicles purchased from other manufacturers. We also extend term loans and revolving lines of credit to dealers for business acquisitions, facilities refurbishment, real estate purchases, construction and working capital requirements. For the fiscal years ended December 31, 2023, 2022 and 2021, our total financing revenue was $5.5 billion, $4.7 billion and $4.7 billion, respectively, and our net income was $302.0 million, $512.7 million and $820.4 million, respectively.[1]

Sound risk and operational foundations have been established with the growth of our business. Almost all of our $42.0 billion net finance receivables and $16.5 billion net investment in operating leases as of December 31, 2023 were originated from Hyundai and Kia dealer-related business. Our portfolio consists of high credit quality receivables, and as of December 31, 2023, 82% of our retail portfolio and 91% of our lease portfolio consisted of accounts with FICO® scores greater than or equal to 680 (percentage calculations exclude accounts with unavailable or invalid FICO® scores). For the years ended December 31, 2023, 2022 and 2021, our loss-to-receivables ratios were 0.7%, 0.6% and 0.4%, respectively. As of December 31, 2023, we had total undrawn committed sources of funding of $9.4 billion from credit lines in addition to $557.3 million in cash and cash equivalents.

Our headquarters are located at 3161 Michelson Drive, Irvine, California 92612. We also have regional offices in California, Texas and Georgia, which generally perform underwriting, servicing and collection activities. For more information about our business and our results of operations, see the "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this Offering Memorandum and our financial statements and related notes.

[1] Net Income Amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for electric vehicle ("EV") income tax credits generated through leasing applicable vehicles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Income Taxes" for additional information.

General Terms of the Notes

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The terms "we," "us" and "our" in this subsection of the summary below refer only to Hyundai Capital America, the issuer of the Notes. The "Description of the Notes" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes.

Issuer:	Hyundai Capital America
Securities Offered:	We will issue from time to time up to $60,000,000,000 aggregate principal amount of the Notes or the equivalent in one or more foreign currencies at any one time outstanding (the "Program"). We may, however, from time to time provide for the issuance of Notes in excess of the foregoing amount.
Maturities:	Generally, one year or more from the date of issue, as agreed upon by the purchaser and us and specified in the applicable Pricing Supplement.
Ranking:	The Notes will be our senior unsecured obligations, and will rank equally in right of payment with all of our other senior unsecured indebtedness, will be senior in right of payment to any of our future indebtedness that is expressly subordinated to the Notes, will be effectively subordinated to all existing and future indebtedness that is secured, to the extent of the value of the assets securing such indebtedness, and will be structurally subordinated to all indebtedness and other liabilities of all of our subsidiaries, to the extent of the assets of such subsidiaries.
Support Agreement:	Holders of the Notes will have the benefit of a support agreement between us and HMC. The support agreement does not constitute a guarantee by HMC of any of the Notes offered hereby. See "Certain Relationships and Related Transactions—Support Agreement."
Agents:	We have appointed the Agents named on the cover of this Offering Memorandum or in an amendment or supplement hereto as agents under the Program. We may appoint additional broker-dealers with respect to specific issuances of Notes. We reserve the right to place Notes directly on our own behalf.
Interest Rates:	The Notes will bear interest at fixed rates ("Fixed Rate Notes") or at floating rates ("Floating Rate Notes") determined by reference to one or more Base Rates (as defined herein), which may be adjusted by a Spread and/or a Spread Multiplier and which may be subject to a Maximum Interest Rate and/or a Minimum Interest Rate, in either case as agreed to by the purchaser and us and specified in the applicable Pricing Supplement. The Base Rates will include the CMT Rate, the Commercial Paper Rate, Compounded SOFR, EURIBOR, the Federal Funds (Effective) Rate, the Federal Funds (Open) Rate, the Prime Rate, SOFR, the Treasury Rate and such other interest rate formulas as may be specified in the applicable Pricing Supplement. Certain Notes issued at a discount from the principal amount payable at maturity may be non-interest bearing.
Interest Amount Computations:	Unless otherwise specified in the applicable Pricing Supplement, interest on (i) Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months, and (ii) Floating Rate Notes will be computed on the basis of the actual number of days in the interest period divided by 360 (or,

in the case of a Floating Rate Note bearing interest at a rate determined by reference to the Treasury Rate or EURIBOR, by the actual number of days in the year or by 365, respectively).

Redemption: Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be subject to redemption at our option prior to their respective stated maturities. The Notes will not be subject to any sinking fund.

Covenants: The indenture governing the Notes will, among other things, limit our ability and the ability of our subsidiaries to create liens and enter into mergers or consolidations. Under the indenture, we will be required to provide audited financial statements to the trustee annually but not on a more frequent basis. See "Description of the Notes—Certain Covenants—Reports to Holders of the Notes." These covenants will be subject to a number of important exceptions and qualifications. For more details, see "Description of the Notes."

Use of Proceeds: We intend to use the net proceeds from the sale of the Notes for general corporate purposes. Pending application of the proceeds of the sale of the Notes, we intend to invest such proceeds in short-term investments. The use of proceeds of any individual issuance of Notes, if other than for general corporate purposes, will be described in the applicable Pricing Supplement See "Use of Proceeds."

Additional Notes: We may from time to time, without giving notice to or seeking the consent of the holders of the Notes, issue debt securities having the same terms (except for the issue date and, in some cases, the offering price and the first interest payment date) as, and ranking equally and ratably with, the Notes of a particular tranche. Such additional debt securities will be consolidated and form a single tranche with, have the same CUSIP number as and trade interchangeably with such previously issued Notes, so long as such additional debt securities are fungible for U.S. federal income tax purposes with the previously issued Notes.

Form and Denomination: Each Note will be issued in fully registered book-entry form and will be represented by one or more global Notes without coupons (each, a "Global Note") deposited with the Trustee and registered in the name of a nominee of The Depository Trust Company ("DTC"). Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, S.A. ("Clearstream,") and Euroclear Bank, SA/NV ("Euroclear"), will hold interests on behalf of their participants through their respective U.S. depositaries, which in turn will hold such interests in accounts as participants of DTC. Except in the limited circumstances described in this Offering Memorandum, owners of beneficial interests in the Notes will not be entitled to have Notes registered in their names, will not receive or be entitled to receive Notes in definitive form and will not be considered holders of Notes under the indenture. Unless otherwise specified in the applicable Pricing Supplement, the Notes will be issued only in denominations of $2,000 and integral multiples of $1,000 in excess thereof. Notwithstanding the foregoing, Notes in respect of which the issue proceeds are to be accepted in the United Kingdom and which have a maturity of less than one year shall have a minimum denomination and redemption value of £100,000 (or if such Notes are denominated in a currency other than pounds sterling, as specified in the

	applicable Pricing Supplement, at least the equivalent thereof in such currency using the spot rate as of the date of issue).
Settlement:	Unless otherwise specified in the applicable Pricing Supplement, settlement for sales of Notes will be made in immediately available funds in New York, New York, generally two Business Days after the sale date. If we and a purchaser agree, however, settlement may occur on a different date.
Other Provisions:	The Notes may from time to time be issued with terms and provisions that differ from those described in this Offering Memorandum. In such event, the terms and provisions of such Notes will be as set forth in the applicable Pricing Supplement, which terms will supersede the description of the Notes contained herein to the extent inconsistent herewith.
Absence of Public Market for Notes:	Each tranche of the Notes will be a new issue of securities. No previous market exists for the Notes and no assurances can be given that any market for the Notes will develop. The Agents are under no obligation to make a market in the Notes and to the extent that such market-making is commenced, it may be discontinued at any time. There is no assurance that a secondary market will develop or, if it does develop, that it will provide holders with liquidity of investment or that it will continue for any period of time. Therefore, a holder of Notes may not be able to liquidate its investment readily, and the Notes may not be readily accepted as collateral for loans. Investors should proceed on the assumption that they may have to hold any Notes until the end of their scheduled term.
Transfer Restrictions:	The Notes have not been, and will not be, registered under the Securities Act and are subject to restrictions on transfer, as described under "Transfer Restrictions."
Indenture:	The Notes will be issued under, subject to and entitled to the benefits of an indenture, dated as of October 1, 2012 (as may be amended, modified or supplemented from time to time, the "Indenture"). See "Description of the Notes."
Risk Factors:	You should carefully read and consider the information set forth in "Risk Factors" beginning on page 8 before investing in the Notes.
Trustee:	U.S. Bank Trust Company, National Association.
Governing Law:	State of New York.

Summary Consolidated Financial and Other Data

The following table sets forth a summary of our consolidated financial and other information for the periods indicated. The information as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022 has been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. The information as of December 31, 2021 and for the year ended December 31, 2021 has been derived from our audited consolidated financial statements that are not included in this Offering Memorandum. These summary consolidated financial and other data should be read in conjunction with "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum.

	Years Ended December 31,		
	2023	2022 (1)	2021 (1)
	(dollars in thousands)		
Income Statement Data:			
Financing Revenue			
Operating leases	$ 3,388,336	$ 3,352,714	$ 3,417,102
Retail	1,912,711	1,291,683	1,255,683
Wholesale	200,296	73,854	54,351
Finance Lease	2,401	40	12
Total financing revenue	5,503,744	4,718,291	4,727,148
Depreciation on operating leases	2,471,033	2,551,903	2,496,194
Interest expense	1,887,155	937,841	784,563
Total depreciation and interest expense	4,358,188	3,489,744	3,280,757
Net financing revenue	1,145,556	1,228,547	1,446,391
Other revenue	268,162	271,087	299,118
Total net financing margin and other revenue	1,413,718	1,499,634	1,745,509
Expenses			
Operating expenses	582,532	628,054	523,038
Provision for credit losses	401,254	152,313	135,483
Total expenses	983,786	780,367	658,521
Income before provision for income taxes	429,932	719,267	1,086,988
Provision for income taxes	127,972	206,543	266,635
Net income	$ 301,960	$ 512,724	$ 820,353

(1) Amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for EV income tax credits generated through leasing applicable vehicles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Income Taxes" for additional information.

	Years Ended December 31,		
	2023	2022 [(1)]	2021 [(1)]
	(dollars in thousands)		
Balance Sheet Data:			
Finance receivables, net			
Retail	$ 38,763,535	$ 30,066,967	$ 28,508,331
Wholesale	3,889,350	2,164,190	1,283,775
Finance Lease	20,415	507	159
Total finance receivables	42,673,300	32,231,664	29,792,265
Allowance for credit losses [(2)]	(698,750)	(343,187)	(342,782)
Total finance receivables, net	$ 41,974,550	$ 31,888,477	$ 29,449,483
Investments in operating leases, net			
Vehicles and initial direct costs	$ 20,285,285	$ 19,778,412	$ 20,609,206
Accumulated depreciation	(3,739,058)	(3,778,412)	(3,570,782)
Allowance for credit losses	(77,231)	(78,825)	(105,739)
Total investment in operating leases, net	$ 16,468,996	$ 15,921,175	$ 16,932,684
Total assets	$ 63,437,388	$ 51,436,472	$ 49,829,739
Total debt	$ 52,222,175	$ 41,279,401	$ 40,892,809
Total liabilities	$ 57,453,519	$ 45,545,008	$ 44,427,494
Total shareholders' equity	$ 5,983,869	$ 5,891,464	$ 5,402,245
Total liabilities and shareholders' equity	$ 63,437,388	$ 51,436,472	$ 49,829,739
Other Financial Data:			
Net Income to Total Assets ratio	0.5%	1.0%	1.6%
Net Income to Equity ratio	5.0%	8.7%	15.2%
Loss-to-Receivables ratio [(3)]	0.7%	0.6%	0.4%
Allowance for Credit Losses to Finance Receivables ratio [(4)]	1.6%	1.1%	1.2%
Allowance for Credit Losses to Investment in Operating Leases ratio [(5)]	0.5%	0.5%	0.6%

(1) Amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for EV income tax credits generated through leasing applicable vehicles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Income Taxes" for additional information.

(2) The Company adopted ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326) on January 1, 2023, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our financial statements for the period ended December 31, 2023 and the notes thereto.

(3) Calculated based on net credit losses divided by the average amount of receivables outstanding, excluding the allowance for loan losses, unearned interest supplements and other deferred items related to finance receivables.

(4) Calculated based on allowance for credit losses related to retail and wholesale loans divided by total finance receivables.

(5) Calculated based on allowance for credit losses related to operating leases divided by total net investment in operating leases, excluding the allowance for credit losses.

RISK FACTORS

An investment in the Notes is subject to numerous risks, including those listed below. You should carefully consider the following risks as well as the other information contained in this Offering Memorandum before purchasing the Notes. These risks could materially affect our ability to meet our obligations under the Notes. In such case, you may lose all or part of your original investment in, and the expected return on, the Notes.

Risks Relating to Our Business

We are exposed to certain risks and uncertainties that could have an adverse impact on our business, financial condition, operating results and prospects:

Our business is substantially dependent upon the sale of Hyundai and Kia vehicles in the United States.

Our business is substantially dependent upon the sale of Hyundai and Kia vehicles and our ability to offer competitive financing in the United States. HMA, our majority shareholder, is the primary distributor of Hyundai vehicles in the United States. HMA is one of our primary sources of funding through affiliate borrowings and subvention programs for special rate retail financing and lease programs that we offer in the United States on certain new Hyundai vehicles. The level of subsidy varies based on HMA's marketing strategies, economic conditions and volume of vehicle sales. Changes in the volume of sales of such vehicles or level of sponsored programs resulting from changes in consumer demand, perceived quality, safety or reliability of Hyundai and Kia vehicles due to vehicle recalls, work stoppage, general economic conditions, availability and cost of consumer credit, changes in the level of HMA-sponsored financing programs, increased competition, changes in pricing of imported units due to currency fluctuations, governmental action or other events could impact the level of our operations. For example, HMA and KUS launched a service campaign in 2023, including anti-theft software upgrades, to help combat a recent wave of vehicle thefts targeting certain Hyundai and Kia vehicles. KUS is the primary distributor of Kia vehicles in the United States. KUS also provides us with funding through subsidizing special rate retail financing and lease programs that we offer in the United States on certain new Kia vehicles. See "Certain Relationships and Related Transactions—Relationships with Affiliates" and "Business" in this Offering Memorandum for a further discussion regarding our relationship with HMA and KUS.

Our earnings depend on many factors, most of which are outside of our control.

Our earnings are subject to many factors, including changes in the overall market for retail financing, leasing or wholesale dealer financing, changes in the level of sales of Hyundai and Kia vehicles in the United States, rates of growth in the number and average balance of customer accounts, the U.S. regulatory environment, competition, rates of default by our customers, changes in the United States and international funding markets, the used vehicle market, levels of operating and administrative expenses, including, but not limited to, personnel and technology costs, general economic conditions in the United States and other factors. Frequently, HMA and KUS elect to sponsor incentive programs (on both retail loans and leases) by supporting financing rates below our standard rates, a practice known as rate support or subvention. For the year ended December 31, 2023, 84% of retail financing contracts and 100% of lease contracts purchased by HCA received rate support from HMA or KUS. Changes in the levels of subvention payments from HMA and KUS affect our revenues and net income by causing some of our products to be priced less competitively in the market and thus reducing the number of loans and leases that we may finance. We have no ability to influence most of the factors described above. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Rate Subsidy Payments."

Our profitability is directly affected by changes in interest rates.

An increase in interest rates could increase our costs of financing loan and lease originations and could adversely affect our loan and lease origination volumes because financing can be less attractive to consumers and qualifying for financing may be more difficult. These same factors may also negatively affect our profitability. A substantial portion of our liabilities are short-term and/or tied to floating interest rates. As rates increase, these liabilities reprice and our interest expense increases. A rising interest rate environment, which can result from a variety of factors, including a decrease in liquidity and Federal Reserve actions, could have a material adverse effect on our results of operations, financial condition and business if our net interest margins are adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations— Overview—Interest

Rates and Credit Spreads" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk."

Economic conditions, trade policies and other market events may affect our results.

Our business and results of operations are tied to general economic conditions. A downturn in economic conditions in the United States resulting in increased unemployment rates, slow job growth, increased consumer and commercial bankruptcy filings, and other factors that negatively impact household incomes could decrease demand for our financing products, and increase delinquencies and losses. Automobiles are durable items, and consumers could choose to defer their acquisition or replacement.

Our liquidity strategy is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in the event of adverse market conditions. A downturn in economic conditions could also negatively impact our ability to access capital. In particular, our cost and availability of funding could be adversely affected by illiquid credit markets and wider credit spreads.

If there is a prolonged disruption of the debt and securitization markets, we would consider reducing the amount of receivables we purchase or originate. A significant reduction in the amount of receivables we purchase or originate would significantly reduce our ongoing profits, and could adversely affect our ability to support the sale of Hyundai and Kia vehicles. To the extent our ability to provide wholesale financing to dealers or retail financing to those dealers' customers is limited, Hyundai's and Kia's ability to sell vehicles could be adversely affected.

Restrictive trade policies could adversely affect our results of operations and financial condition. Any initiatives by the U.S. government to consider applying tariffs on automobiles, parts, and other products and materials have the potential to disrupt existing supply chains and impose additional costs on Hyundai and Kia's U.S. business.

Our inability to access the debt, securitization or derivative markets at competitive rates may affect our results.

Our ability to obtain funding under our committed asset-backed liquidity programs and certain other ABS transactions is subject to having a sufficient amount of assets eligible for these programs, as well as our ability to obtain appropriate credit ratings and, for certain committed programs, derivatives to manage interest rate risk. Over time, and particularly in the event of any credit rating downgrades, market volatility, interest rate volatility, market disruption, or other factors, we may reduce the amount of receivables we purchase or originate because of funding constraints. In addition, we may reduce the amount of receivables we purchase or originate if there is a significant decline in the demand for the types of securities we offer or if we are unable to obtain derivatives to manage the interest rate risk associated with our securitization transactions. A significant reduction in the amount of receivables we purchase or originate would significantly reduce our ongoing profits, and could materially adversely affect our ability to support the sale of Hyundai and Kia vehicles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk."

Our results and financial condition are dependent, in large part, on significant transactions with our affiliates, including affiliate borrowings.

We have significant transactions with HMA, KUS, HMC and certain other affiliates. The credit ratings of our securities depend, in large part, on the existence of the support agreement with HMC. See "—Our credit ratings depend, in large part, on the existence of the support agreement with HMC."

HMA pays us under its vehicle incentive financing programs, which include yield and residual value and other end of term incentives. The amounts we billed to HMA for various yield incentive programs were $672.0 million, $197.3 million and $118.7 million for the years ended December 31, 2023, 2022 and 2021, respectively. These amounts are recognized in financing revenues over the terms of the related contracts. The amounts we billed to HMA for residual value and other end of term incentive programs were $3.5 million, $1.9 million and $0.1 million for the years ended December 31, 2023, 2022 and 2021, respectively. The effect of the residual value incentive program is a reduction of depreciation expense over the life of the lease. Other end of term incentive programs consist of disposition fees paid on behalf of loyal customers and are recorded in financing revenue. The outstanding receivable balance for HMA yield incentive programs were $339.5 million, $85.7 million and $61.9 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The outstanding receivable balance for HMA residual value and other end of term incentive programs were $194.3 million, $143.1 million and $105.3 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The residual value and other end of term incentive receivable balance due from HMA for each period presented consists primarily of an estimated future billing amount for units covered under the incentive program but not billable until end of lease term. The estimated future billing corresponding amounts are included as a reduction of the investment in operating leases, net.

KUS also pays us amounts under its vehicle incentive financing programs, which include yield and residual value and other end of term incentives. The amounts we billed to KUS for various yield incentive programs were $159.3 million, $11.7 million and $77.3 million for the years ended December 31, 2023, 2022 and 2021, respectively. These amounts are recognized in financing revenues over the terms of the related contracts. The amounts we billed to KUS for residual value and other end of term incentive programs were $0.7 million, $0.0 million and $0.0 million for the years ended December 31, 2023, 2022 and 2021, respectively. The effect of the residual value incentive program is a reduction of depreciation expense over the life of the lease. Other end of term incentive programs consist of disposition fees paid on behalf of loyal customers and are recorded in financing revenue. The outstanding receivable balance for KUS yield incentive programs were $186.6 million, $8.3 million and $126.5 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The outstanding receivable balance for KUS residual value and other end of term incentive programs were $131.8 million, $115.4 million and $94.9 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The residual value incentive and other end of term receivable balance due from KUS for each period presented consists primarily of an estimated future billing amount for units covered under the incentive program but not billable until end of lease term. The estimated future billing corresponding amounts are included as a reduction of the investment in operating leases, net.

Affiliate borrowings are another source of funding. We had $3.4 billion, $5.2 billion and $2.7 billion at December 31, 2023, 2022 and 2021, respectively, of outstanding affiliate borrowings owed to HMA and other affiliates. Therefore, a portion of our interest expense is paid to HMA and other affiliates.

HCA provides marketing support to HMA and KUS to jointly increase the brand image and grow the customer base. As of December 31, 2023, 2022 and 2021, HCA recorded $50.0 million, $97.1 million and $0.0 million, respectively.

HMA charges us a negotiated fee for various personnel, administrative and operating expenses related to shared services that were provided by HMA. HMA charged us fees of $2.2 million, $2.1 million and $1.6 million during the years ended December 31, 2023, 2022 and 2021, respectively.

See "Certain Relationships and Related Transactions—Relationships with Affiliates" for further discussion of these transactions, as well as additional transactions between us and HMA and other affiliates. These transactions and arrangements may be discontinued at any time. We would need to find other funding sources and replace the finance and other services now provided by affiliates, either through third parties or hiring additional personnel. There can be no assurance that we could do so on the same or better terms. Moreover, certain transactions such as HMA's vehicle incentive financing programs, subvention payments and affiliate borrowings would be irreplaceable if discontinued. Our financial position, results of operations and cash flows would be adversely affected if our relationships with HMA and other affiliates did not exist or these transactions were discontinued.

We are exposed to residual value risk on the vehicles we lease.

Residual value risk is the risk that the estimated residual value at lease origination will not be recoverable at the end of the lease term. When the market value of a leased vehicle at contract maturity is less than its contractual residual value, there is a higher probability that the vehicle will be returned to us. A higher rate of vehicle returns exposes us to greater risk of loss at lease termination. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk—Residual Risk."

We are exposed to credit risk on all of our loans and leases.

Credit risk is the risk of loss if a customer or dealer fails to meet the terms of any contract with us or otherwise fails to perform as agreed (i.e., defaults). Our level of credit risk is influenced primarily by two factors: the total number of contracts that default and the loss per occurrence, which in turn are influenced by various economic factors, the used vehicle market, contract term length and purchase quality mix. Our credit losses could exceed our expectations and adversely affect our financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Allowance for Credit Losses."

If we are unable to compete successfully or if competition increases in the businesses in which we operate, our operating results could be negatively affected.

We operate in a highly competitive environment. We compete with other financial institutions including national and regional commercial banks, credit unions, savings and loan associations and finance companies, and, to a lesser extent, we compete with other automobile manufacturers' affiliated finance companies. Increases in competitive pressures could have an adverse impact on our contract volume, market share, revenues and margins. Further, the financial condition and viability of our competitors and peers may have an impact on the financial services industry in which we operate, resulting in changes in the demand for our products and services. This could have an adverse impact on our operating results and the volume of our business.

Our customers are concentrated in a few states, which increases our exposure to an economic downturn in those states.

A large percentage of our earning assets are located in the states of California, Florida, New York and Texas. Factors adversely affecting the economy in these states or dealer receivables could have an adverse effect on our consolidated financial position or results of operations. See "Business—Retail Loan & Lease Concentration" for further discussion regarding our exposure to this risk.

Our credit ratings depend, in large part, on the existence of the support agreement with HMC.

While our securities are rated, the rating of our securities depends, in large part, on the existence of the support agreement between us and HMC. Thus, any adverse developments or conditions affecting HMC's business, including economic conditions, trade policies, market events and geopolitical developments, including those relating to the military conflict in Ukraine and resulting economic sanctions against Russia, that negatively affect HMC's credit ratings could also negatively affect our credit ratings. Furthermore, under certain circumstances, the support agreement may be terminated, modified or amended by HMC or us. See "Certain Relationships and Related Transactions—Support Agreement" for a description of the circumstances in which the support agreement may be terminated, modified or amended. Should we for any reason not have the benefit of the support agreement, we would expect that the credit ratings for our securities could be substantially lower than our current ratings, leading to higher borrowing costs. The support agreement is not, and nothing done pursuant to the support agreement by HMC shall be deemed to constitute, a guarantee by HMC of any of the notes offered hereby, or other obligation, indebtedness or liability of any kind or character of ours whatsoever. See "Certain Relationships and Related Transactions—Support Agreement" for a description of the support agreement.

Outsourcing of certain functions could impact our operations.

We currently outsource a portion of our information technology functions to an affiliated third-party service provider, Hyundai Autoever America, LLC. A portion of our early stage collections and servicing functions are outsourced to third party service providers. In the future, we may look for other opportunities to outsource additional functions in order to reduce costs and increase efficiencies. We have no direct control over the quality of services provided by such third party service providers. Unless managed effectively, reliance on third-party service providers could negatively impact our operations.

Changes in laws and regulations, or the application thereof, may adversely affect our business, financial condition and results of operations.

We are subject to various regulatory, financial and other requirements of the jurisdictions in which we operate. In light of current conditions in the global financial markets, regulators have increased their focus on the regulation of the financial services industry, including the segment in which we operate. As a result, there have been and may continue to be proposals for laws and regulations that could increase the scope and nature of laws and regulations that are currently applicable to us. Any change in such laws and regulations, whether in the form of new or amended laws or regulations, regulatory policies, supervisory action or the application of any of the above, may adversely affect our business, financial condition and results of operations by increasing our costs to comply with the new laws, prohibiting or limiting the amount of certain revenues we currently receive, or constraining certain collection or collateral recovery actions which are currently available to us.

On August 16, 2022, the U.S. government enacted budget reconciliation legislation commonly called the Inflation Reduction Act of 2022 (the "IRA") that authorizes major policy changes with regard to energy, environment, healthcare, and tax issues. The IRA makes significant changes to the U.S. tax code that, if applicable, will impact our subsequent fiscal years, beginning with the fiscal year ending December 31, 2023. Some of the key tax provisions of the IRA that could potentially impact us include a new tax credit for qualified commercial clean vehicles to promote climate change mitigation and clean energy; amendments to the existing clean vehicle tax credit; and a new tax credit for previously owned clean vehicles. We are still evaluating the potential impact of the changes in tax law to future periods, pending the issuance of additional guidance by the Treasury and Internal Revenue Service.

Financial regulatory reform could have a significant impact on our business, financial condition and results of operations.

As a finance company, we are highly regulated by governmental authorities, which can impose significant additional costs and/or restrictions on our business. Our operations are subject to regulation, supervision and licensing under various federal, state, and local laws and regulations, including the federal Truth-in-Lending Act, Equal Credit Opportunity Act and Fair Credit Reporting Act. Efforts to comply with these laws and regulations impose significant costs on us, and affect the conduct of our business. Additional regulation could add significant cost or operational constraints that might impair the profitability of our business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") to reform practices in the financial services industries, including automotive financing and securitizations. Although the Dodd-Frank Act generally took effect on July 22, 2010, many provisions are taking effect as implementing regulations are issued and finalized. The Dodd-Frank Act is extensive and significant legislation that, among other things:

- created a liquidation framework for the resolution of certain bank holding companies and other nonbank financial companies, defined as "covered financial companies," in the event such a company is in default or in danger of default and the resolution of such a company under other applicable law would have serious adverse effects on financial stability in the United States, and also for the resolution of certain of their respective subsidiaries, defined as "covered subsidiaries," in the event such a subsidiary is in default or in danger of default and the liquidation of such subsidiary would avoid or mitigate serious adverse effects on financial stability or economic conditions of the United States;

- created a new framework for the regulation of over-the-counter derivatives activities;

- strengthened the regulatory oversight of securities and capital markets activities by the SEC; and

- created the Consumer Financial Protection Bureau ("CFPB"), an agency with broad rule-making authority responsible for administering and enforcing the laws and regulations for consumer financial products and services, such as our retail automotive financing business.

The Dodd-Frank Act impacts the offering, marketing and regulation of consumer financial products and services offered by financial institutions, including indirect automobile loans and retail automobile leases. For example, the CFPB has supervisory, examination and enforcement authority over certain non-depository institutions, including those entities that are larger participants of a market for consumer financial products or services, as defined by rule. The CFPB issued a final rule that became effective August 31, 2015 defining which non-depository institutions would be considered larger participants of a market for automobile financing. Under the definitions included in the final rule, we are considered a larger participant and therefore are subject to the supervisory and examination authority of the CFPB. CFPB jurisdiction over our business may continue to increase compliance costs and regulatory risks. We cannot assure you that CFPB jurisdiction will not have a material adverse effect on our business, results of operations and financial condition.

Recently, state regulators are taking a more stringent approach to supervising and regulating providers of financial products and services subject to their jurisdiction. HCA expects to continue to face greater supervisory scrutiny and enhanced supervisory requirements in the foreseeable future. The New York State Department of Financial Services ("NYSDFS") has contacted HCA requesting information relating to our fair lending laws. We are cooperating with this request for information. Although the NYSDFS has not currently alleged any wrongdoing on our part, we cannot predict the outcome of this inquiry.

The Dodd-Frank Act also increases the regulation of the securitization markets. For example, effective December 24, 2016, implementing regulations require securitizers or originators to retain an economic interest in a portion of the credit risk for any asset that they securitize or originate. It gives broader powers to the SEC to regulate credit rating agencies and adopt regulations governing these organizations and their activities.

Compliance with the implementing regulations under the Dodd-Frank Act or the oversight of the SEC, CFPB or other government entities, as applicable, may impose costs on, create operational constraints for, or place limits on pricing with respect to finance companies such as us. Some regulations required by the Dodd-Frank Act have not been finalized. Until all of the implementing regulations are issued, interpreted and tested in the market, no assurance can be given that these new requirements imposed by the Dodd-Frank Act will not have a significant impact on marketability of securities such as the Notes, the secondary market for such securities, and on operating results, the regulation and supervision of the Company.

A failure or interruption of the information systems on which we rely, or a security breach or a cyber-attack could adversely affect our business, results of operations and financial condition.

We rely upon information and technological systems to conduct our business and manage our operations, some of which are managed by third parties. Any failure or interruption of our information systems or the third party information systems on which we rely as a result of inadequate or failed processes or systems, human errors, employee misconduct, catastrophic events, external or internal security breaches, acts of vandalism, computer viruses, malware, misplaced or lost data, or other events could disrupt our normal operations and have an adverse effect on our business, results of operations and financial condition.

In the ordinary course of our business, we collect, store and transmit certain personal and financial information from employees, customers and other third parties. The secure processing, storage, maintenance, and transmission of this information is critical to our operations and reputation, and if any of this information were mishandled, misused, improperly accessed, lost, or stolen or if our operations were disabled or otherwise disrupted, we could suffer significant business, reputational, financial, regulatory, or other damage.

We rely on information security technologies licensed from third parties to provide security controls necessary to help in securing storage and transmission of confidential information. We may not be able to successfully prevent all security breaches and our failure to prevent any such security breaches and cyber-attacks could subject us to liability, regulatory actions, decrease our profitability and damage our reputation. Even when a failure of or interruption in our communications or other information systems is timely resolved or an attempted cyber incident or other security breach is successfully avoided or thwarted, we may need to expend substantial resources in doing so, may be required to take actions that could adversely affect customer satisfaction or behavior, and may be exposed to reputational damage.

Risks Relating to the Notes

A significant percentage of our assets are used as collateral for asset-backed securities and, therefore, are not available to our creditors generally, including the holders of the Notes.

One of our primary funding sources is the sale of finance receivables and lease assets in connection with ABS transactions and asset-backed conduits. While the sold assets often remain on our balance sheet, they are pledged to support payments on the asset-backed securities and conduits and are generally not available to our general unsecured creditors. At December 31, 2023, we had approximately $30.1 billion, or 50%, of our total gross finance receivables and investment in operating leases pledged to secure $20.3 billion of indebtedness incurred in connection with ABS transactions and asset-backed loans and conduits. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet, Liquidity and Capital Resources—Funding Sources and Liquidity," "Index to Financial Statements Hyundai Capital America—Notes to the Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021—Note 4—Finance Receivables" and "Index to Financial Statements Hyundai Capital America—Notes to the Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021—Note 5—Investment in Operating Leases."

Although the indenture governing the Notes will contain a covenant restricting our ability to pledge assets, the covenant will not limit our ability to pledge assets in connection with ABS and asset-backed conduit transactions that we execute in the ordinary course of business. In addition, we will be able to pledge assets to secure other indebtedness in an aggregate principal amount not exceeding 10% of our Consolidated Net Tangible Assets. See "Description of the Notes—Certain Covenants—Limitation on Liens." As a result of these exceptions, we could create indebtedness secured by all or substantially all of our assets without equally and ratably securing the Notes offered hereby and any such secured indebtedness would effectively rank senior to the Notes to the extent of the value of such assets.

The Notes are subject to transfer restrictions.

The Notes have not been registered under the Securities Act. Accordingly, the Notes may only be offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or pursuant to an effective registration statement. Prior to this offering, there was no public market for the Notes and we cannot assure you that an active trading market will develop for the Notes. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. We do not intend to register the Notes under the Securities Act or apply for listing the Notes on any securities exchange.

No previous market for the Notes exists and the holders of such Notes may experience limited liquidity.

No previous market exists for the Notes and no assurances can be given that any market for the Notes will develop. The Agents are under no obligation to make a market in the Notes and to the extent that such market-making is commenced, it may be discontinued at any time. There is no assurance that a secondary market will develop or, if it does develop, that it will provide holders with liquidity of investment or that it will continue for any period of time. Therefore, a holder of Notes may not be able to liquidate its investment readily, and the Notes may not be readily accepted as collateral for loans. Investors should proceed on the assumption that they may have to hold any Notes until the end of their scheduled term. See "Transfer Restrictions."

Fluctuations in applicable indices may adversely affect the value of index-linked Notes.

With respect to an investment in Notes indexed to one or more interest rates, currencies or other indices or formulas, significant risks exist that are not associated with a conventional fixed rate or floating rate debt security. These risks include fluctuation of the particular indices or formulas and the possibility that an investor will receive a lower amount of principal, premium or interest and at different times than expected. We have no control over a number of matters, including economic, financial and political events that are important in determining the existence, magnitude and longevity of such risks and their results. In addition, if an index or formula used to determine any amounts payable in respect of Notes contains a multiplier or leverage factor, the effect of any change in such index or formula will be magnified. In recent years, values of certain indices and formulas have been volatile, and volatility in those and other indices and formulas may be expected in the future.

Changes in our credit ratings may affect the value of the Notes.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due, including our obligations under the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes, additional factors discussed above and other factors that may affect the value of the Notes. Any downgrades or other changes in our credit ratings could affect our financial results and reduce the market value of the Notes. In addition, any ratings downgrade could increase our cost of borrowing or require certain actions to be performed to rectify such a situation. The reduction, suspension or withdrawal of the ratings of the Notes will not, in and of itself, constitute an event of default under the indenture governing the Notes.

Changes in exchange rates and exchange controls could result in a substantial loss to you.

An investment in foreign currency Notes, which are Notes denominated in a specified currency other than U.S. dollars, entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Similarly, an investment in an indexed Note, on which all or a part of any payment due is based on one or more currencies other than U.S. dollars, or on one or more securities denominated or traded in a currency other than U.S. dollars, has significant risks that are not associated with a similar investment in non-indexed Notes. The risks include, but are not limited to:

- the possibility of significant market changes in rates of exchange between U.S. dollars and the specified currency;
- the possibility of significant changes in rates of exchange between U.S. dollars and the specified currency resulting from official redenomination relating to the specified currency; and
- the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments.

The existence, magnitude and longevity of these risks generally depend on factors over which we have no control and that cannot be readily foreseen, such as:

- economic events;
- political and regulatory events; and
- financial events, such as the supply of, and demand for, the relevant currencies.

Rates of exchange between the U.S. dollar and some foreign currencies in which Notes may be denominated and between these foreign currencies and other foreign currencies may be volatile. Depreciation of the specified currency of a foreign currency Note against U.S. dollars would result in a decrease in the effective yield of the foreign currency Note below its coupon rate and could result in a substantial loss to the investor on a U.S. dollar basis.

Governments have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a specified currency other than U.S. dollars at the time of payment of principal of or any premium or interest on a foreign currency Note. Governments may use a variety of techniques, such as intervention by a country's central bank, the imposition of regulatory controls or taxes or changes in interest rates to influence the exchange rates of their currencies. Governments may also alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. There can be no assurance that exchange controls will not restrict or prohibit payments of principal, any premium, or interest denominated in any such specified currency.

Even if there are no actual exchange controls, it is possible that the specified currency would not be available to us when payments on the Note are due because of circumstances beyond our control. In this event, we will make required payments in U.S. dollars on the basis described in this Offering Memorandum. See "— The unavailability of currencies could result in a substantial loss to you" and "Description of the Notes — Payments on

the Notes" below. You should consult your own financial and legal advisors as to the risks of an investment in Notes denominated in or linked to a currency other than U.S. dollars.

The unavailability of currencies could result in a substantial loss to you.

Except as set forth below, if payment on a Note is required to be made in a specified currency other than U.S. dollars and the currency is:

- unavailable due to the imposition of exchange controls or other circumstances beyond our control;

- no longer used by the government of the country issuing the currency; or

- no longer used for the settlement of transactions by public institutions of the international banking community,

then all payments on the Note will be made in U.S. dollars until the currency is again available or so used. The amounts so payable on any date in the currency will be converted into U.S. dollars on the basis of the most recently available market exchange rate for the currency or as otherwise specified in the applicable Pricing Supplement. Any payment on the Note made under such circumstances in U.S. dollars will not constitute an Event of Default under the indenture under which the Note will have been issued.

If the specified currency of a Note is officially redenominated, such as by an official redenomination of the specified currency that is a composite currency, then our payment obligations on the Note will be the amount of redenominated currency that represents the amount of our obligations immediately before the redenomination. The Notes will not provide for any adjustment to any amount payable as a result of:

- any change in the value of the specified currency of the Notes relative to any other currency due solely to fluctuations in exchange rates; or

- any redenomination of any component currency of any composite currency, unless the composite currency is itself officially redenominated.

Currently, there are limited facilities in the United States for conversion of U.S. dollars into foreign currencies, and vice versa. In addition, banks do not generally offer non-U.S. dollar-denominated checking or savings account facilities in the United States. Accordingly, payments on Notes made in a currency other than U.S. dollars will be made to an account at a bank located outside the United States, unless otherwise specified in the applicable Pricing Supplement.

Judgments in a foreign currency could result in a substantial loss to you.

The Notes will be governed by, and construed in accordance with, the laws of New York State. Courts in the United States customarily have not rendered judgments for money damages denominated in any currency other than the U.S. dollar. The law of New York State provides, however, that an action brought under New York law and based upon an obligation denominated in a currency other than U.S. dollars will be rendered in the foreign currency of the underlying obligation. Any judgment awarded in such an action will be converted into U.S. dollars at the rate of exchange prevailing on the date of the entry of the judgment or decree. In the event an action based on an obligation denominated in a foreign currency were commenced in a court in the United States outside New York, the currency of judgment and/or applicable exchange rate may differ.

The composition and characteristics of the Secured Overnight Financing Rate ("SOFR") are not the same as those of the London Interbank Offered Rate, and SOFR is not expected to be a comparable substitute, successor or replacement for USD LIBOR.

In June 2017, the Federal Reserve Bank of New York's Alternative Reference Rates Committee (the "ARRC") announced SOFR as its recommended alternative to the London Interbank Offered Rate for deposits in U.S. dollars ("LIBOR"). However, the composition and characteristics of SOFR are not the same as those of

LIBOR. SOFR is a broad Treasury repo financing rate that represents overnight secured funding transactions and is not the economic equivalent of LIBOR. While SOFR is a secured rate, LIBOR is an unsecured rate. And, while SOFR is an overnight rate, LIBOR is a forward-looking rate that represents interbank funding for a specified term. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial or other events. For the same reasons, SOFR is not expected to be a comparable substitute, successor or replacement for LIBOR. See also "—Any failure of SOFR to maintain market acceptance could adversely affect the return on or value of the Floating Rate Notes based on SOFR and result in a limited secondary trading market for the Floating Rate Notes based on SOFR" below.

SOFR may be more volatile than other benchmark or market rates.

Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in other benchmark or market rates, such as LIBOR, during corresponding periods. In addition, although changes in compounded SOFR and simple average SOFR generally are not expected to be as volatile as changes in SOFR on a daily basis, the return on, value of and market for the Floating Rate Notes based on SOFR may fluctuate more than floating-rate debt securities with interest rates based on less volatile rates.

Any failure of SOFR to maintain market acceptance could adversely affect the return on or value of the Floating Rate Notes based on SOFR and result in a limited secondary trading market for the Floating Rate Notes based on SOFR.

According to the ARRC, SOFR was developed for use in certain U.S. dollar derivatives and other financial contracts as an alternative to LIBOR in part because it is considered a good representation of general funding conditions in the overnight U.S. Treasury repurchase agreement market. However, as a rate based on transactions secured by U.S. Treasury securities, it does not measure bank-specific credit risk and, as a result, is less likely to correlate with the unsecured short-term funding costs of banks. This may mean that market participants would not consider SOFR a suitable substitute, replacement or successor for LIBOR, which may, in turn, lead to lessened market acceptance of SOFR.

Further, other index providers are developing products that are perceived as competing with SOFR. It is possible that market participants will prefer one of these competing products and that such competing products may become more widely accepted in the marketplace than SOFR. To the extent market acceptance for SOFR as a benchmark for floating-rate notes declines, the return on and value of the Floating Rate Notes based on SOFR and the price at which investors can sell the Floating Rate Notes based on SOFR in the secondary market could be adversely affected. In addition, investors in the Floating Rate Notes based on SOFR may not be able to sell the Floating Rate Notes based on SOFR at all or may not be able to sell the Floating Rate Notes based on SOFR at prices that will provide them with a yield comparable to similar investments that continue to have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

As of the date of this Offering Memorandum, there are multiple market conventions with respect to the implementation of SOFR as a base rate for floating rate notes or other securities. The manner of calculation and related conventions with respect to the determination of interest rates based on SOFR in floating rate notes markets may differ materially compared with the manner of calculation and related conventions with respect to the determination of interest rates based on SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any potential inconsistencies between the manner of calculation and related conventions with respect to the determination of interest or other payment rates based on SOFR across these markets may impact any hedging or other financial arrangements that they may put in place in connection with any acquisition, holding or disposition of the Floating Rate Notes based on SOFR.

SOFR may be modified or discontinued, which could adversely affect the return on, value of or market for affected Floating Rate Notes based on SOFR.

SOFR is a relatively new rate, and the Federal Reserve Bank of New York (the "FRBNY") (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, SOFR is published by the FRBNY based on data received from sources other than us, and we have no control over the methods of calculation, publication schedule, rate revision practices or availability of SOFR or the SOFR Index. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on the Floating Rate Notes based on SOFR, which may adversely affect the trading prices of the Floating Rate Notes based on SOFR. The administrator of SOFR may withdraw, modify, amend, suspend or discontinue the calculation or dissemination of SOFR in its sole discretion and without notice and has no obligation to consider the interests of investors in the Floating Rate Notes based on SOFR in calculating, withdrawing, modifying, amending, suspending or discontinuing SOFR. For purposes of the formula used to calculate interest with respect to a series of Floating Rate Notes based on SOFR, SOFR in respect of a particular date will not be adjusted for any modifications or amendments to SOFR data that the administrator of SOFR may publish after the interest rate on Floating Rate Notes based on SOFR for that day has been determined in accordance with the terms and provisions set forth in this Offering Memorandum and the applicable Pricing Supplement.

There can be no guarantee that SOFR will not be modified or discontinued in a manner that is materially adverse to an investor in Floating Rate Notes based on SOFR. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance could reduce or otherwise negatively impact the amount of interest that accrues on a series of Floating Rate Notes based on SOFR, which could adversely affect the return on, value of and market for such series of Floating Rate Notes based on SOFR.

The interest rate on a series of Compounded SOFR Notes will be based on a compounded daily rate. Such compounded rates are relatively new in the marketplace.

For each interest period, the interest rate on a series of Compounded SOFR Notes will be based on a compounded daily rate calculated as described under "Description of the Notes—Floating Rate Notes," in this Offering Memorandum. For this and other reasons, the interest rate on a series of Compounded SOFR Notes during any interest period may not be the same as the interest rate on other instruments bearing interest at a rate based on SOFR that uses an alternative method to determine the applicable interest rate. Further, if a daily rate in respect of a particular date during an interest period or observation period, if applicable, for a series of Compounded SOFR Notes is negative, the inclusion of such daily rate in the calculation of Compounded SOFR Notes for the applicable interest period will reduce the interest rate and the interest payable on such series of Compounded SOFR Notes for such interest period.

The method for calculating an interest rate based upon compounded SOFR, (for example, payment delays, observation periods/lookbacks and/or lockout/suspension periods) in market precedents varies. This variation in the market could adversely affect the return on, value of and market for the compounded notes or simple average notes.

Interest payments due on a series of Compounded SOFR Notes will be determined only at the end of the relevant interest period.

Interest payments due on a series of Compounded SOFR Notes will be determined only at the end of the relevant interest period. Therefore, investors in any series of Compounded SOFR Notes will not know the amount of interest payable with respect to each interest period until shortly prior to the related interest payment date, and it may be difficult for investors in such Compounded SOFR Notes to estimate reliably the amounts of interest that will be payable on each such interest payment date at the beginning of or during the relevant interest period. In addition, some investors may be unwilling or unable to trade such compounded notes or simple average notes without changes to their information technology systems, which could adversely impact the liquidity and trading price of any series of Compounded SOFR Notes.

USE OF PROCEEDS

We intend to use the net proceeds from the sales of the Notes for general corporate purposes. Pending application of the proceeds of the sale of the Notes, we intend to invest such proceeds in short-term investments. The use of proceeds of any individual issuance of Notes, if other than for general corporate purposes, will be described in the applicable Pricing Supplement. The amount and timing of any issuance of Notes will depend on, among other things, market conditions.

CAPITALIZATION

The following table presents our cash and cash equivalents, short-term debt and capitalization (the sum of long-term debt and shareholders' equity) as of December 31, 2023. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes included elsewhere in this Offering Memorandum.

	As of December 31, 2023 (dollars in thousands)
Cash and cash equivalents	$ 557,295
Short-term debt:	
Short-term borrowings	$ 7,512,523
Current portion of long-term debt	6,373,177
Less: debt issuance cost	37,106
Total short-term debt	13,848,594
Long-term debt:	
Long-term borrowings	38,430,735
Less: debt issuance cost	57,154
Total long-term debt, less current portion	38,373,581
Shareholders' equity	
Common stock, no par value	1,525,000
Accumulated other comprehensive income	(15,603)
Retained earnings	4,474,472
Total shareholders' equity	5,983,869
Total capitalization	$ 44,357,450

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our selected consolidated financial and other information for the periods indicated. The information as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022 has been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. The information as of December 31, 2021 and for the year ended December 31, 2021 has been derived from our audited consolidated financial statements that are not included in this Offering Memorandum. These summary consolidated financial and other data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum.

	Years Ended December 31,		
	2023	2022 (1)	2021 (1)
	(dollars in thousands)		
Income Statement Data:			
Financing revenue			
Operating leases	$ 3,388,336	$ 3,352,714	$ 3,417,102
Retail	1,912,711	1,291,683	1,255,683
Wholesale	200,296	73,854	54,351
Finance Lease	2,401	40	12
Total financing revenue	5,503,744	4,718,291	4,727,148
Depreciation on operating leases	2,471,033	2,551,903	2,496,194
Interest expense	1,887,155	937,841	784,563
Total depreciation and interest expense	4,358,188	3,489,744	3,280,757
Net financing revenue	1,145,556	1,228,547	1,446,391
Other revenue	268,162	271,087	299,118
Total net financing margin and other revenue	1,413,718	1,499,634	1,745,509
Expenses			
Operating expenses	582,532	628,054	523,038
Provision for credit losses	401,254	152,313	135,483
Total expenses	983,786	780,367	658,521
Income before provision for income taxes	429,932	719,267	1,086,988
Provision for income taxes	127,972	206,543	266,635
Net income	$ 301,960	$ 512,724	$ 820,353

(1) Amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for EV income tax credits generated through leasing applicable vehicles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Income Taxes" for additional information.

	December 31,		
	2023	2022 [(1)]	2021 [(1)]
		(dollars in thousands)	
Balance Sheet Data:			
Finance receivables, net			
Retail	$ 38,763,535	$ 30,066,967	$ 28,508,331
Wholesale	3,889,350	2,164,190	1,283,775
Finance Lease	20,415	507	159
Total finance receivables	42,673,300	32,231,664	29,792,265
Allowance for credit losses [(2)]	(698,750)	(343,187)	(342,782)
Total finance receivables, net	$ 41,974,550	$ 31,888,477	$ 29,449,483
Investments in operating leases, net			
Vehicles and initial direct costs	$ 20,285,285	$ 19,778,412	$ 20,609,206
Accumulated depreciation	(3,739,058)	(3,778,412)	(3,570,782)
Allowance for credit losses	(77,231)	(78,825)	(105,739)
Total investment in operating leases, net	$ 16,468,996	$ 15,921,175	$ 16,932,684
Total assets	$ 63,437,388	$ 51,436,472	$ 49,829,739
Total debt, net	$ 52,222,175	$ 41,279,401	$ 40,892,809
Total liabilities	$ 57,453,519	$ 45,545,008	$ 44,427,494
Total shareholders' equity	$ 5,983,869	$ 5,891,464	$ 5,402,245
Total liabilities and shareholders' equity	$ 63,437,388	$ 51,436,472	$ 49,829,739

(1) Amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for EV income tax credits generated through leasing applicable vehicles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Income Taxes" for additional information.

(2) The Company adopted ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326) on January 1, 2023, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our financial statements for the period ended December 31, 2023 and the notes thereto.

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

Overview

HCA is a majority-owned subsidiary of HMA, the primary distributor of Hyundai vehicles in the United States. HMA is a wholly owned subsidiary of HMC, which is a worldwide manufacturer and distributor of motor vehicles headquartered in South Korea. As of December 31, 2023, HMA owns 80% of the outstanding common stock of HCA and KUS, a wholly owned subsidiary of KC, owns 20% of the outstanding common stock of HCA. KUS is the primary distributor of Kia vehicles in the United States. KC is an affiliate of HMC and both companies have outstanding common stock listed on the KRX, but are not registered with the SEC in the United States of America. HCA offers indirect automotive consumer loan and lease financing and direct dealer financing through its retail dealer agreements with HMA, KUS and GMA, a subsidiary of HMA, dealerships, and a small number of other dealerships, all of which are located within the United States. In August 2016, Genesis, as a division of HMA, began distributing a new line of vehicles under the Genesis brand. GMA began distributing Genesis brand vehicles beginning with the 2019 model year.

For the purposes of this offering memorandum, references to HMA include GMA, and references to Hyundai include the Genesis brand, unless otherwise noted.

HCA's financial results are impacted by several factors, the most important of which are financing revenue, market penetration of Hyundai and Kia new vehicle sales, market penetration of wholesale dealer financing provided to Hyundai and Kia automobile dealers, borrowing costs, portfolio credit performance, and residual value performance on our lease portfolio. These factors are affected by certain trends, including rising interest rates and changes in the overall credit quality of our finance receivables.

HCA makes certain critical accounting estimates with respect to residual values in our lease portfolio and in the allowance for credit losses for our finance receivable and lease portfolios. The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Financing Revenue from Finance Receivables and Operating Leases

HCA's portfolio has four major types of income producing assets: retail loans, operating leases, finance leases, and wholesale loans to dealers. The retail loans are installment contracts using market-based pricing tiered for customer credit risk. The operating leases provide for fixed monthly rental payments from customers with a guaranteed purchase option price at lease termination. HCA maintains residual exposure on vehicles subject to operating leases. Lease rental payments are priced based upon a market based rate of return and tiered for consumer credit risk. Finance lease receivables, which are currently immaterial, consist of signage leases made to dealers for a term of ten years and the underlying assets have a zero-dollar residual value, leases for hydrogen trucks made to the lessee for seven years which the lessee will purchase at the end of the term, and leases of electric vehicle (EV) charging equipment made to the lessee for five years with an option to go month-to-month thereafter. Wholesale loans to dealers are predominantly comprised of borrowings by dealers to finance new and used automobile inventory and are due from the dealers shortly after the related vehicles are sold to customers. Wholesale loans also include real estate and working capital loans, which are utilized, generally, for the acquisition, construction or improvement of the dealer's facilities.

Rate Subsidy Payments

As an accommodation to HMA and KUS, HCA frequently provides incentive programs to customers. Generally, under these programs, HCA finances or leases vehicles on favorable terms and receives subsidy amounts from HMA and KUS. Subsidy amounts are generally received for lower than market interest rates, lower than market lease rentals, greater than market estimated lease residual values and greater than normal expected credit losses. The subsidies are also known as rate support or subvention. HMA and KUS provide incentives on retail loan contracts by paying the present value difference between the customer rate (the subvened rate) and HCA's settlement rate. The settlement rate is determined primarily based upon current market rates and other HCA operational costs. Similarly, for lease contracts, HCA establishes a standard money factor and HMA and KUS pay the present value difference between the customer rate and HCA's standard rate. HMA and KUS also may elect to support residual values (established at lease inception) in excess of HCA's standard residual values which reduce the customer's payment. HCA utilizes residual values published by a third-party industry guide and HMA and KUS guarantee any amount in excess of the standard residual values. In some cases, HCA shares residual support programs with HMA and KUS. The portion allocable to HCA is amortized, straight-line, as a reduction to lease revenue.

HMA and KUS pay HCA under its vehicle incentive financing programs, which include yield and residual value and other end of term incentives. The amounts billed to HMA for various yield incentive programs amounted to $672.0 million, $197.3 million and $118.7 million for the years ended December 31, 2023, 2022 and 2021, respectively. The amounts billed to KUS for various yield incentive programs were $159.3 million, $11.7 million and $77.3 million for the years ended December 31, 2023, 2022 and 2021, respectively. These amounts are recognized in financing revenue over the terms of the related contracts.

The amounts billed to HMA for residual value and other end of term incentive programs were $3.5 million, $1.9 million and $0.1 million for the years ended December 31, 2023, 2022 and 2021, respectively. The amounts billed to KUS for residual value and other end of term incentive programs were $0.7 million, $0.0 million and $0.0 million for the years ended December 31, 2023, 2022 and 2021, respectively. The effect of the residual value incentive program is a reduction of depreciation over the life of the lease. Other end of term incentive programs consist of disposition fees paid on behalf of loyal customers and are recorded in financing revenue.

The outstanding receivable balance for HMA yield incentive programs were $339.5 million, $85.7 million and $61.9 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The outstanding receivable balance for KUS yield incentive programs were $186.6 million, $8.3 million and $126.5 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net.

The outstanding receivable balance for HMA residual value and other end of term incentive programs were $194.3 million, $143.1 million and $105.3 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The outstanding receivable balance for KUS residual value and other end of term incentive programs were $131.8 million, $115.4 million and $94.9 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net.

The residual value and other end of term incentive receivable balance due from HMA and KUS for each period presented consists primarily of an estimated future billing amount for units covered under the incentive program but not billable until end of lease term. The estimated future billing corresponding amounts are included as a reduction of the investment in operating leases, net.

The following table reflects the number and percentage of total contracts purchased during the period that received rate subsidies from HMA or KUS:

	Years Ended December 31,[1]		
	2023	2022	2021
Retail Loan:			
Number of vehicle retail contracts purchased by HCA:			
Hyundai	383,059	241,639	286,677
Kia	269,973	160,553	242,750
Total	653,032	402,192	529,427
Subvened retail loan			
Number of vehicle subvened retail contracts purchased by HCA:			
Hyundai	350,061	184,332	192,586
Kia	197,671	112,951	201,684
Total	547,732	297,283	396,270
Subvened retail loan percent			
Hyundai	91%	76%	67%
Kia	73%	70%	83%
Total	84%	74%	74%
Lease:			
Number of vehicle lease contracts purchased by HCA:			
Hyundai	124,166	99,348	170,881
Kia	111,999	94,611	136,187
Total	236,165	193,959	307,068
Subvened lease			
Number of vehicle subvened lease contracts purchased by HCA:			
Hyundai	123,886	98,002	170,485
Kia	111,203	93,622	136,056
Total	235,089	191,624	306,541
Subvened lease percent			
Hyundai	100%	99%	100%
Kia	99%	99%	100%
Total	100%	99%	100%

(1) Genesis included in Hyundai. Subvened percent calculated based on the number of subvened retail loan or lease contracts divided by the combined total number of contracts purchased by HCA in the United States.

Market Penetration of Hyundai and Kia Vehicle Sales and Leases

The following chart provides market penetration information regarding Hyundai and Kia vehicles in the United States for the years ended December 31, 2023, 2022 and 2021:

	Years Ended December 31,(1)(2)		
	2023	**2022**	**2021**
Number of vehicles sold or leased in U.S.			
Hyundai	775,769	763,392	743,525
Kia	727,699	655,655	643,815
Total	1,503,468	1,419,047	1,387,340
Retail Loan:			
Number of vehicle retail contracts purchased by HCA:			
Hyundai	383,059	241,639	286,677
Kia	269,973	160,553	242,750
Total	653,032	402,192	529,427
Retail loan penetration rate:			
Hyundai	49%	32%	39%
Kia	37%	24%	38%
Total	43%	28%	38%
Lease:			
Number of vehicle lease contracts purchased by HCA:			
Hyundai	124,166	99,348	170,881
Kia	111,999	99,611	136,187
Total	236,165	193,959	307,068
Lease penetration rate:			
Hyundai	16%	13%	23%
Kia	15%	14%	21%
Total	16%	14%	22%
Retail Loan and Lease:			
Number of vehicle retail and lease contracts purchased by HCA:			
Hyundai	507,225	340,987	457,558
Kia	381,972	255,164	378,937
Total	889,197	596,151	836,495
Retail loan and lease penetration rate			
Hyundai	65%	45%	62%
Kia	52%	39%	59%
Total	59%	42%	60%

(1) Genesis included in Hyundai. Number of vehicles sold or leased in the United States excludes fleet units.
(2) Genesis included in Hyundai. Penetration rate calculated based on the number of new retail loan and/or lease contracts that were purchased divided by the combined total number of Hyundai or Kia vehicles sold or leased in the United States.

The combined market penetration for Hyundai and Kia vehicles for the year ended December 31, 2023 increased compared to the year ended December 31, 2022 as both brands' penetration rates increased. The higher penetration rates were due to higher incentives from HMA and KUS as new vehicle inventory gradually normalized from the low level experienced in 2022.

Market Penetration of Wholesale Financing

HCA attempts to strengthen the overall relationship with Hyundai and Kia dealers by providing floorplan lines of credit, real estate loans and working capital loans. The following chart provides information regarding our wholesale dealer financing relationship with Hyundai, Kia and other dealers in the United States:

	Years Ended December 31, 2023	2022	2021
Number of dealers in the U.S.[1]			
Hyundai	841	836	835
Kia	788	781	775
Genesis	8	5	0
Total	1,637	1,622	1,610
Number of dealers with floorplan loans			
Hyundai	253	225	208
Kia	230	209	189
Genesis	4	3	0
Total	487	437	397
Number of other dealers with floorplan loans (non-Hyundai, non-Kia and non-Genesis)	67	47	45
Wholesale finance receivables outstanding, net - (dollars in thousands)[2]	$ 3,889,350	$ 2,164,190	$ 1,283,775

(1) Non-standalone Genesis dealers are included in Hyundai
(2) Includes non-Hyundai, non-Kia and non-Genesis dealers

From 2022 to 2023, HCA's floorplan penetration and wholesale receivables outstanding increased due to higher dealer inventory balances and the addition of new dealers.

Interest Rates and Credit Spreads

HCA's results of operations depend on both the levels of finance and lease revenues and levels of borrowing costs (interest expense). Changes in market interest rates and credit spreads can impact HCA's revenues and expenses differently depending upon whether our assets and liabilities are tied to fixed or floating rates of interest and the term of the asset or liability. Compared to the year ended December 31, 2022, higher average market rates driven by tighter monetary policy and market volatility amid inflationary pressures negatively impacted HCA's interest expense and results of operations for the year ended December 31, 2023. There can be no assurances that interest rates and spreads will not rise in the future or that HCA will be able to price its assets to appropriately reflect an increase in borrowing costs.

Portfolio Credit Performance

The following table shows our net credit losses (credit losses, net of recoveries), average receivables outstanding and loss-to-receivables ratio (net credit losses divided by the average amount of receivables outstanding, excluding the allowance for credit losses, unearned interest supplements and other deferred items related to finance receivables).

	Years Ended December 31,		
	2023	**2022**	**2021**
		(dollars in thousands)	
Net credit losses	$ 277,066	$ 185,323	$ 100,673
Average receivables	36,963,921	29,842,631	28,124,174
Loss-to-Receivables ratio	0.75%	0.62%	0.36%

During the year ended December 31, 2023, the retail portfolio experienced higher net credit losses compared to 2022 due to a larger asset base and higher delinquencies as the market normalized following unusually low losses in 2021 and early 2022 from unprecedented COVID related government stimulus. As a result, there was a 13 basis point increase in the loss-to-receivables ratio during the year ended December 31, 2023 from prior year levels.

HCA monitors delinquency ratios on a daily and monthly basis. Risk/behavioral-based collection models and segmentation are used to identify high-risk accounts and HCA's collections efforts target those accounts earlier in the delinquency cycle. As accounts fall further past due, collection efforts are increased in order to mitigate potential losses. An account is charged off due to credit losses at the earlier of when it is deemed to be uncollectable or when it becomes 120 days past due. Collection efforts continue after the account has been charged off both internally and through outside agencies.

Losses on wholesale finance receivables are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the impaired wholesale finance receivables is estimated to be below the carrying value of the receivables. Interest ceases to be earned on wholesale finance receivables generally when the dealer is in default on a loan.

Residual Performance

HCA underwrites lease residuals using a published third-party valuation of residuals. HMA and KUS generally limit their subvention (or guaranties) on lease contracts to 6% over these published residual amounts. Residual subvention is recorded as a reduction to net investment in operating leases so that the carrying value of the leased vehicle at contract maturity reflects the residual value as published by the third-party valuation guide. The residual subvention receivable from HMA and KUS is recorded in due from affiliates on the financial statements.

HCA periodically evaluates and updates the residual value established at lease inception. To the extent the new estimate of residual value has declined, net investment in operating leases is reduced over the remaining life of the lease through depreciation expense. We also periodically review the operating lease portfolio for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Generally an impairment condition is determined to exist if the estimated undiscounted cash flows from the use and eventual disposition of the asset are lower than the carrying value.

At lease maturity, the customer has the option to purchase the vehicle at the contract residual or to return the vehicle to an authorized Hyundai or Kia dealership. In the event the vehicle is returned, the dealer can purchase the vehicle at the same contract residual price. All leased vehicles not purchased by customers or dealers at the contract residual are returned to HCA.

Our remarketing department offers the vehicles for sale on a branded internet website supported by a third-party vendor at a fixed price and/or at an auction with an open bidding environment. We use a network of auto auctions throughout the United States, which allows us to efficiently manage our inventory by controlling the flow and placement of vehicles to the auction locations that we believe will yield the highest net recovery value. We are exposed to risk of loss upon disposition of end of term leased vehicles when auction proceeds are less than the net book value of the terminated lease except where covered by HMA or KUS residual subvention support payments.

Critical Accounting Policies

The following is a summary of accounting policies that we believe are most critical to understanding our results of operations and financial condition. We believe our interpretation and application related to these accounting policies are appropriate. Our other significant accounting policies are discussed in the "Notes to the Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021—Note 2—Summary of Significant Accounting Policies."

Finance Receivables

Finance receivables include retail finance receivables, wholesale finance receivables, and finance lease receivables. Retail finance receivables consist of retail installment contracts with consumers. Wholesale finance receivables consist of floor plan, real estate, and working capital loans made to dealers. Finance lease receivables consist of signage leases made to dealers for a term of ten years and the underlying assets have a zero-dollar residual value, leases for hydrogen trucks made to the lessee for seven years which the lessee will purchase at the end of the term, and leases of electric vehicle (EV) charging equipment made to the lessee for five years with an option to go month-to-month thereafter.

Finance receivables are classified as held-for-investment if the Company has the intent and ability to hold the receivables for the foreseeable future or until maturity or payoff. As of December 31, 2023 and 2022, all finance receivables were classified as held-for-investment and there were no receivables classified as held-for-sale.

Retail finance receivables are generally due in installments from customers over a period of three to seven years and are collateralized by liens on the related vehicles. The Company retains purchase money security interests in all automobiles financed until full payment is received. Retail finance receivables also include a retail balloon product offered where customers may finance their vehicles with a series of installment payments followed by a single balloon payment. At the end of the contract, the customer may keep the vehicle by making the final balloon payment or return it to HCA and pay charges for excess mileage and use, if any. The recorded investment of retail balloon products may contain an allowance for residual exposure as well as residual guarantees received from HMA and KUS.

Finance receivables are reported at the principal amount outstanding, net of allowance for credit losses, unearned origination fees, and deferred origination costs. A portion of the retail finance receivables include origination fees in the form of rate subsidies (subvention) received from HMA or KUS at the inception of the receivable and are accreted into revenue over the receivable's term using the effective-interest-rate method. Origination costs include flat commissions paid to the dealers for originating the loan, payments made for rate participation, and other initial direct costs.

Revenue on retail finance receivables and wholesale finance receivables includes contractual interest income, accretion of origination fees, and amortization of origination costs. Interest income is accrued as earned using the simple-interest method. The recognition of finance revenue on retail finance receivables is discontinued when the underlying collateral is repossessed or accounts are charged off, generally no later than 120 days. Revenue on finance lease receivables includes the interest calculated throughout the lease term using a precomputed method as well as the selling profit which is calculated as the difference between the contractual value and the carrying value of the underlying assets at lease commencement. Interest is accrued when earned and accrued interest receivable is included within Other assets in the Consolidated Balance Sheets.

Investment in Operating Leases

The Company leases vehicles to customers under operating leases typically for a term of two to four years. The investment in operating leases is reported at cost, less accumulated depreciation and net of allowance for credit losses. Operating lease revenue is recognized on a straight-line basis over the lease term. Operating lease revenue includes accretion of origination fees and is net of amortization of origination costs, which are also recognized on a straight-line basis over the lease term as earned. Rental subsidies received from HMA or KUS at the inception of the lease are accounted for as deferred origination fees in Accounts payable and other liabilities and are accreted into revenue over the lease term in proportion to the recognition of operating lease income. Initial direct costs of originating operating leases are deferred and allocated over the lease term in proportion to the recognition of operating lease income. Occasionally, HMA or KUS guarantees a portion of the vehicle's residual value as part of a marketing program to reduce the customer's monthly payment. The guaranty amount is a fixed percentage of the vehicle's value established at origination and is accounted for as a reduction to investment in operating leases. At lease termination, the realized portion of the guaranty is recognized as income and presented net with the gain or loss on disposition of the vehicle in Disposal of investment in operating leases.

A review for impairment of the Company's operating leases is performed whenever events or changes in circumstances indicate that the carrying values may not be recoverable. Generally, an impairment condition is determined to exist if estimated undiscounted cash flows from the use and eventual disposition of the asset are lower than the carrying value. For the purposes of testing for impairment, operating lease assets are grouped at the lowest level the Company can reasonably estimate cash flows. When impairment conditions are met, impairment losses are measured by the amount carrying values exceed their fair values. For the years ended December 31, 2023 and 2022, the Company did not record impairment charges on investment in operating leases, net.

Determination of Residual Values for Vehicles Subject to Operating Leases

The Company is exposed to residual risk for vehicles subject to operating leases to the extent the actual amount received upon the sale of vehicles at disposition is lower than the residual value, net of guaranty, estimated at lease inception. The Company initially estimates the residual values at lease inception using external industry guides, which take into account expected economic conditions for the used vehicle market. Periodically, residual values are reviewed to assess the appropriateness of the carrying value of the vehicles. To the extent the estimated fair value at lease termination is lower than the residual value established at lease inception, the residual value of the vehicle is adjusted downward so that the carrying value at lease-end will approximate the estimated end of term market value. Adjustments are made on a straight-line basis over the remaining terms of the leases and are included in Depreciation expense on operating leases on the Consolidated Statements of Income.

Returned and Repossessed Collateral

Returned and repossessed collateral includes vehicles and real estate property acquired by voluntary return or through repossession/foreclosure for nonpayment of indebtedness. These held-for-sale assets are generally recorded at fair value less estimated selling expenses. The majority of vehicles are sold through automobile auctions within a short period after repossession. Real estate property is classified as available-for-sale property and disposal times vary depending upon market demand. Once the collateral has been sold, the net sales proceeds are applied as reduction to net credit losses. If there is a deficiency balance remaining, the cumulative value that was charged off is pursued for recovery.

Allowance for Credit Losses

With the adoption of ASU 2016-13 on January 1, 2023, the allowance for credit losses is the Company's estimate of lifetime credit losses inherent in Finance receivables, net, and probable credit losses inherent in Investment in operating leases, net as of the Consolidated Balance Sheet date. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain.

The allowance for credit losses is estimated using a combination of models and management judgment and is based on factors such as historical trends in credit losses and recoveries (including key metrics such as delinquencies, repossessions, and bankruptcies), the composition of the present portfolio (including vehicle brand, term, and internal risk evaluation), trends in historical and projected used vehicle values, and economic conditions.

The allowance for credit losses on retail finance receivables is calculated under the current expected credit loss (CECL) standard. Retail finance receivables are categorized as a homogeneous portfolio for the purpose of disclosures in "Notes to Unaudited Consolidated Interim Financial Statements—Note 6—Allowance for Credit Losses and Credit Risk". The retail finance receivables portfolio is primarily comprised of pools of homogenous loans that are evaluated collectively for purposes of calculating the allowance. The Company estimates the allowance for credit losses for retail finance receivables at the portfolio level based on loan characteristics. Retail loans are segmented by origination year and month, customer FICO score (greater than or equal to 680 being prime, below being non-prime), and the designation of the vehicle as either new or used to assess for performance of the portfolio. Credit quality metrics are analyzed by each segment to develop a lifetime allowance for credit losses on retail finance receivables. The allowance is calculated utilizing regression models that correlate loan vintage, credit quality, historical performance, aging of individual accounts, current delinquencies, and macroeconomic variables such as unemployment rate, used vehicle price indices, and the Consumer Confidence Index. The reasonable and supportable forecast period extends over the life of the underlying assets. Qualitative adjustments considering underwriting quality, collections performance, collateral value, and external factors are applied based on management judgment in cases where the model is not representative of the current environment. Assignment of retail finance receivables to segments is determined at the time of origination.

A portion of the Company's operating leases is expected to terminate prior to their scheduled maturities when lessees default on their contractual obligations. Losses are generally realized upon the disposition of the repossessed operating lease vehicles. Operating leases are collectively evaluated to determine the estimated losses incurred. The Company estimates an allowance for credit losses on the net investment in operating leases initially utilizing historic net loss data from the portfolio and applying it to the outstanding investment in operating leases. In cases where historical loss data is not representative of the current environment, qualitative adjustments are used to supplement the allowance to the levels management estimates to be adequate.

Losses on retail finance receivables and investment in operating leases are charged to the allowance for credit losses at the earlier of when an account is deemed uncollectible or over 120 days contractually past due, taking into consideration the value of the collateral. Interest ceases to be earned on accounts that have been charged to the allowance. Subsequent recoveries on finance receivables and investments in operating leases previously charged off are credited to the allowance. Related collateral, if recoverable, is repossessed and sold. For leased assets, proceeds resulting in a gain will be retained by HCA and in the case of a shortfall between proceeds received from the sale of repossessed collateral and the amounts due from customers, the shortfall is charged off and it will trigger collection efforts. For retail contracts, the collateral is generally recorded at fair market value less selling costs upon repossession. Any shortfalls are charged to the allowance. After sale, excess amounts are resolved as recoveries and any remaining shortfalls trigger collection efforts.

After adoption of ASU 2016-13 on January 1, 2023, the allowance for credit losses on wholesale and finance lease finance receivables is calculated under the CECL standard. The Company develops an estimate of lifetime credit losses on wholesale finance receivables. For wholesale finance receivables, the Company utilizes an internal risk rating system to evaluate dealer credit risk. Dealers are assigned an internal probability of default based primarily on assessment of their financial condition and historical performance, and other factors. Such credit quality indicators include dealer liquidity and profitability ratios. When assessing the credit quality of the wholesale finance receivables, account balances are categorized into three distinct credit quality indicators based on internal risk assessments: performing, credit watch, and default. Internal risk ratings are explained further in "Notes to Unaudited Consolidated Interim Financial Statements—Note 6—Allowance for Credit Losses and Credit Risk". The internal risk assessments for all wholesale finance receivables are updated monthly.

Wholesale finance receivables where the dealer is currently in default are individually evaluated for impairment. The Company evaluates the expected credit losses on an individual basis if, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the original contractual terms of the loan agreement. Factors such as payment history, compliance with terms and conditions of the underlying loan agreement, and other subjective factors related to the financial stability of the borrower are considered when determining if a loan will be individually evaluated for impairment. The amount of the impairment on wholesale loans individually evaluated equals the difference between the outstanding loan amount and the estimated amount that could be recovered from the underlying collateral. The remaining wholesale finance receivables (not individually evaluated for impairment) are evaluated at the dealer and product level over the life of the underlying asset based upon the Company's internal risk assessment, which contemplates historic loss experience, financial condition of the dealer and current economic indicators.

Losses on wholesale finance receivables individually evaluated for impairment are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the wholesale finance receivable is estimated to be below the carrying value of the receivables. Interest ceases to be earned on wholesale finance receivables generally when the dealer is in default on a loan for greater than 120 days.

Loans generating wholesale finance receivables include off-balance-sheet credit exposures related to the unfunded portion of real estate loans and revolving lines of credit. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via contractual obligations to extend credit unless that obligation is unconditionally cancellable by the entity. The estimate for credit losses on these unfunded commitments is developed under the same methodology for other loans in the wholesale portfolio. The allowance for credit losses on off-balance sheet credit exposures is reflected in the Provision for credit losses in the Consolidated Statement of Income and is recorded in Accounts payable and other liabilities on the Consolidated Balance Sheet.

The allowance for credit losses on finance lease receivables is measured using the same internal risk rating system as used for wholesale finance receivables. The internally developed probability of default is applied at the dealer level leveraging the same information to evaluate creditworthiness. Account balances are categorized into three distinct credit quality indicators based on internal risk assessments, see "Notes to Unaudited Consolidated Interim Financial Statements—Note 6—Allowance for Credit Losses and Credit Risk". The internal risk assessments for all finance lease receivables are updated on a monthly basis.

Finance lease receivables where the dealer is currently in default are individually evaluated for impairment on an individual dealer basis. Finance lease receivable account balances are considered specifically impaired when, based on current information and events, it is probable the borrower will be unable to make all of their contractual principal and interest payments or if the lease is modified for dealers under reorganization due to a bankruptcy proceeding. Factors such as payment history, compliance with terms and conditions of the underlying finance lease receivable agreement, and other subjective factors related to the financial stability of the dealer are considered when determining if a lease will be individually evaluated for impairment. The amount of the impairment on finance leases individually evaluated equals the difference between the outstanding finance lease receivable amount and the estimated amount that could be recovered from the underlying collateral. The remaining finance lease receivables (not individually evaluated for impairment) are evaluated at the dealer and product level over the life of the underlying asset based upon the Company's internal risk assessment, which contemplates historic loss experience, financial condition of the dealer and current economic indicators.

Losses on finance lease receivables individually evaluated for impairment are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the finance lease receivable is estimated to be below the carrying value of the receivable. Interest ceases to be earned on finance lease receivables generally when the dealer is in default on a loan for greater than 120 days.

Prior to adoption of ASU 2016-13 on January 1, 2023, the allowance for credit losses on Finance receivables, net, was the Company's estimate of probable credit losses as of the Consolidated Balance Sheet date. The retail finance receivables portfolio is primarily comprised of pools of homogenous loans that are evaluated collectively for purposes of calculating the allowance. The allowance is calculated initially utilizing historic net loss data from the portfolio and applying it to the outstanding principal balance, and estimates expected losses on the portfolio over a 15-month loss emergence period. In cases where historic loss data is not representative of the current environment, qualitative adjustments are used to supplement the allowance to the levels management estimates to be adequate.

Prior to adoption of ASU 2016-13 on January 1, 2023, the allowance for credit losses on wholesale and finance lease finance receivable portfolio is evaluated at the dealer and product level based upon the Company's internal risk assessment, which contemplates historic loss experience and current economic indicator. The allowance is calculated to forecast expected losses over one year for each dealer.

Wholesale and finance lease finance receivables where the dealer is currently in default, including loans modified in a TDR, are evaluated for impairment on an individual dealer basis. Wholesale and finance lease finance receivable account balances are considered impaired when, based on current information and events, it is probable the borrower will be unable to make all of their contractual principal and interest payments or if the loan was modified in a TDR. Factors such as payment history, compliance with terms and conditions of the underlying loan agreement, and other subjective factors related to the financial stability of the borrower are considered when determining if a loan is impaired. The amount of the impairment on wholesale loans individually evaluated equals the difference between the outstanding loan amount and the estimated amount that could be recovered from the underlying collateral. The remaining wholesale finance receivables (not individually evaluated for impairment) are evaluated at the dealer and product level based upon the Company's internal risk assessment, which contemplates historic loss experience and current economic indicators.

As accrued interest receivable is excluded from the amortized cost basis of finance receivables; it is excluded from measurement on the allowance for credit losses. The Company has elected the practical expedient to not measure an allowance for credit losses on accrued interest receivable as the interest receivable is considered to be written off in a timely manner. See below for the Company's non-accrual policies. See "Notes to Unaudited Consolidated Interim Financial Statements—Note 6—Allowance for Credit Losses and Credit Risk" for the amount of accrued interest receivable excluded from the measurement of the allowance for credit losses.

Nonaccrual Policy

Retail finance receivables—

Retail finance receivables are not placed on nonaccrual status when principal or interest is 120 days or more past due. Rather, these receivables are charged off against the allowance for credit losses when payments due are no longer expected to be received or the account is 120 days contractually delinquent, whichever occurs first. Interest accrued, but not collected at the date of charge off, is reversed against Total financing revenue.

Wholesale finance receivables—

Wholesale finance receivables are placed on nonaccrual status if full payment of principal or interest is in doubt, or when principal or interest is 120 days or more past due. Impaired collateral dependent loans are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a receivable is placed on nonaccrual status, is reversed against interest income. Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

Finance lease receivables—

Finance lease receivables are placed on nonaccrual status if full payment of principal or interest is in doubt, or when principal or interest is 120 days or more past due. Impaired collateral dependent receivables are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a receivable is placed on nonaccrual status, is reversed against interest income. Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

Income Taxes

HCA uses the asset-and-liability method of accounting for income taxes, whereby the deferred tax assets and liabilities are determined based on differences between the financial reporting and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences reverse and become deductible.

HCA is included in HMA's consolidated federal income tax return and combined or consolidated income tax returns in certain states. Federal income tax is provided in the consolidated financial statements on a separate-return method. In accordance with the tax sharing agreement between HCA and HMA, to the extent that HCA has net operating losses (NOLs), the current benefit is provided to HCA up to the amount that can be utilized by HMA. For states where a combined or consolidated income tax return is filed, state income taxes are allocated to HCA based upon the relative apportionment factors and income in those states. Current federal and state income taxes receivable or payable, which are included in Due from affiliates, are settled on an annual basis.

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, Income Taxes - Overall, the Company recognizes the effect of uncertain income tax positions only if those positions have a probability of more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest related to unrecognized tax benefits and penalties through the income tax provision.

Effective January 1, 2023, the Company changed its accounting policy for electric vehicle (EV) income tax credits generated through leasing applicable vehicles. Previously, the Company accounted for EV tax credits using the flow-through method permissible under ASC 740-10-25-46 which allows recognition of the EV tax credit and reduction in income tax expense in the same period. The Company now elects to account for the EV tax credits under the deferral method permissible under ASC 740-10-25-45, which allows for recognition of the benefit over the life of the underlying revenue-generating asset. The change in policy was made to better match the expense reduction created with the revenue-generating activity of the associated underlying assets. The change in accounting policy was made on a retrospective basis. The adoption of this accounting methodology change resulted in a decrease to Investment in operating leases, net of \$(93.8) million and a decrease to Retained earnings of \$(93.8) million on the Consolidated Balance Sheet as of December 31, 2022. Comparative financial statements of the prior period have been adjusted to apply the new method retrospectively. Provision for income tax increased \$250.0 million and \$43.1 million and Depreciation on operating leases decreased by \$(70.5) million and \$(71.9) million for a net (decrease)/increase of \$(144.2) million and \$28.8 million to Net income in the Consolidated Statements of Income for the years ended December 31, 2023 and 2022, respectively, due to the change in accounting method. All other prior year changes are considered to be immaterial.

Derivatives

The Company enters into interest rate and foreign exchange derivative agreements to reduce the exposure to market risks from changing interest rates and foreign currency exchange rates. The interest rate instruments are used to economically hedge interest rate exposure on floating rate debt, and the currency exchange agreements are used to manage the currency exposure on foreign denominated debt. For derivatives that the Company has elected not to apply hedge accounting to, the fair value changes in the interest rate and currency exchange agreements are included in other revenue on the Consolidated Statements of Income. For derivatives that the Company has elected to apply hedge accounting to, the fair value changes in the interest rate and currency exchange agreements are included in accumulated other comprehensive income on the Consolidated Balance Sheets. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period.

Variable Interest Entities

A variable interest entity ("VIE") is an entity that either (i) has insufficient equity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The Company is the primary beneficiary when it is determined that the Company has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive residual returns that could potentially be significant to the VIE.

(i) On-Balance-Sheet Securitization Trusts

HCA uses several special-purpose entities that are considered VIEs to issue asset-backed securities (ABS) to third party, bank sponsored asset-backed securitization vehicles and to investors in securitization transactions. The securities issued by these VIEs are backed by the cash flows from retail and wholesale finance receivables and investment in operating leases (the Assets) that have been transferred to the VIEs. Although the transferred assets have been legally sold to the VIEs, HCA holds variable interests in the VIEs that are expected to absorb expected losses, receive the expected residual returns, or both. The Company determined that HCA is the primary beneficiary of the securitization entities because (i) HCA's servicing responsibilities for the transferred receivables give them the power to direct the activities that most significantly impact the performance of the VIEs and (ii) HCA's variable interests in the VIEs give them the obligation to absorb losses and the right to receive residual returns that could potentially be significant.

The cash held by the Company on behalf of the VIE is classified as Restricted cash on the Consolidated Balance Sheets. The assets of the VIEs and the restricted cash held by HCA serve as the sole source of repayment for the asset-backed securities issued by these entities. Investors in the notes issued by the VIEs do not have recourse to HCA's general credit, with the exception of customary representation and warranty repurchase provisions and indemnities.

As the primary beneficiary of these entities, HCA is exposed to credit, interest rate, and prepayment risk from the receivables transferred to the VIEs. However, HCA's exposure to these risks did not change as a result of the transfer of the assets to the VIEs. HCA may also be exposed to interest rate risk arising from the secured notes issued by some of the VIEs.

The transfers of the receivables to the special-purpose entities in HCA's securitizations are considered to be sales for legal purposes. However, the securitized assets and the related debt remain on HCA's Consolidated Balance Sheets. The Company recognizes financing revenue on the pledged receivables and interest expense on the secured debt issued by the entities. The Company also maintains an allowance for credit losses on the pledged receivables to cover probable credit losses estimated using a methodology consistent with that used for the nonsecuritized loan portfolio. The interest rate instruments are consolidated within HCA's consolidated financial statements.

(ii) Off-*Balance-Sheet Securitization Trusts*

The Company periodically has transactions involving an off-balance-sheet securitization trust. The trust is created from an ABS transaction and the subsequent sale of the residual interest certificates in the assets of the trust. The Company continues to service the assets held by the VIE. As of December 31, 2023 and 2022, the Company does not have any off-balance-sheet securitizations.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management of the Company to make several estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The accounting estimates that are most significant to the Company's business are the allowance for credit losses and the determination of residual value of vehicles subject to operating leases as well as estimates related to the fair value of investment securities.

Results of Operations

Comparison of Years Ended December 31, 2023, 2022 and 2021

The following table shows summarized changes in financing revenue, expense and other income statement data for the years ended December 31, 2023, 2022 and 2021:

	Years Ended December 31,			% Change	
	2023	2022 [(1)]	2021 [(1)]	2023 to 2022	2022 to 2021
	(dollar in thousands)				
Income Statement Data:					
Financing revenue					
Operating leases	$ 3,388,336	$ 3,352,714	$ 3,417,102	1.1 %	(1.9) %
Retail	1,912,711	1,291,683	1,255,683	48.1	2.9
Wholesale	200,296	73,854	54,351	171.2	35.9
Finance Lease	2,401	40	12	5,902.5	233.3
Total financing revenue	5,503,744	4,718,291	4,727,148	16.6	(0.2)
Depreciation on operating leases	2,471,033	2,551,903	2,496,194	(3.2)	2.2
Interest expense	1,887,155	937,841	784,563	101.2	19.5
Total depreciation and interest expense	4,358,188	3,489,744	3,280,757	24.9	6.4
Net financing revenue	1,145,556	1,228,547	1,446,391	(6.8)	(15.1)
Other revenue	268,162	271,087	299,118	(1.1)	(9.4)
Total net financing margin and other revenue	1,413,718	1,499,634	1,745,509	(5.7)	(14.1)
Expenses					
Operating expenses	582,532	628,054	523,038	(7.2)	20.1
Provision for credit losses	401,254	152,313	135,483	163.4	12.4
Total expenses	983,786	780,367	658,521	26.1	18.5
Income before provision for income taxes	429,932	719,267	1,086,988	(40.2)	(33.8)
Provision for income taxes	127,972	206,543	266,635	(38.0)	(22.5)
Net income	$ 301,960	$ 512,724	820,353	(41.1)	(37.5)

(1) Amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for EV income tax credits generated through leasing applicable vehicles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Income Taxes" for additional information.

Total Financing Revenue

- Operating leases revenue increased $35.6 million, or 1.1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase primarily resulted from a 2.6% year-over-year increase in investment in operating leases in the portfolio. Investment in operating leases net of depreciation and allowance for credit losses, increased to $16.5 billion at December 31, 2023 from $15.9 billion at December 31, 2022 driven by higher average leases balances as acquisition costs have increased. The number of operating lease vehicles active in the portfolio at December 31, 2023 was 655,861 compared to 692,751 at December 31, 2022.

- Operating leases revenue decreased $64.4 million, or 1.9%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The decrease primarily resulted from a 4.0% year-over-year decrease in investment in operating leases in the portfolio. Investment in operating leases net of depreciation and allowance for credit losses, decreased to $15.9 billion at December 31, 2022 from $16.9 billion at December 31, 2021. The number of operating lease vehicles active in the portfolio at December 31, 2022 was 692,751 compared to 807,173 at December 31, 2021.

- Retail finance revenue increased $621.0 million, or 48.1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was due to 28.9% year-over-year growth in retail receivables and higher market rates. Retail receivables net of yield maintenance subvention increased to $38.8 billion at December 31, 2023 from $30.1 billion at December 31, 2022.

- Retail finance revenue increased $36.0 million, or 2.9%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase was due to 5.5% year-over-year growth in retail receivables. Retail receivables net of yield maintenance subvention increased to $30.1 billion at December 31, 2022 from $28.5 billion at December 31, 2021.

- Wholesale finance revenue increased $126.4 million, or 171.2%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase primarily resulted from higher market interest rates and an increase in outstanding wholesale receivables. Wholesale receivables increased to $3.9 billion at December 31, 2023 from $2.2 billion at December 31, 2022, while the average prime rate was 8.2% in the year ended December 31, 2023 and 4.9% in the year ended December 31, 2022.

- Wholesale finance revenue increased $19.5 million, or 35.9%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase primarily resulted from higher market interest rates and an increase in outstanding wholesale receivables. Wholesale receivables increased to $2.2 billion at December 31, 2022 from $1.3 billion at December 31, 2021, while the average prime rate was 4.9% in the year ended December 31, 2022 and 3.3% in the year ended December 31, 2021.

- Finance Lease revenue increased $2.4 million, or 5,902.5% for the year ended December 31, 2023 compared to the year ended December 31, 2022. The number of finance lease vehicles active in the portfolio at December 31, 2023 was 263 compared to 6 at December 31, 2022. Finance lease receivables consist of ten year signage leases made to dealers, seven year hydrogen truck leases made to lessees and five year EV charging station leases, classified as sales-type leases.

Depreciation on Leased Vehicles

Depreciation on leased vehicles decreased $80.9 million, or 3.2 %, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease was attributable to a lower number of active leases, the impact of EV tax credits as EV lease volume increased, and reduction in supplemental deprecation due to better than expected used car market conditions.

Depreciation on leased vehicles increased $55.7 million, or 2.2%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase was attributable to a higher depreciation on newer lease vintages due to higher vehicle market prices, partially offset by EV tax credits.

Interest Expense

Interest expense increased $949.3 million, or 101.2%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase resulted from 26.5% year-over-year growth in debt obligations to support asset growth, and higher average rates on outstanding debt as significantly higher market interest rates over the past year increased the cost of new debt. Outstanding debt increased to $52.2 billion at December 31, 2023 from $41.3 billion at December 31, 2022.

Interest expense increased $153.3 million, or 19.5%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase resulted from 0.9% year-over-year growth in debt obligations to support asset growth, and higher average rates on outstanding debt as significantly higher market interest rates over the past year increased the cost of new debt. Outstanding debt increased to $41.3 billion at December 31, 2022 from $40.9 billion at December 31, 2021.

Other Revenue

Other revenue decreased $2.9 million, or 1.1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease in other revenue was primarily due to lower gains on disposal of operating leases and lower revenue from vehicle service contracts and vehicle protection products, partially offset by gains in ABS servicing fees and on equity investments.

Other revenue decreased $28.0 million, or 9.4%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The decrease in other revenue was primarily due to lower mark-to-market gains on derivative instruments and lower gains on disposal of operating leases, partially offset by higher revenue from vehicle service contracts and vehicle protection products.

Operating Expenses

Operating expenses decreased $45.5 million, or 7.2%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to lower marketing and legal expenses.

Operating expenses increased $105.0 million, or 20.1%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to higher marketing and legal expenses.

Provision for Credit Losses

Provision for credit losses, which covers finance receivables and investments in operating leases, increased $248.9 million, or 163.4%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was largely due to higher delinquencies, a larger asset balance, and CECL adoption on January 1, 2023 which resulted in higher reserves for retail loans..

Provision for credit losses, which covers finance receivables and investments in operating leases, increased $16.8 million, or 12.4%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase was largely due to increasing delinquencies and potential weakening macroeconomic environment.

Provision for Income Taxes— Provision for income taxes decreased $78.6 million, or 38.0%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The effective tax rate was 29.8% in 2023 and 28.7% in 2022. The effective tax rate differed from the federal statutory rate of 21% for 2023 and 2022 primarily as a result of income tax credits and state income tax.[2]

Provision for income taxes decreased $60.1 million, or 22.5%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The effective tax rate was 28.7% in 2022 and 24.5% in 2021. The effective tax rate differed from the federal statutory rate of 21% for 2022 and 2021 primarily as a result of income tax credits and state income tax.[3]

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[2] Provision for income taxes amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for EV income tax credits generated through leasing applicable vehicles. See "—Critical Accounting Policies—Income Taxes" for additional information.

[3] Provision for income taxes amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for EV income tax credits generated through leasing applicable vehicles. See "—Critical Accounting Policies—Income Taxes" for additional information.

Balance Sheet, Liquidity and Capital Resources

The following table presents summarized balance sheet data as of December 31, 2023, 2022 and 2021:

	December 31,			% Change	
	2023	2022 (1)	2021 (1)	2023 to 2022	2022 to 2021
	(dollar in thousands)				
Balance Sheet Data:					
Finance receivables, net					
Retail	$ 38,763,535	$ 30,066,967	$ 28,508,331	28.9 %	5.5 %
Wholesale	3,889,350	2,164,190	1,283,775	79.7	68.6
Finance Lease	20,415	507	159	3,926.6	218.9
Total finance receivables	42,673,300	32,231,664	29,792,265	32.4	8.2
Allowance for credit losses (2)	(698,750)	(343,187)	(342,782)	103.6	0.1
Total finance receivables, net	$ 41,974,550	$ 31,888,477	$ 29,449,483	31.6	8.3
Investments in operating leases, net					
Vehicles and initial direct costs	$ 20,285,285	19,778,412	20,609,206	2.6	(4.0)
Accumulated depreciation	(3,739,058)	(3,778,412)	(3,570,782)	(1.0)	5.8
Allowance for credit losses	(77,231)	(78,825)	(105,739)	(2.0)	(25.5)
Total investment in operating leases, net	16,468,996	15,921,175	16,932,684	3.4	(6.0)
Total assets	$ 63,437,388	51,436,472	49,829,739	23.3	3.2
Total debt, net	$ 52,222,175	41,279,401	40,892,809	26.5	0.9
Total liabilities	$ 57,453,519	45,545,008	44,427,494	26.1	2.5
Total shareholders' equity	$ 5,983,869	5,891,464	5,402,245	1.6	9.1
Total liabilities and shareholders' equity	$ 63,437,388	51,436,472	49,829,739	23.3 %	3.2 %
Other Financial Data:					
Net Income to Total Assets ratio	0.5%	1.0%	1.6%		
Net Income to Equity ratio	5.0%	8.7%	15.2%		
Loss to Receivables ratio (3)	0.7%	0.6%	0.4%		
Allowance for Credit Losses to Finance Receivables ratio (4)	1.6%	1.1%	1.2%		
Allowance for Credit Losses to Investment in Operating Leases ratio (5)	0.5%	0.5%	0.6%		

(1) Amounts for the year ended December 31, 2022 and 2021 have been restated to reflect the change, effective January 1, 2023, in the Company's accounting policy for EV income tax credits generated through leasing applicable vehicles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Income Taxes" for additional information.

(2) The Company adopted ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326) on January 1, 2023, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our financial statements for the period ended December 31, 2023 and the notes thereto.

(3) Calculated based on net credit losses divided by the average amount of receivables outstanding, excluding the allowance for loan losses, unearned interest supplements and other deferred items related to finance receivables.

(4) Calculated based on allowance for credit losses related to retail and wholesale loans divided by total finance receivables.

(5) Calculated based on allowance for credit losses related to operating leases divided by total net investment in operating leases, excluding the allowance for credit losses.

Finance Receivables, net

Finance receivables, net, increased $10.1 billion, or 31.6%, at December 31, 2023 compared to December 31, 2022. The increase was attributable to an increase in retail and wholesale assets. The number of retail loans active in the portfolio at December 31, 2023 was 1,737,533 compared to 1,390,273 at December 31, 2022. The ratio of allowance for credit losses to total finance receivables increased by 50 basis points to 1.6% at December 31, 2023 mainly driven by a change in how the allowance for credit losses on finance receivables is calculated under the CECL standard adopted on January 1, 2023.

Finance receivables, net, increased $2.4 billion, or 8.3%, at December 31, 2022 compared to December 31, 2021. The increase was attributable to an increase in retail and wholesale assets. The number of retail loans active in the portfolio at December 31, 2022 was 1,390,273 compared to 1,358,991 at December 31, 2021. The ratio of allowance for credit losses to total finance receivables decreased by 10 basis points to 1.1% at December 31, 2022 driven by continued strength and improvement in asset quality.

Investment in Operating Leases, net

Investment in operating leases, net, increased $0.5 billion, or 3.4%, at December 31, 2023 compared to December 31, 2022. The increase was primarily attributable to higher average lease balances as acquisition costs have increased. The ratio of allowance for credit losses to total investment in operating leases was 0.5% for both years ended December 31, 2023 and 2022.

Investment in operating leases, net, decreased $1.0 billion, or 6.0%, at December 31, 2022 compared to December 31, 2021. The decrease was primarily attributable to a decline in the number of active operating lease vehicles in the portfolio. The number of operating lease vehicles active in the portfolio at December 31, 2022 was 692,751 compared to 807,173 at December 31, 2021. The ratio of allowance for credit losses to total investment in operating leases decreased to 0.5% at December 31, 2022 from 0.6% at December 31, 2021.

Funding Sources and Liquidity

Liquidity risk is the risk relating to our ability to meet our financial obligations when they come due. Our liquidity strategy is to fund current and future obligations through expanding our ability to access capital in a cost-effective manner. HCA's funding strategy incorporates investor diversification and the utilization of multiple funding sources including raising funds via global capital markets, affiliate loans, credit facilities and from our balance sheet.

Commercial Paper

HCA has a $4.0 billion commercial paper program to support the overall growth of our business and also to meet short-term working capital requirements. At December 31, 2023, approximately $2.5 billion was outstanding under this program with a weighted average interest rate of 5.6%. The notes issued under this program are backed by the support agreement. See "Certain Relationships and Related Transactions—Support Agreement."

Revolving Lines of Credit and Term Loans

HCA utilizes committed revolving lines of credit and term loans to meet working capital requirements. We maintain relationships with a variety of global banking partners to ensure liquidity. Interest on our revolving lines of credit and term loans is generally based upon a floating benchmark rate (typically SOFR) plus a fixed spread. As of December 31, 2023, HCA had drawn $1.6 billion against our total revolving lines of credit capacity of $6.1 billion and had $0.7 billion outstanding in term loans.

Asset-Backed Conduits

HCA's financing transactions with bank-sponsored asset-backed commercial paper conduits and other financial institutions consist of bankruptcy-remote, special purpose entities (warehouse facilities) to which we transfer finance receivables and lease assets that are pledged as collateral for debt issued by the special purpose entities. Interest rates on the debt are generally based upon a floating benchmark rate (such as the Commercial Paper Index Rate or SOFR) plus a fixed spread. HCA generally engages in interest rate swap transactions to manage the risk related to floating interest rates. See "Index to Financial Statements Hyundai Capital America—Notes to the Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021—Note 13—Derivatives" for more information on our derivatives transactions. As of December 31, 2023, we had outstanding debt of $8.4 billion through asset-backed conduits against total borrowing capacity of $13.3 billion.

Asset-Backed Securitizations

HCA regularly securitizes and sells pools of its receivable and lease assets through ABS transactions, including securities that it retains. Pursuant to these transactions, assets are sold to a special purpose entity ("SPE") which has been established for the limited purpose of buying and reselling the Company's receivables. The SPE then transfers the same receivables to a trust that issues notes to investors. The notes are predominantly fixed rate and are structured to amortize on a monthly basis according to the cash collections on the underlying receivables. Our securitizations are structured to provide credit enhancements to reduce the risk of loss to security holders and other interest holders in the ABS. The aforementioned credit enhancements include overcollateralization (when the principal amount of the securitized assets exceeds the principal amount of related ABS), segregated cash reserve funds, subordinated securities and excess spread (when interest collections on the securitized assets exceed the related fees and expenses, including interest payments on the related ABS). We service the securitized receivables in accordance with our customary servicing practices and procedures, and servicing duties include collecting payments on receivables and submitting them to a trustee for distribution to security and other interest holders. We prepare monthly servicer certificates on the performance of the receivables, including collections, investor distributions, delinquencies and credit losses. These securitizations are structured legally as sales; however, the finance receivables remain on the balance sheet. HCA recognizes financing revenue on the pledged receivables and interest expense on the secured debt issued by the securitization trusts. During 2023, HCA executed 6 ABS transactions, which securitized $9.5 billion of finance receivables and leases. During 2022, HCA executed 6 ABS transactions, which securitized $8.9 billion of finance receivables and leases. As of December 31, 2023, HCA had $11.9 billion in outstanding obligations related to ABS transactions. HCA generally retains ownership of the asset-backed trust's residual interest certificates and the assets and debt held by the trust are included in our financial results. Investors in ABS do not have recourse to our other assets, and HCA does not guarantee the obligations issued by any securitization trust. We are not required to repurchase receivables from the trusts that become delinquent or default after securitization. As seller and servicer of the receivables, we are required to repurchase receivables that are subsequently discovered not to have met specified eligibility requirements.

Senior Unsecured Notes

As of December 31, 2023, HCA had $23.9 billion in obligations related to outstanding bond issuances. All bonds outstanding as of December 31, 2023, are backed by the support agreement. See "Certain Relationships and Related Transactions—Support Agreement." On March 13, 2015, we established a private U.S. medium term note program (the "MTN program"), through which notes may be offered and sold pursuant to Rule 144A or Regulation S under the Securities Act. Under the original MTN program, we were authorized to issue up to $4.0 billion aggregate principal amount of notes with original maturities of one year or more. In June 2016, we increased the size of the MTN program from $4.0 billion to $12.0 billion, and in May 2019, we increased the size of the MTN program to $40.0 billion. In August 2023, we revised the size of the MTN program to $60.0 billion aggregate principal amount at any time outstanding. During the year ended December 31, 2023, the Company issued $9.9 billion aggregate principal amount of senior unsecured notes under the MTN program.

Affiliate Borrowings

HCA administers the North America Cash Management fund ("NACM") for HMC's affiliates in the United States. Affiliate companies may deposit cash into the fund or borrow from it. Excess cash held by the fund is used to fund short term borrowing needs of the affiliate companies that participate. Deposits to the fund from affiliate companies are classified as affiliate borrowings and are included in the debt section of the balance sheet. Loans from the fund to affiliate companies are classified as due from affiliates, net. As of December 31, 2023 and

December 31, 2022, deposits from affiliate companies included in debt were $1.2 billion and $2.7 billion, respectively. HCA also enters into separate intercompany borrowing agreements with affiliated companies. These loan agreements can range from two months to two years and generally are renewed at maturity. The interest rates of these loans are generally fixed or floating, which floating rates consist of a benchmark rate (such Commercial Paper Index Rate or SOFR) plus a fixed spread. As of December 31, 2023, the principal balance outstanding for the agreements separate from NACM was $2.2 billion.

Support Agreement

Pursuant to a support agreement with HMC, dated as of August 22, 2012 (the "support agreement"), HMC has agreed to: (1) directly or indirectly through its controlled subsidiaries and entities subject to joint control, own one hundred percent (100%) of the issued and outstanding shares of our stock; (2) cause us to have a positive consolidated tangible net worth, as determined in accordance with U.S. GAAP and as shown on our most recent audited annual consolidated balance sheet; and (3) take all actions necessary, including making cash contributions to us, required to maintain our fixed-charge coverage ratio at not less than 1.10-to-1 on a four-quarter rolling basis. The support agreement may be terminated by either us or HMC and may be modified or amended by written agreement between HCA and HMC, in each case, with 30 days prior written notice. However, so long as any loan agreement, bonds, debentures, notes and other debt securities ("Debt") is outstanding, no such action will be effective with respect to such Debt if it would constitute a default unless (i) each holder of any of the Debt (or the requisite holders specified in the document governing such Debt) consents or (ii) with respect to Debt that is rated by one or more rating agencies, each such rating agency confirms in writing it will not withdraw or reduce its rating of such Debt.

The support agreement is not, and nothing done pursuant to the support agreement by HMC shall be deemed to constitute, a guarantee by HMC of any of the notes offered hereby, or other obligation, indebtedness or liability of any kind or character of HCA whatsoever. See "Certain Relationships and Related Transactions—Support Agreement."

Maturity of Borrowings

The expected maturity of our borrowings as of December 31, 2023 was:

Maturity Schedule	Within 1 year	1 ~ 2 years	2 ~ 3 years	3+ years	Total
	(dollars in thousands)				
Commercial Paper	$ 2,532,693	$ -	$ -	$ -	$ 2,532,693
Revolving Lines of Credit and Term Loans	1,863,000	-	400,000	-	2,263,000
Asset Backed Loans and Conduits	1,626,921	2,640,230	1,996,578	2,129,398	8,393,127
Asset Backed Securitization	346,797	3,022,956	4,376,139	4,141,719	11,887,611
Senior Unsecured Notes	4,149,459	4,297,656	6,542,790	8,883,269	23,873,174
Affiliate Borrowings	3,366,830	-	-	-	3,366,830
Less: unamortized debt issuance cost	37,106	20,164	14,455	22,535	94,260
Total	$ 13,848,594	$ 9,940,678	$ 13,301,052	$ 15,131,851	$ 52,222,175

For the years ended December 31, 2023, 2022 and 2021, gross proceeds from the issuance of debt and affiliate borrowings (excluding net changes in NACM) were $98.0 billion, $66.2 billion and $69.9 billion, respectively. For the years ended December 31, 2023, 2022 and 2021, gross repayments on debts and affiliate borrowings (excluding net changes in NACM) were $85.7 billion, $67.4 billion and $63.1 billion, respectively. See "Index to Financial Statements Hyundai Capital America—Notes to the Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021—Note 7—Debt" for further details of our borrowings.

Lease Commitments

The Company is party to lease agreements ranging from four to twelve years for the headquarters facility in Irvine, California, as well as regional offices in Georgia, Texas, and California. In August 2021, the Company executed an amendment to the lease agreement for the facility in Plano, Texas, which was effective August 1, 2021 and extended the lease through June 30, 2027.

The Company's leases contain one or more options to extend. The Company includes options that are reasonably certain to be exercised in evaluating the lease term after considering all relevant economic and financial factors. The right-of-use assets in operating lease arrangements are presented in Other assets on the Company's Consolidated Balance Sheet. See "Index to Financial Statements Hyundai Capital America—Notes to the Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021—Note 14—Other Assets."

The Company does not separate the non-lease components from the lease components to which they relate. The Company calculated the initial lease liability as the present value of fixed payments not yet paid using the incremental borrowing rate. Operating lease liabilities are reported in Accounts Payable and Other Liabilities on the Company's Consolidated Balance Sheet. See "Index to Financial Statements Hyundai Capital America—Notes to the Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021—Note 16—Accounts Payable and Other Liabilities." Variable payments are included in the lease liability if they are based on a market rate or an index (e.g., CPI). Variable payments that do not meet this criterion are expensed as incurred. Lease payments associated with short-term lease contracts are expensed as incurred.

At December 31, 2023, future minimum lease payments required under operating leases that have initial or remaining noncancelable terms of more than one year with unexercised options to renew are as follows (dollars in thousands):

Years ending December 31:		
2024	$	15,173
2025		10,711
2026		7,687
2027		7,171
2028		6,652
2029 and thereafter		9,200
Total	$	56,594
Less: Present value discount		(4,361)
Less: Unpaid lease incentive		(60)
Total Operating lease liabilities	$	52,173

As of December 31, 2023, the weighted average lease term for the operating lease liabilities was 5.07 years and the weighted average discount rate was 3.15%. The straight-line operating lease costs incurred as a reduction to right-of-use assets amounted to $11.2 million for the year ended December 31, 2023. The variable lease costs incurred amounted to $2.6 million for the year ended December 31, 2023. As of December 31, 2023, the right-of-use assets obtained in exchange for operating lease liabilities amounted to $1.8 million. The Company's income from sublease activity of its Newport Beach, California facility amounted to $1.0 million for the year ended December 31, 2023.

Line of Credit Commitments

At December 31, 2023, we had commitments to make available an additional $2.8 billion of wholesale inventory financing to dealers.

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in A Cloud Computing Arrangement That Is A Service Contract (A Consensus of the FASB Emerging Issues Task Force)*. The new guidance seeks to clarify the accounting treatment for fees paid by a customer in a cloud computing arrangement that does not include a software license, also termed a service contract. This update aligns the accounting treatment of implementation costs related to service contracts to that of the cloud computing arrangements that include a software license. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2020 and permit early adoption. The Company adopted this guidance on January 1, 2021. The adoption of the guidance did not have an impact on the consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The new guidance simplifies the application of hedge accounting and increases transparency as to the scope and results of hedging programs by making more hedging strategies eligible for hedge accounting as well as amending the presentation and disclosure requirements and changes how companies assess the effectiveness of hedges. The FASB issued ASU No. 2019-10—*Financial Instruments—Derivatives and Hedging (Topic 815): Effective Dates* to defer the effective date from January 1, 2020 to January 1, 2021. The Company adopted this guidance on January 1, 2021. The adoption of the guidance did not have an impact on the consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new guidance requires lessees to recognize the assets and liabilities on their balance sheets for the rights and obligations created by leases. It will also require disclosures designed to give users of financial statements the ability to assess the amount, timing, and uncertainty of cash flows arising from leases. Additionally, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, ASU No. 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors,* and ASU No. 2019-01*, Codification Improvements.* The Company adopted this guidance on January 1, 2021. The comparative information has not been restated and continues to be reported under the lease accounting standard in effect for those periods. The adoption of the standard as a lessor did not significantly impact the Company's financial statements. As a lessee, the Company recognizes the rights and obligations associated with its facility leases on the balance sheets between Other Assets and Accounts Payable and Other Liabilities, respectively. Further, the Company elected the practical expedients permitted under the transition guidance that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. The Company did not reassess whether any contracts entered into prior to the adoption date are leases or contain leases. In determining the lease term, the Company uses the practical expedient that allows the use of hindsight. The adoption of the guidance is an increase to other assets of $64.05 million which represents right-of-use assets of $63.62 million and sublease receivable/initial direct cost of $0.43 million, an increase to Accounts payable and other liabilities by $63.70 million, which represents lease liabilities of $87.82 million and reversal of deferred rent liability of $24.12 million, and an increase to Retained earnings of $0.35 million on the Company's Consolidated Balance Sheet. There is not a material impact to the Company's Consolidated Statement of Income.

In October 2020, the FASB issued ASU No. 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs*. The new guidance further clarifies the amortization of premium recognized on certain purchased callable debt securities, a matter previously addressed by ASU No. 2017-08. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2021. The Company adopted this guidance on January 1, 2022. The adoption of the guidance did not have an impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Additionally, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, ASU No. 2019-04, *Codification improvements to Topic 326, Financial Instruments – Credit Losses*, ASU No. 2019-05, *Financial Instruments – Credit Loss (Topic 326): Targeted Transition Relief*, ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, ASU No. 2020-03, *Codification Improvements to Financial Instruments* and ASU No. 2022-02, *Financial Instruments – Credit Losses, Troubled Debt Restructure and Vintage Disclosures*. The new guidance replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB issued ASU No. 2019-10—*Financial Instruments—Credit Losses (Topic 326): Effective Dates* to defer the effective date from January 1, 2022 to January 1, 2023. The

Company adopted this guidance using the modified retrospective approach as of January 1, 2023. The adoption of the guidance resulted in a decrease to Finance receivables, net of $(259,771), an increase to Accounts payable and other liabilities of $394, an increase to Accumulated other comprehensive income of $508, a decrease to Net deferred tax liabilities of $(49,665), and a decrease to Retained earnings of $(211,008) on the Company's Consolidated Balance Sheet. The Company changed its financial statement disclosures resulting from adoption of the guidance.

In July 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842) – Lessors—Certain Leases with Variable Lease Payments*. The new guidance amends the lease classification requirements for lessors to align them with practice under Topic 840. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2022. The Company adopted this guidance on January 1, 2023. The adoption of the guidance did not have an impact on the consolidated financial statements.

Market Risk

Credit Risk

We are exposed to credit risk on our retail, lease and wholesale portfolios. Credit risk is the risk of loss arising from the failure of a customer or dealer to meet the terms of any contract with us or otherwise failing to perform as agreed. Credit risk is concentrated in our retail and lease portfolios as our wholesale portfolio constitutes 6.1% of our overall assets as of December 31, 2023 and 4.2% of our overall assets as of December 31, 2022. The level of credit risk is influenced primarily by two factors: the total number of contracts that experience default and the amount of loss per occurrence, which in turn are influenced by various economic factors, underwriting standards and the obligors' characteristics.

Among the economic factors that affect credit risk are unemployment, consumer debt service burden, personal income growth, dealer profitability and used vehicle prices. We analyze these trends and make adjustments to the overall level of our credit loss reserves in an attempt to protect us from future losses. Changes in used vehicle prices directly affect the amount of proceeds we receive from sales of repossessed vehicles and, thus, the level of loss severity we experience. The supply of and demand for used vehicles, interest rates, inflation, the level of manufacturer incentives on new vehicles, and general economic outlook are some of the factors affecting the used vehicle market.

Underwriting standards have a major impact on credit risk. In purchasing retail and lease contracts, we use a proprietary credit scoring algorithm that classifies contracts using several factors such as credit bureau data, customer credit characteristics and proposed terms of the retail installment sale contract. In addition to our proprietary scoring system, we consider other factors, such as employment history, financial stability and capacity to pay.

As of December 31, 2023, 1.8% of our retail finance and 0.5% of the lease contracts outstanding in our owned portfolio had FICO® scores below 620 at contract inception. This includes contracts made pursuant to special programs, such as college graduate programs, repeat customer programs, cosigner programs and loans with a strong equity position. A change in the mix of contracts purchased at various credit tiers may potentially impact the amount of credit risk we assume. An increase in the number of contracts purchased with lower FICO® scores can increase the amount of credit risk, and an increase in the number of contracts purchased with higher FICO® scores can lower credit risk. An increase in the mix of contracts with lower FICO® scores can potentially increase credit and operating risk; therefore, appropriate controls and procedures have been established. We manage our collection and servicing efforts based on purchase and portfolio quality and strive to maintain a consistent mix of contracts in the various FICO® ranges and to price contracts based on the risk to achieve a reasonable return on investment.

FICO® Band	Retail: Average FICO®(1)(2)	Retail: % of Portfolio(1)(2)	Lease: Average FICO®(1)(2)	Lease % of Portfolio
>=680	773	81.66%	780	90.82%
620-679	652	16.54%	656	8.68%
<=619	595	1.79%	597	0.51%

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(1) Active accounts in HCA's owned portfolio at December 31, 2023.
(2) The information in this table is based upon the actual FICO® score of the customer at time of origination. FICO® scores are calculated excluding accounts for which no FICO® score is available and/or valid.

When customers purchase vehicles in the name of a business, the credit process differs from the procedures described above. Eligible businesses include corporations, partnerships, sole proprietorships, limited liability companies, trusts, nonprofit organizations and state and local government agencies. In addition to financial statements and tax returns, a consumer credit report or commercial credit report from credit bureaus is used depending on the credit structure selected during underwriting of a credit request. A personal guarantee is often obtained for credit enhancement. As of December 31, 2023, the principal amount outstanding on retail and lease contracts with businesses was $448.1 million.

The level of credit risk in our wholesale portfolio is influenced primarily by the financial strength of dealers within our portfolio, dealer concentration, collateral quality and other economic factors. The financial strength of dealers within our portfolio is influenced by general macroeconomic conditions, the overall demand for new and used vehicles, and the financial condition of automotive manufacturers, among other factors. An increase in credit risk would increase our provision for credit losses, which would have a negative impact on our operating results and financial condition.

HCA relies on stringent underwriting guidelines as well as sophisticated credit scoring models to assess and measure risk prior to extending credit. Additionally, HCA's commercial risk team conducts monthly portfolio reviews on a deal-by-deal basis to proactively identify and mitigate credit risk in the portfolio.

Residual Risk

We are exposed to residual risk, which is the risk that the value of a vehicle returned to us at the end of lease term will be below the contract residual value. Residual risk is affected by several factors, including among others the used vehicle market, new vehicle sales and incentives, fuel prices, our initial residual value estimates and our remarketing strategies. Residual value losses on matured leased vehicles may be partially offset by residual value support from HMA and KUS.

We establish initial residual values at lease inception based on values supplied to us by a third party. Used vehicle prices may decline unexpectedly, whether because of general economic conditions, an increased supply of used vehicles, a decrease in new vehicle transaction prices, or changes in consumer behavior and preferences. These declines are difficult to predict, but can impact our exposure to residual risk. Residual values are reviewed to assess the appropriateness of the carrying value of the vehicles. To the extent the estimated fair value at lease termination is lower than the residual value established at lease inception, the residual value of the vehicle is adjusted downward so that the carrying value at lease-end will approximate the estimated end of term market value.

In addition, our ability to efficiently process and effectively remarket off-lease vehicles affects our disposal costs and the proceeds we are able to realize from off-lease vehicle sales. HMA and KUS may influence the market for off-lease Hyundai and Kia vehicles by offering incentives on new vehicles and programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of new Hyundai and Kia vehicles (referred to as "pull ahead" programs) or by making increased fleet sales to rental car companies. Hyundai and Kia also indirectly affect our residual values by influencing brand image and consumer preference for Hyundai and Kia vehicles ultimately impacting values in the used car market.

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 us. We rely on internal and external information and technological systems to manage our operations and, therefore, are exposed to risk of loss resulting from potential failures of these systems. In order to monitor and manage operational risk, we maintain a framework of internal controls designed to provide a sound operational environment. We strive to maintain appropriate levels of operational risk relative to our business strategies, competitive and regulatory environment and markets in which we operate. Notwithstanding these control measures, we remain exposed to operational risk, but our approach to operational risk management is intended to mitigate losses arising from operational risk.

Foreign Currency Risk

From time to time, we may have a limited amount of short-term trade payables denominated in foreign currency. As of December 31, 2023, substantially all of our assets and obligations were denominated in U.S. dollars, and we did not have any foreign currency exposure.

BUSINESS

Financing Operations

Retail Financing

We purchase retail installment sale contracts from dealers in the ordinary course of business in accordance with our underwriting standards. Contracts originated by a dealer are acquired by us under an agreement with each dealer.

Our underwriting procedures are intended to assess an applicant's willingness and ability to repay the amounts when due on the contract as well as the value of the vehicle to be financed. The creditworthiness of any co-purchaser or guarantor is also considered. Each applicant for a retail installment sale contract completes a credit application that includes the applicant's name, income, expenses, residential status, bank account information, credit and employment history and other personal and financial information. Dealers submit applications together with information about the proposed terms of the retail installment sale contract to HCA primarily through website based systems.

HCA generally obtains a credit bureau report on the applicant, including the "credit bureau score," or a FICO® score, which is generated using statistical models created by Fair Isaac Corporation. The FICO® score measures the likelihood an applicant will repay an obligation as expected. HCA also evaluates credit applications using proprietary credit scoring algorithms developed internally by HCA and referred to as scorecards. The scorecards are used to assess the creditworthiness of each applicant using the information provided on the credit application, the proposed terms of the retail installment sale contract and the applicant's credit bureau data to assign the applicant a proprietary credit score. HCA improves and modifies the scorecards from time to time based on actual historical portfolio experience.

Credit applications are evaluated when received and are either automatically approved, automatically rejected or forwarded for review by a HCA credit analyst based on HCA's electronic decisioning model. The model uses the FICO® score, the HCA derived credit score and a set of business rules designed to identify certain credit-related items such as loan-to-value ratio, affordability measures (e.g., payment-to-income ratio) and collateral type and quality. The model also identifies incomplete or inconsistent data such as an address or social security number mismatch, which is often caused by incorrect data entry but could possibly be a sign of fraud. In some cases, an application is not automatically rejected but does not meet the criteria for automatic approval, either because of incomplete or inconsistent information or because one or more credit-related items is not within prescribed automatic approval levels. In such cases, a credit analyst evaluates the credit application to make an approval decision using the company's written underwriting guidelines. The credit analyst considers the same information included in the electronic decisioning model and weighs other factors, such as the prospective purchaser's prior experience with HCA. If data entry or inconsistent information is the reason an application did not receive automatic approval, the credit analyst will contact the dealer if necessary to verify the data in question and to make corrections if necessary or to obtain proof of the inconsistent data. Based on the credit analyst's assessment of the strengths and weaknesses of each application, the analyst will then either approve or reject the application.

The amount of a retail installment sales contract secured by a new or used Hyundai or Kia motor vehicle generally approximates 100% of the dealer invoice costs of the related vehicle plus selected accessories at the dealer cost, sales tax, title and registration fees, insurance premiums for credit life and credit disability insurance and certain fees for extended services contract. The terms of the majority of the installment sales contracts range from 24 to 75 months.

We have responsibility for contract administration and collection. We use a risk/behavioral-based collection strategy to minimize risk of loss and employ various collection methods. The retail installment sales contracts we acquire from dealers generally name us as assignee and as the secured party. We also take steps under the relevant laws of the state in which the related financed vehicle is located to perfect our security interest, including, where applicable, having a notation of our lien recorded on the related certificate of title and obtaining possession of that certificate of title. As a result, we have the right to repossess the assets if customers fail to meet contractual obligations, as well as the right to enforce collection actions against the obligors under the contracts.

Upon default, we sell the vehicles in a commercially reasonable manner. Repossessed vehicles are sold through a variety of distribution channels. We use a branded internet website for sale of vehicles as well as a system of physical auto auctions located throughout the United States. Remarketing decisions related to auction assignment and logistics are primarily electronic. This allows HCA to control inventory management, flow of vehicles to the auction and placement of the vehicles to auction locations that it believes will yield the highest net recovery value. We have regular sales at major auction locations throughout the United States. From time to time, auction capacity and demand for pre-owned vehicles in certain markets may be insufficient to absorb the volume. Therefore, we may transport vehicles to different regions where we perceive a greater demand in order to maximize the vehicles' recovery values.

Lease Financing

Our retail leasing activity consists of purchasing closed-end vehicle leases from Hyundai and Kia dealers. Lease contracts to be purchased are evaluated against our credit standards and, if approved, we purchase the lease contracts and concurrently assume ownership of the leased vehicles. The terms of the majority of lease contracts range from 24 to 48 months.

We have entered into agreements with dealers under which they have assigned and will assign lease contracts to one of our subsidiaries, Hyundai Lease Titling Trust ("HLTT"). HLTT was created in October 2005 to avoid the administrative difficulty and expense associated with retitling leased vehicles for the securitization of vehicle leases. We view our lease arrangements as financing transactions because we do not seek to re-lease the vehicles or equipment either upon default or at lease termination. We are responsible for contract administration and collection during the lease period. HCA generally obtains a credit report on the applicant from a national credit bureau. HCA also evaluates credit applications using proprietary credit scoring algorithms developed internally by HCA and referred to as scorecards. The scorecards are used to assess the creditworthiness of each applicant using the information provided on the credit application, the proposed terms of the lease contract and the applicant's credit bureau data to assign the applicant a proprietary credit score. We make our final credit decision based upon the degree of credit risk perceived and the amount of credit requested. We are permitted to take possession of vehicles upon default and have the right to enforce collection actions against the lessee. Upon default, we sell the vehicles at auctions.

HCA's vehicle remarketing department handles the disposition of all motor vehicles for HCA including repossessions, early terminations and end of term leases. Each lease currently provides that upon maturity, the lessee has the option to purchase the related motor vehicle for an amount equal to the stated purchase option price. If the lessee does not exercise this option, the vehicle is returned to a dealer and the vehicle is offered for sale to the returning dealer first for stated residual value and subsequently at a market based price adjusted for mileage and excessive damage. If the dealer to which the vehicle is returned does not exercise its option to purchase the vehicle, then the vehicle is offered for sale on a branded internet website supported by a third party vendor at a fixed price and/or at an auction, bidding environment. Vehicles that are not purchased by the lessee or a dealer are offered for sale through auction.

Occasionally, HCA may offer incentives to lease new vehicles to lessees whose lease contracts are nearing expiration. These incentives may include waiver of one or more monthly payments otherwise payable under the related lease. HCA will pay to the issuing entity the amount of any monthly payments so waived. These programs are employed to promote customer loyalty by offering attractive early termination options and to provide lessees with an incentive to purchase or lease new Hyundai or Kia vehicles. These programs can also be used to shift vehicles out of peak terminating months and to increase the number of off-lease vehicles that are sold or auctioned during those months in which the purchase price for off-lease vehicles tends to be higher. In an effort to minimize losses incurred at lease maturity on vehicles returned to us, we have developed remarketing strategies to maximize proceeds and minimize disposition costs on used vehicles sold at lease termination.

We are responsible for the residual value of the leased asset if the lessee or dealer does not purchase the asset at lease maturity. We determine residual values based on calculations produced by an independent third party source. However, no assurance can be given that future residual value losses will meet our expectations or be similar to past experience.

We service lease contracts purchased by HLTT from Hyundai and Kia vehicle dealers in the same manner as if the contracts were owned directly by us. We hold an undivided trust interest in HLTT, and the lease contracts held by HLTT are included in our lease assets.

Wholesale and Other Dealer Financing

We support vehicle dealers by offering wholesale and other dealer financing for a variety of dealers' business needs.

Wholesale Financing—We provide direct wholesale financing to vehicle dealers for their purchase of inventories of new and used Hyundai, Kia and other vehicles in the normal course of business for their sale to retail and commercial buyers and lessees.

We acquire a security interest in vehicles financed under wholesale loans, which we perfect through Uniform Commercial Code filings. In some cases, these financings may be backed by a subordinated security interest in parts inventory, machinery, tools, equipment, fixtures and service accounts of dealers or real estate owned by a dealer and/or may be guaranteed by a dealer's parent holding company or affiliate, or personally by the dealer's principal.

We extend credit lines to Hyundai and Kia dealers that operate exclusive Hyundai and Kia dealerships, as well as those that operate non-Hyundai and non-Kia dealerships. Dealers who have non-Hyundai and non-Kia dealerships may obtain financing of vehicles from such other manufacturers or may use part of our financing, pursuant to their related wholesale financing agreement to finance vehicles purchased from such other manufacturers. In the case of certain Hyundai-authorized or Kia-authorized dealers who also are authorized by other manufacturers, we provide wholesale financing for new Hyundai and Kia vehicles and new vehicles of other manufacturers.

As of December 31, 2023, we provided floorplan financing to approximately 30% of the dealers in the managed portfolio authorized by HMA and KUS. As of December 31, 2023, approximately 12% of our floorplan dealers are non-Hyundai and non-Kia dealerships.

We generally finance 100% of the invoice price of new vehicles. The amount that we will lend on used vehicles varies. In general, we will lend 100% of the wholesale value of the used vehicle as published in industry-standard third-party reference books. For vehicles purchased by the dealer at an auction and financed by us via payment directly to the auction, we typically finance 100% of the auction price plus the buyer's fees paid to the auction. In some circumstances, the vehicle we finance is one that was sold by us to the dealer. Most of these vehicles were leased by us to a consumer and returned to us at the end of the lease. If the used vehicle being financed under our floorplan is one that was sold by us to the dealer, we will lend 100% of the price the dealer paid to us for the vehicle.

Once a dealer has commenced the financing of the purchase, or floorplanning, of a manufacturer's vehicles through us, we will finance all purchases of vehicles by the dealer from Hyundai or Kia or any other manufacturer covered by our financing arrangement. We will cancel or suspend this arrangement, however, if we consider a dealer's inventory to be heavily overstocked, if a dealer is experiencing financial difficulties, or in certain circumstances at the dealer's request. We extend credit to newly authorized dealers from time to time based on established credit criteria. Our credit decisions for newly authorized dealers requesting a new credit line are based on our investigation and review of the dealer's financial status, marketing capabilities, financial resources and credit requirements. When an existing dealer requests the establishment of a wholesale new vehicle credit line, we typically review the dealer's historical performance, current state of operations and management, financial status and market. In the event of a dealer default under a wholesale loan arrangement, we have the right to liquidate assets in which we have a perfected security interest and seek legal remedies pursuant to the wholesale loan agreement and any applicable guarantees.

Under a dealer agreement between HMA and each HMA-authorized dealer, HMA commits to repurchase unsold new vehicles distributed by HMA and in inventory upon termination of the dealer agreement, at the price at which the new vehicles were sold by HMA, less prior refunds or allowances made by HMA, if any. HMA only repurchases current year models that are new, undamaged, unused and unmodified.

Under a dealer agreement between KUS and each KUS authorized dealer, KUS commits to repurchase unsold new vehicles distributed by KUS and in inventory upon termination of the dealer agreement, at the price at which the new vehicles were sold by KUS, less prior refunds or allowances made by KUS, if any. KUS only repurchases current year models that are new, undamaged, unused and unmodified.

This assistance provided by HMA and KUS is for the benefit of the dealers and does not relieve them of any of their obligations to us.

Other Dealer Financing—We extend term loans and revolving lines of credit to dealers for business acquisitions, facilities refurbishment, real estate purchases, construction and working capital requirements. These loans are typically secured with liens on real estate, vehicle inventory and/or other dealership assets, as appropriate, and usually are guaranteed by the personal or corporate guarantees of the dealer principals or dealerships. We also provide financing to various multi-brand dealer organizations, referred to as dealer groups, for wholesale, working capital, real estate and business acquisitions. These loans are typically collateralized with liens on real estate, vehicle inventory and/or other dealership assets, as appropriate. We obtain a personal guarantee from the dealer or corporate guarantee from the dealership when deemed prudent. Although the loans are typically collateralized or guaranteed, the value of the underlying collateral or guarantees may not be sufficient to cover our exposure under such agreements.

Vehicle Protection Products

Operating as wholly owned subsidiaries of HCA, Hyundai Protection Plan, Inc., Hyundai Protection Plan Florida, Inc., and Hyundai Capital Insurance Company, commenced operations in January 2013 as part of our vehicle protection product business in the U.S. We provide marketing, underwriting, claims administration, and customer service related to vehicle service contracts, guaranteed asset protection coverage, and other related vehicle protection products. Vehicle service contracts offer vehicle owners and lessees mechanical breakdown protection for new and used vehicles secondary to the manufacturer's new vehicle warranty. Guaranteed asset protection coverage pays the difference between the vehicle's cash value (as determined by the primary insurer) and the balance of the contract holder's outstanding loan balance when a vehicle is deemed to be a total loss. We collect premiums for the products sold and are obligated to pay qualifying claims made by the contract holders. Power Protect Extended Services, Inc. ("PPES") and Power Protect Extended Services Florida, Inc. ("PPES FL") were subsequently established to expand our vehicle service contract business on other vehicle brands sold through Kia dealerships. PPES and PPES FL commenced operations in January 2019. Our insurance affiliates primarily market products through HMA's network of authorized Hyundai dealers and KUS' network of authorized Kia dealers in the U.S.

Retail Loan & Lease Concentration

As of December 31, 2023, the states of Florida, Texas and California accounted for 12.5%, 12.4%, and 11.5%, respectively, of our managed retail assets and the states of New York, California and Florida accounted for 16.5%, 13.9%, and 13.8%, respectively, of our managed lease assets as determined by dollar value. Any material adverse changes to the California, New York, Florida, and Texas economies could have an adverse effect on our financial condition and results of operations.

Seasonality

The revenues generated by receivables we own are generally not subject to seasonal variations. Although contract volume is subject to a certain degree of seasonality, this seasonality does not have a significant impact on revenues because collections, generally in the form of fixed payments, occur over the course of several years. The automotive finance industry, including HCA, is subject to seasonal variations in credit losses, which are typically higher in the first and fourth calendar quarters of the year.

Competition

We operate in a highly competitive environment and compete with other financial institutions including national and regional commercial banks, savings and loan associations, credit unions, finance companies and, to a lesser extent, other automobile manufacturers' affiliated finance companies, for retail financing and leasing. We compete with national and regional commercial banks and other automobile manufacturers' affiliated finance companies for wholesale financing and other dealer financing. No single competitor is dominant in the industry. We compete primarily through service quality, our relationship with HMA and KUS and our financing rates. We seek to provide exceptional customer service and competitive financing programs to our dealers and their customers. Our relationships with HMA and KUS are an advantage in providing Hyundai and Kia financing for purchases or leases of Hyundai and Kia vehicles.

Regulation

Our operations are regulated under both federal and state law. We are governed by, among other federal laws, the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Consumer Leasing Act, the Fair Credit Reporting Act and the consumer data privacy and security provisions of the Gramm-Leach-Bliley Act. These laws require us to provide certain disclosures to prospective purchasers and lessees in consumer retail and lease financing transactions and prohibit discriminatory credit practices. The principal disclosures required under the Truth-in-Lending Act for retail finance transactions include the terms of repayment, the amount financed, the total finance charge and the annual percentage rate. For retail lease transactions, we are required to disclose the amount due at lease inception, the terms for payment, and information about lease charges, insurance, excess mileage, wear and use charges, and liability on early termination. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants and customers on a variety of factors, including race, color, sex, age, or marital status. Pursuant to the Equal Credit Opportunity Act, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for being denied. In addition, any of the credit scoring systems we use during the application process or other processes must comply with the requirements for such systems under the Equal Credit Opportunity Act. The Fair Credit Reporting Act requires us to provide certain information to consumers whose credit applications are not approved on the basis of a consumer credit report obtained from a national credit bureau and sets forth requirements related to identity theft, privacy and enhanced accuracy in credit reporting content. We are also subject to the Servicemember's Civil Relief Act that prohibits us from charging interest in excess of 6% on transactions with customers who subsequently enter into full-time service with the military and request such interest rate modification, and limits our ability to collect future payments from lease customers who terminate their lease early. Many states have enacted laws offering similar protections for servicemembers. In addition, we are subject to other federal regulation, including the Gramm-Leach-Bliley Act, which requires us to maintain confidentiality and safeguard certain consumer data in our possession and to communicate periodically with consumers on privacy matters.

A majority of states have enacted legislation establishing licensing requirements to conduct retail and other finance activities. Most states also impose limits on the maximum rate of finance charges. In certain states, the margin between the present statutory maximum interest rates and borrowing costs is sufficiently narrow that, in periods of rapidly increasing or high interest rates, there could be an adverse effect on our operations in these states if we were unable to pass on increased interest costs to our customers. State laws also impose requirements and restrictions on us with respect to, among other matters, required credit application and finance and lease disclosures, late and other fees and charges, the right to repossess a vehicle for failure to pay or other defaults under the finance or lease contract, other rights and remedies we may exercise in the event of a default under the finance or lease contract, privacy matters and other consumer protection matters.

On July 21, 2010, the Dodd-Frank Act became law. Although the Dodd-Frank Act generally took effect on July 22, 2010, some provisions still require implementing regulations to be issued before they are effective. Compliance with the implementing regulations under the Dodd-Frank Act or the oversight of the SEC, CFPB or other government entities, as applicable, may impose costs on, create operational constraints for, or place limits on pricing with respect to finance companies such as us. Many provisions of the Dodd- Frank Act are required to be implemented through rulemaking by the appropriate federal regulatory agencies. As such, in many respects, the ultimate impact of the Dodd-Frank Act and its effects on the financial markets and their participants will not be fully known for an extended period of time. In particular, no assurance can be given that these new requirements imposed, or to be imposed after implementing regulations are issued, by the Dodd-Frank Act will not have a significant impact on our business or the business of our subsidiaries. See “Risk Factors—Risks Relating to Our Business—Financial regulatory reform could have a significant impact on our business, financial condition and results of operations.”

The CFPB is responsible for implementing and enforcing various federal consumer protection laws and supervising certain depository institutions and non-depository institutions offering financial products and services to consumers. The CFPB issued a final rule that became effective August 31, 2015 defining which non-depository institutions would be considered larger participants of a market for automobile financing. Under the definitions included in the final rule, we are considered a larger participant in a market for automobile financing. As a larger participant under the final rule, we are subject to supervision and examination by the CFPB. In addition to its supervision and examination authority, the CFPB has broad authority to conduct investigations to determine whether any person is engaging in, or has engaged in, conduct that violates federal consumer financial laws, and to initiate enforcement actions for such violations, regardless of its direct supervisory authority. The CFPB can obtain cease and desist orders, which may include orders for restitution or rescission of contracts as well as other kinds of affirmative relief, and civil money penalties. Also, where a company has violated the Dodd-Frank Act or CFPB regulations, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the type of cease and desist orders available to the CFPB. Expanded CFPB jurisdiction over our business will likely increase our compliance costs and regulatory risks. We cannot assure you that expanded CFPB jurisdiction will not have a material adverse effect on our business, results of operations and financial condition.

The CFPB has issued public guidance regarding compliance with the fair lending requirements of the Equal Credit Opportunity Act, and its implementing regulation, for automobile lenders that permit automobile dealers to charge the consumer an interest rate that is higher than the rate the lender provides the dealer for a consumer. This increased rate is typically called a “dealer markup.” The CFPB, the New York State Department of Financial Services (“NYSDFS”) and the Department of Justice (“DOJ”) have contacted us and other auto finance providers to request information about discretionary pricing practices, including allowing dealer markups. In January 2018 the CFPB and the DOJ sent letters to HCA indicating that they were closing their fair lending investigations and not recommending any enforcement action at this time. We are cooperating with the request for information from NYSDFS. Although the NYSDFS has not alleged any wrongdoing on our part, we cannot predict the outcome of this inquiry.

During 2019 – 2021, HCA was served with Civil Investigative Demands from the CFPB seeking to determine whether auto lenders, including HCA, in connection with the servicing of auto loans and leases, had complied with the Fair Credit Reporting Act and related regulations. HCA responded to the requests for information within the agreed upon deadlines and otherwise cooperated with the CFPB with respect to this matter. On July 26, 2022, without admitting any fault or wrongdoing, HCA entered into a $19.2 million settlement agreement with the CFPB with respect to credit reporting practices covered by the investigation.

We continually review our operations for compliance with applicable laws. We are subject to various regulatory, financial and other requirements of the jurisdictions in which we operate. In light of current conditions in the global financial markets, regulators have increased their focus on the regulation of the financial services industry, including the segment in which we operate. As a result, there have been and may continue to be proposals for laws and regulations that could increase the scope and nature of laws and regulations that are currently applicable to us.

Employees

At December 31, 2023, we had approximately 1,601 full time employees. We consider our employee relations to be satisfactory. We are not subject to any collective bargaining agreements with our employees.

Legal Proceedings

We are involved in periodic litigation in the ordinary course of our business, including contract claims brought by those to whom we extend financing. We do not believe that there are any material pending or threatened legal proceedings, including ordinary litigation incidental to the conduct of our business that, if determined against us, would have a material adverse effect on our business, financial condition, results of operations or liquidity. However, we cannot assure you that future litigation will not adversely affect us.

Properties

HCA's headquarters are located at 3161 Michelson Drive, Irvine, California 92612. We lease spaces for our regional service centers in California, Georgia, and Texas.

MANAGEMENT

Our executive officers and directors are as follows:

Name	Position
Marcelo A. Brutti	President and Chief Executive Officer; Director
Kwan Mook Lim	Chief Financial Officer
Daniel Novotny	Chief Risk Officer
Andrew Leone	Chief Commercial Officer
Andrea Gildea	Secretary
Charley C. Yoon	Treasurer and Assistant Secretary
Jinwon Mok	Director
Ross C. Williams	Director
Woo Yeol Kim	Director
Goowon Yoon	Director
Jaejun Chang	Director

Marcelo A. Brutti was appointed President and Chief Executive Officer and a Director of HCA in April 2023. Mr. Brutti had previously been the Chief Risk Officer of HCA where he led the Risk Division in charge of consumer risk, consumer credit, commercial credit and risk, enterprise data strategy and information protection departments between 2016 and 2019. Prior to rejoining HCA, Mr. Brutti served as Chief Risk Officer at City National Bank between 2019-2022. Previous to his tenure at HCA and City National Bank, Mr. Brutti served in various leadership roles at Santander Bank, TD Bank Group and VISA.

Kwan Mook Lim joined Hyundai Capital America as Chief Financial Officer in March 2022. Most recently, Mr. Lim served as Hyundai Capital Canada's Chief Executive Officer and prior to that as Deputy Managing Director at Hyundai Capital U.K. Previously, Mr. Lim spent over 20 years at Hyundai Capital Services ("HCS"), where he held a variety of management positions across finance including Treasury and FP&A, and as head of HCS' Global Finance Department where he managed global Hyundai Capital entities' performance.

Daniel Novotny was appointed Chief Risk Officer in April 2023. Prior to his appointment as Chief Risk Officer, Mr. Novotny held leadership roles at HCA in the Collections and Recovery, Remarketing and Lease End Services and Hyundai Capital Insurance departments. Before he joined HCA, Mr. Novotny was a principal at The Boston Consulting Group.

Andrew Leone was appointed Chief Commercial Officer in January 2024. Prior to his appointment as Chief Commercial Officer, Mr. Leone was the Vice President, Commercial and Mobility Business for 8 years. Previously, Mr. Leone worked in various management roles at Nissan Motor Acceptance Corporation and Chrysler Financial.

Andrea Gildea was appointed Secretary in January 2024. Ms. Gildea is Vice President and General Counsel of Hyundai Capital America where she leads the Legal and Compliance department. Prior to joining HCA in 2024, Ms. Gildea was Global Head of Legal at Wise PLC (formerly TransferWise) and held leadership roles at CLS Bank.

Charley C. Yoon was appointed Treasurer in July 2016 and Assistant Secretary in January 2024. Mr. Yoon leads the Treasury department, including managing treasury funding and operational risks and communicating our financial performance and corporate strategy to the investment community. Prior to joining HCA in 2005, Mr. Yoon worked in various finance roles at Hyundai Motor America, Bank of Tokyo and Pacific Life Insurance.

Jinwon Mok was appointed Chief Executive Officer of HCS in May 2021. Prior to his appointment as Chief Executive Officer, Mr. Mok served as Senior Vice President for HCS and in various in leadership roles at Doosan Heavy Industries and Doosan Power System. He was elected to HCA's board of directors in June 2022.

Ross C. Williams was appointed Executive Vice President, Head of Global Business Division for Hyundai Capital Services in February 2023. He was also concurrently appointed as Head of Hyundai Capital Americas

Region. From 2015 through 2023, Mr. Williams served as President and Chief Executive Officer of HCA. Prior to that, Mr. Williams was the President and Chief Executive Officer at Hyundai Capital Canada Inc., a majority owned subsidiary of HMC and also held various management positions at HCA. Mr. Williams has been a Director of HCA since 2015.

Woo Yeol Kim was appointed Head of the Financial Management Group of HMC in January 2024 and was elected to HCA's board of directors in January 2024. Previously, Mr. Kim held various management positions at Hyundai Motor Company, including as Chief Financial Officer in Hyundai Motor UK Limited.

Goowon Yoon was appointed Chief Financial Officer of Hyundai Motor North America ("HMNA") in January 2023 and was elected to HCA's board of directors in January 2023. Mr. Yoon also concurrently serves as the Executive Coordinator of Profit Optimization COO Office for HMNA. Prior to joining HMNA, Mr. Yoon held various management positions at HMC.

Jaejun Chang is the Vice President, Chief Financial Officer of Kia North America and was elected to HCA's board of directors in March 2023. Prior to joining Kia North America, Mr. Chang held various management positions at KC.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Support Agreement

Pursuant to the support agreement with HMC dated as of August 22, 2012, HMC has agreed to: (1) directly or indirectly through its controlled subsidiaries and entities subject to joint control, own one hundred percent (100%) of the issued and outstanding shares of our stock; (2) cause us to have a positive consolidated tangible net worth, as determined in accordance with U.S. generally accepted accounting principles and as shown on our most recent audited annual consolidated balance sheet; and (3) take all action necessary, including making cash contributions to us, required to maintain our fixed-charge coverage ratio at not less than 1.10-to-1 on a four-quarter rolling basis. The support agreement is governed by the laws of the State of California.

The support agreement may be terminated by either us or HMC and may be modified or amended by written agreement between us and HMC, in each case, with 30 days prior written notice. However, so long as any loan agreement, bonds, debentures, notes and other debt securities ("Debt") is outstanding, no such action will be effective with respect to such Debt if it would constitute a default unless (i) each holder of any of the Debt (or the requisite holders specified in the document governing such Debt) consents or (ii) with respect to Debt that is rated by one or more rating agencies, each such rating agency confirms in writing it will not withdraw or reduce its rating of such Debt.

The support agreement is not, and nothing done pursuant to the support agreement by HMC shall be deemed to constitute, a guarantee by HMC of any of the Notes offered hereby, or other obligation, indebtedness or liability of any kind or character of HCA whatsoever.

All holders of the Notes offered hereby are third-party beneficiaries of the support agreement, provided that the third-party beneficiary rights of the holders of the Notes offered hereby under the support agreement are limited to the right to proceed against HMC directly to enforce HMC's stock ownership requirement, the net worth requirement and the fixed charge coverage requirement under the support agreement. HMC has agreed to submit to the non-exclusive jurisdiction of the competent courts in California in relation to any legal action or proceeding arising out of the support agreement. An "event of default" with respect to the Notes offered hereby will have occurred if (1) the support agreement is not (or is claimed by either party to the agreement not to be) in full force and effect; (2) is modified, amended or terminated in circumstances where such modification, amendment or termination would have a material adverse effect upon any holder of the Notes offered hereby; or (3) HMC fails to perform or observe any obligation on its part under the support agreement so as to affect materially and adversely the interests of any holder of the Notes offered hereby. For more information relating to events of default with respect to the Notes, see "Description of the Notes—Events of Default, Notice and Waiver."

Financial and other information concerning HMC is provided in Appendix A to this Offering Memorandum for background purposes only in view of the existence of the support agreement. Inclusion of the financial and other information regarding HMC should not be treated as implying that the support agreement can be viewed as a guarantee.

Relationships with Affiliates

Our business is substantially dependent upon the sale of Hyundai and Kia vehicles. Our ability to offer competitive financing in the United States also depends on HMA and KUS. HMA is the primary distributor of Hyundai vehicles in the United States. For the years ended December 31, 2023, 2022 and 2021, Hyundai vehicles accounted for approximately 5.6%, 5.6% and 5.2%, respectively, of all retail automobile and light truck unit sales volume in the United States. HMA and its affiliates utilize excess cash by providing intercompany loans to HMA affiliates which require cash. Currently, excess cash from operations of HMA and other affiliates is lent to us in the form of an intercompany loan at market rates. We had $3.4 billion, $5.2 billion and $2.7 billion at December 31, 2023, 2022 and 2021, respectively, of outstanding affiliate borrowings owed to HMA and other affiliates. These affiliate borrowings comprise a source of funds for us. The borrowings come due generally within three months to three years and we expect to refinance them. For a discussion of intercompany loans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet, Liquidity and Capital Resources—Funding Sources and Liquidity."

KUS is the primary distributor of Kia vehicles in the United States. For the years ended December 31, 2023, 2023 and 2021, Kia vehicles accounted for approximately 5.0%, 5.0% and 4.7%, respectively, of all retail automobile and light truck unit sales volume in the United States.

HMA sponsors vehicle incentive financing programs, which include yield and residual value and other end of term incentives. Under the yield incentive program, we purchase the retail and lease contracts and charge HMA an amount such that an acceptable return is realized. Under the residual value and other end of term incentive program, we charge HMA an amount equal to a maximum of 6% of the published residual amounts. The amounts we billed to HMA for various yield incentive programs were $672.0 million, $197.3 million and $118.7 million for the years ended December 31, 2023, 2022 and 2021, respectively. These amounts are recognized in financing revenues over the terms of the related contracts. The amounts we billed to HMA for residual value and other end of term incentive programs were $3.5 million, $1.9 million and $0.1 million for the years ended December 31, 2023, 2022 and 2021, respectively. The effect of the residual value incentive program is a reduction of depreciation expense over the life of the lease. Other end of term incentive programs consist of disposition fees paid on behalf of loyal customers and are recorded in financing revenue. The outstanding receivable balance for HMA yield incentive programs were $339.5 million, $85.7 million and $61.9 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The outstanding receivable balance for HMA residual value and other end of term incentive programs were $194.3 million, $143.1 million and $105.3 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The residual value and other end of term incentive receivable balance due from HMA for each period presented consists primarily of an estimated future billing amount for units covered under the incentive program but not billable until end of lease term. The estimated future billing corresponding amounts are included as a reduction of the investment in operating leases, net.

KUS sponsors vehicle incentive financing programs, which include yield and residual value and other end of term incentives. Under the yield incentive program, we purchase the retail and lease contracts and charge KUS an amount such that an acceptable return is realized. Under the residual value and other end of term incentive program, we charge KUS an amount equal to a maximum of 6% of the published residual amounts. The amounts we billed to KUS for various yield incentive programs were $159.3 million, $11.7 million and $77.3 million for the years ended December 31, 2023, 2022 and 2021, respectively. These amounts are recognized in financing revenues over the terms of the related contracts. The amounts we billed to KUS for residual value and other end of term incentive programs were $0.7 million, $0.0 million and $0.0 million for the years ended December 31, 2023, 2022 and 2021, respectively. The effect of the residual value incentive program is a reduction of depreciation expense over the life of the lease. Other end of term incentive programs consist of disposition fees paid on behalf of loyal customers and are recorded in financing revenue. The outstanding receivable balance for KUS yield incentive programs were $186.6 million, $8.3 million and $126.5 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The outstanding receivable balance for KUS residual value and other end of term incentive programs were $131.8 million, $115.4 million and $94.9 million for the years ended December 31, 2023, 2022 and 2021, respectively, and are a component of due from affiliates, net. The residual value and other end of term incentive receivable balance due from KUS for each period presented consists primarily of an estimated future billing amount for units covered under the incentive program but not billable until end of lease term. The estimated future billing corresponding amounts are included as a reduction of the investment in operating leases, net.

HMA charges us a negotiated fee for various personnel, administrative and operating expenses related to shared services that were provided by HMA. HMA charged us fees of $2.2 million, $2.1 million and $1.6 million for the years ended December 31, 2023, 2022 and 2021, respectively.

HCA provides marketing support to HMA and KUS to jointly increase the brand image and grow the customer base. As of December 31, 2023, 2022 and 2021, HCA recorded $50.0 million, $97.1 million and $0.0 million, respectively.

HCA pays a royalty to HCS for the provision of business expertise and related services. For the years ended December 31, 2023, 2022 and 2021, HCA recorded $26.7 million, $28.7 million and $28.7 million, respectively, in royalty expense.

Our financial position, results of operations and cash flows would have been different if the relationships with HMC, HMA, KUS and HCS did not exist. These transactions and arrangements may be discontinued at any time. See “Risk Factors—Risks Relating to Our Business—Our results and financial condition are dependent, in large part, on significant transactions with our affiliates, including affiliate borrowings.”

DESCRIPTION OF THE NOTES

This section summarizes the material provisions of the indenture and the Notes. This summary is subject to and qualified in its entirety by reference to all the provisions of the Indenture and the Notes. In this description, the words "Company," "we," "us" and "our" refer only to Hyundai Capital America and its subsidiaries and not to HMC, HMA or their subsidiaries.

The Notes will be obligations solely of HCA and will not be obligations of, or directly or indirectly guaranteed by, HMC, HMA or any of their affiliates.

General

Unless otherwise specified in the applicable Pricing Supplement, the following description of the Notes will apply. The Notes will be issued as a separate series of debt securities pursuant to an indenture, dated as of October 1, 2012 (as supplemented, the "Indenture"), between us and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The following summary of certain provisions of the Indenture and the Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture, including the definitions therein of certain terms, the Notes and the applicable Pricing Supplement. You may obtain a copy of the Indenture from the Company or the Agents upon request.

Calculation of the interest rates and the amount of interest payable from time to time with respect to Floating Rate Notes will be made pursuant to a Calculation Agency Agreement between the Company and the calculation agent specified in the applicable Pricing Supplement (the "Calculation Agency Agreement").

The Indenture does not limit the amount of indebtedness that may be incurred by the Company from time to time. As of the date of this Offering Memorandum, the Company has authorized the offer and sale from time to time of Notes in an aggregate principal amount of up to $60,000,000,000 or the equivalent in one or more foreign currencies at any one time outstanding. The Company may from time to time, without the consent of or notice to the holders of the outstanding Notes, provide for the issuance of Notes under the Indenture in addition to the aggregate principal amount of Notes authorized as of the date of this Offering Memorandum.

The Notes and all the obligations of the Company under the Notes will be direct, unsecured and unsubordinated indebtedness of the Company. The Notes will rank *pari passu* in priority of payment among themselves and with other unsecured and unsubordinated existing and future indebtedness of the Company.

We may from time to time, without giving notice to or seeking the consent of the holders of the Notes, issue debt securities having the same terms (except for the issue date and, in some cases, the offering price and the first interest payment date) as, and ranking equally and ratably with, the Notes of a particular tranche. Such additional debt securities will be consolidated and form a single tranche with, have the same CUSIP number as and trade interchangeably with such previously issued Notes, so long as such additional debt securities are fungible for U.S. federal income tax purposes with the previously issued Notes.

Except as described in this Offering Memorandum and unless otherwise specified in the applicable Pricing Supplement, the Notes (i) will be issued in fully registered form without coupons in minimum denominations of U.S. $2,000 and in integral multiples of U.S. $1,000 in excess thereof (or the equivalent amount in one or more foreign currencies as set forth in the applicable Pricing Supplement); (ii) will be denominated and payable in U.S. dollars (or one or more foreign currencies as set forth in the applicable Pricing Supplement); and (iii) will be represented initially by a Global Note registered in the name of a nominee of DTC, as depository, or another depository named in the applicable Pricing Supplement. Except as provided under "— Reset Notes" and "— Extension of Maturity Date," the Notes will not be repayable at the option of the holder prior to their stated maturity. The Notes will not be subject to any sinking fund.

The Notes will be offered on a continuous basis and will mature on any day one year or more from the date of issue as agreed upon by the purchaser and the Company and specified in the applicable Pricing Supplement, subject to the right of the Company to extend the stated maturity date, if so provided in the applicable Pricing

Supplement. Unless otherwise specified in the applicable Pricing Supplement, the Notes will either be Fixed Rate Notes that bear interest at fixed rates, which may be zero in the case of certain Notes issued at a discount from the principal amount payable at maturity (as described under "— Original Issue Discount; Zero Coupon Notes"), or Floating Rate Notes that bear interest at floating rates determined by reference to one or more of the Base Rates described below, which may be adjusted by a Spread and/or a Spread Multiplier and which may be subject to a Maximum Interest Rate and/or Minimum Interest Rate, until the principal thereof is paid or made available for payment.

Interest rates, the interest rate formula and other terms of the Notes described herein are subject to change by the Company from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Company.

Notes may from time to time be issued with terms and provisions that differ from those described in this Offering Memorandum. In such event, the terms of such Notes will be set forth in the applicable Pricing Supplement, which terms and description will supersede the description of the Notes contained herein to the extent inconsistent therewith.

"Business Day" means, unless otherwise specified in the applicable Pricing Supplement, any day, other than a Saturday or Sunday, that is not a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York; *provided*, *however*, that, with respect to non-United States dollar-denominated Notes, the day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center, as defined below, of the country issuing the specified currency or, if the specified currency is euro, the day is also a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("TARGET") System or any successor or replacement for that system is open (a "TARGET Settlement Day").

"Principal Financial Center" means, unless otherwise specified in the applicable Pricing Supplement, the capital city of the country issuing the specified currency, except that with respect to U.S. dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the "Principal Financial Center" will be The City of New York, Sydney, Toronto, Johannesburg and Zurich, respectively.

"London Banking Day" means a day that is not a Saturday or Sunday and on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

Payments on the Notes

Interest payable with respect to a Note on any Interest Payment Date (as defined below) will be paid to the person in whose name such Note (or one or more predecessor Notes) is registered at the close of business on the record date immediately preceding such Interest Payment Date, *provided* that interest payable at stated maturity or upon any earlier date of redemption (each such stated maturity date or date of redemption being hereinafter referred to as a "Maturity Date" with respect to the principal amount due on such date) will be payable to the person to whom principal shall be payable. Unless otherwise specified in the applicable Pricing Supplement, the first payment of interest on any Note will be made on the first Interest Payment Date succeeding the date of original issue thereof (the "Original Issue Date") to the person in whose name such Note (or one or more predecessor Notes) is registered at the close of business on the record date with respect to such Interest Payment Date; provided that if a Note is originally issued between a regular record date and an Interest Payment Date, then the first payment of interest will be made on the Interest Payment Date following the next succeeding regular record date to the registered owner on such regular record date. Any such interest not so punctually paid or duly provided for on any Interest Payment Date will forthwith cease to be payable to the person in whose name such Note (or one or more predecessor Notes) is registered at the close of business on the relevant record date (or, if relevant, the person entitled to payment on an applicable Maturity Date) and may either (1) be paid to the person in whose name such Note (or one or more predecessor Notes) is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to the holders of Notes by mail sent to their registered addresses not less than ten days prior to such special record date or (2) be paid at any time in any other lawful manner.

For information with respect to payments on Notes denominated in or payable in a currency other than U.S. dollars, see "—Foreign Currency Notes" below.

In the limited circumstances in which certificated notes ("Certificated Notes") are issued, payments of interest on Certificated Notes, other than interest payable with respect to the principal amount due on any Maturity Date with respect to a Certificated Note, will be made by check mailed to the registered holder entitled to that interest as described above. Notwithstanding the foregoing, a registered holder of not less than U.S. $10,000,000 aggregate principal amount of Certificated Notes that are denominated and pay interest in U.S. dollars and have the same Interest Payment Dates may, by written notice to the Trustee on or before the record date preceding an Interest Payment Date, arrange to have the interest payable on all such Notes, held by such holder on such Interest Payment Date, and all subsequent Interest Payment Dates until written notice to the contrary is given to the Trustee as aforesaid, made by wire transfer of immediately available funds to an account at a bank in the United States (or other bank consented to by the Company and the Trustee) as the holder of such Notes shall have designated, *provided* that such bank has appropriate facilities therefor.

The principal, premium, if any, and interest on any Certificated Note that is due at a Maturity Date will be paid in immediately available funds against presentation and surrender (by overnight delivery) of such Note at the office of the Trustee maintained for such purpose at U.S. Bank Trust Company, National Association, 100 Wall Street, 16th Floor, New York, New York 10005, Attention: Corporate Trust Operations, or such other office or agency of which the registered holders receive notice from the Trustee; *provided*, *however*, that if such payment is to be made by wire transfer, the Trustee shall have received, not less than 15 Business Days prior to such Maturity Date, appropriate wire transfer instructions therefor. Payment of the principal amount of each Note and interest thereon that is due at maturity will be made on such Maturity Date (see "— Fixed Rate Notes" and "— Floating Rate Notes") *provided* that the Note is surrendered to the Trustee prior to 3:00 P.M., New York City time, on such Maturity Date and the Trustee has confirmation of receipt of funds from the Company.

The Company and the Trustee and any agent of the Company or the Trustee may treat the person in whose name a Note is registered at the relevant time specified above or in the Note as the owner of such Note for the purpose of receiving payments of principal, premium, if any, and interest on such Note and for all other purposes whatsoever.

Any money deposited with the Trustee and remaining unclaimed for two years after the date upon which the last payment of principal, premium, if any, and interest on any Note to which such deposit relates shall have become due and payable, shall be repaid to the Company by the Trustee on demand, and the holder of any Note to which such deposit related entitled to receive payment shall thereafter look only to the Company for the payment thereof and all liability of the Trustee with respect to such money shall thereupon cease.

In the absence of a written request from the Company to return unclaimed funds to the Company, the Trustee shall from time to time deliver all unclaimed funds to or as directed by applicable escheat authorities, as determined by the Trustee in its sole discretion, in accordance with the customary practices and procedures of the Trustee. Any unclaimed funds held by the Trustee pursuant to this and the preceding paragraph shall be held uninvested and without any liability for interest.

For a description of procedures for payment of principal, premium, if any, and interest on Notes represented by a Global Note, see "— Form, Denomination, Transfer and Exchange; Book-Entry Registration."

Foreign Currency Notes

Unless otherwise specified in the applicable Pricing Supplement, the Notes will be denominated in U.S. dollars, the Company will make payments of principal, premium, if any and interest on the Notes in U.S. dollars and you must pay the purchase price of the Notes in U.S. dollars in immediately available funds. If any of the Notes ("Foreign Currency Notes") are to be denominated or payable in a currency other than U.S. dollars (a "Specified Currency"), the following provisions will apply, unless otherwise specified in the applicable Pricing Supplement.

The applicable Pricing Supplement will set forth information about the Specified Currency in which a particular Foreign Currency Note is denominated and/or payable, including historical exchange rates and a description of the currency and any exchange controls. Any information the Company provides you concerning exchange rates is provided as a matter of information only and you should not regard it as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

Unless otherwise specified in the applicable Pricing Supplement, Foreign Currency Notes will not be sold in, or to residents of, the country issuing the Specified Currency in which such Notes are denominated. The information described in this Offering Memorandum is directed to prospective purchasers who are United States residents, and the Company disclaims any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal of and interest on Foreign Currency Notes. Such persons should consult their own counsel with regard to such matters.

Unless otherwise specified in the applicable Pricing Supplement, you are required to pay for Foreign Currency Notes in the Specified Currency. At the present time, there are limited facilities in the United States for conversion of U.S. dollars into Specified Currencies and vice versa, and banks may elect not to offer non-U.S. dollar checking or savings account facilities in the United States. However, at your request on or prior to the third Business Day preceding the date of delivery of the Foreign Currency Notes, or by such other day as determined by the relevant Agent, that Agent may be prepared to arrange for the conversion of U.S. dollars into the applicable Specified Currency specified in the applicable Pricing Supplement to enable the purchasers to pay for the Foreign Currency Notes. Each such conversion will be made by the Agent or Agents on the terms and subject to the conditions, limitations and charges as the Agent may from time to time establish in accordance with their regular foreign exchange practices. If you purchase Foreign Currency Notes you will pay all costs of exchange.

Unless otherwise specified in the applicable Pricing Supplement, payments of principal of (and premium, if any) and interest, if any, on, a Foreign Currency Note will be converted by the exchange rate agent named in the applicable Pricing Supplement (the "Exchange Rate Agent") into U.S. dollars based on the highest firm bid quotation expressed in U.S. dollars received by the Exchange Rate Agent at approximately 11:00 A.M., New York City time, on the second Business Day preceding the applicable payment date (or if no such rate is quoted on that date, the last date on which the rate was quoted) from three, or if three are not available, then two, recognized foreign exchange dealers in New York City, one or more of which may be an Agent, and another of which may be the Exchange Rate Agent, that are selected by the Exchange Rate Agent and approved by the Company. If the above quotations cannot be obtained, payment will be made in the Specified Currency unless the Specified Currency is unavailable due to the imposition of exchange controls or due to other circumstances beyond the Company's control. In that case, the payments will be made as described in the next succeeding paragraph.

The holder of a Foreign Currency Note may, if provided in the applicable Pricing Supplement, elect to receive all payments on the Note in the Specified Currency by delivering a written notice to the Trustee not later than ten calendar days prior to the applicable payment date. The election will remain in effect until revoked by a written notice to the Trustee that is received not later than ten calendar days prior to the applicable payment date. If an Event of Default has occurred or the Company has exercised any discharge or defeasance options or given notice of redemption of a Note, no such change of election may be made. Any such payments will be made by wire transfer of immediately available funds to such account as is maintained in such Specified Currency at a bank or other financial institution acceptable to the Company and the Trustee and as shall have been designated at least ten calendar days prior to the applicable payment date by the holder entitled to receive such payment. Unless revoked, any such account designation with respect to a Note by the holder thereof will remain in effect with respect to any further payments with respect to the Note payable to such holder. If an Event of Default has occurred or the Company has exercised any discharge or defeasance options or given notice of redemption of this Note, no such revocation may be made. If a payment in a Specified Currency other than U.S. dollars with respect to a Note cannot be made by wire transfer because the required account designation has not been received by the Trustee on or before the requisite date or for any other reason, the Company will cause a notice to be given to the holder of the Note at its registered address requesting an account designation pursuant to which such wire transfer can be made and such payment will be made within five Business Days after the Trustee's receipt of such a designation meeting the requirements specified above, with the same force and effect as if made on the due date. The Company will pay any administrative costs imposed by banks in connection with making payments by wire transfer with respect to the

Notes, but any tax, assessment or other governmental charge imposed upon any payment will be borne by the holder and may be deducted from the payment by the Company or the paying agent. If payment on any Note is required to be made in a Specified Currency other than U.S. Dollars and that Specified Currency is unavailable to the Company for making payments on the Note due to the imposition of exchange controls or other circumstances beyond the Company's control, or is no longer used by the government of the country which issued that Specified Currency or for the settlement of transactions by public institutions of or within the international banking community, then the Company will give written notice to the Trustee as soon as it is aware of such circumstance and shall instead make payments with respect to the Note in U.S. dollars until the Specified Currency is again available or so used. The amount so payable on any date in the Specified Currency will be converted into U.S. dollars at a rate determined by the Exchange Rate Agent on the basis of the most recently available market exchange rate for the specified currency or as otherwise specified in the applicable Pricing Supplement. The market exchange rate means the noon (New York City time) dollar buying rate for cable transfers for such Specified Currency quoted in New York City as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York, as determined by the Exchange Rate Agent. Any payment in respect of a Note made under such circumstances in U.S. dollars will not constitute an Event of Default under the Indenture.

With respect to Book-Entry Notes, DTC or its nominee will be the holder of the Note and will be entitled to all payments on the Note. Although DTC can hold Notes denominated in foreign currencies, all payments to DTC will be made in U.S. dollars. Accordingly, a beneficial owner of a Book-Entry Note that elects to receive payments of principal, premium, if any, and/or interest in the Specified Currency must notify the participant through which it owns its interest on or prior to the applicable regular record date, in the case of a payment of interest, or prior to the Maturity Date, in the case of a payment of principal and/or premium, of that beneficial owner's election. The participant must notify DTC of that election on or prior to the third Business Day after the regular record date or on or prior to the fifteenth Business Day prior to the Maturity Date, as the case may be. DTC will notify the Trustee of the election on or prior to the fifth Business Day after the regular record date or on or prior to the tenth Business Day prior to the Maturity Date, as the case may be. If the participant receives complete instructions from the beneficial owner and those instructions are forwarded by the participant to DTC, and by DTC to the Trustee, on or prior to such dates, then the beneficial owner will receive payments in the Specified Currency. For more information about Global Notes, see "—Form, Denomination, Transfer and Exchange; Book-Entry Registration."

The Exchange Rate Agent will also determine prior to settlement the aggregate amount of the specified currency payable on a payment date for all Notes denominated in the specified currency. All currency exchange costs will be deducted from payments to the holders of the Notes.

Redemption

The Notes will not be subject to any sinking fund and, unless otherwise specified in the applicable Pricing Supplement, the Notes will not be subject to redemption at the option of the Company prior to their respective stated maturities. However, if specified in the applicable Pricing Supplement, a Note will be subject to redemption at the option of the Company on and after the initial redemption date (the "Initial Redemption Date") set forth in such Note, in whole, or in part, in increments of U.S. $1,000 (*provided* that any remaining principal amount of such Note shall be at least U.S. $2,000) (or the equivalent amount in one or more foreign currencies specified in the applicable Pricing Supplement), at a redemption price (the "Redemption Price") determined in accordance with the following paragraph, together with interest accrued on the principal amount to be redeemed to the date of redemption, upon notice mailed to the holder of such Note at its registered address not more than 60 nor less than 30 days prior to the date fixed for redemption.

Unless otherwise specified in the applicable Pricing Supplement, the Redemption Price for any Note subject to redemption at the option of the Company will initially be equal to a certain percentage (the "Initial Redemption Percentage") of the principal amount of such Note to be redeemed and, if the Initial Redemption Percentage is greater than 100%, will decline at each anniversary of the Initial Redemption Date with respect to such Note by a percentage (the "Annual Redemption Percentage Reduction") of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount. The Initial Redemption Date, Initial Redemption Percentage and any Annual Redemption Percentage Reduction, if any, with respect to a Note will be as specified in the applicable Pricing Supplement.

Fixed Rate Notes

Each Fixed Rate Note will bear interest from and including its Original Issue Date or the most recent Interest Payment Date to, but excluding, the relevant Interest Payment Date or Maturity Date as to the principal amount due at such Maturity Date, as the case may be, at the rate per annum specified in the applicable Pricing Supplement until the principal amount thereof is paid or made available for payment. However, as described below under "— Extension of Maturity Date," or if specified in the applicable Pricing Supplement, the rate of interest payable on Fixed Rate Notes may be adjusted from time to time. Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months, and interest will be paid semi-annually as specified in the applicable Pricing Supplement and at stated maturity or upon earlier redemption (if any).

Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes will be payable on the Interest Payment Dates specified in the applicable Pricing Supplement (each, an "Interest Payment Date") and at the Maturity Date as to the principal amount due at such Maturity Date. Unless otherwise specified in the applicable Pricing Supplement, the "record date" for Fixed Rate Notes with respect to any Interest Payment Date will be the fifteenth calendar day immediately preceding such Interest Payment Date, whether or not such date shall be a Business Day.

If any Interest Payment Date or Maturity Date of a Fixed Rate Note falls on a day that is not a Business Day, the Interest Payment Date or Maturity Date, as applicable, shall be adjusted to the next succeeding Business Day, and the related payment of principal, premium, if any, and interest shall be made on such next succeeding Business Day as if it were made on the date such payment was due. No interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or Maturity Date, as the case may be.

Floating Rate Notes

Interest on each Floating Rate Note will be determined by reference to a "Base Rate," which shall be one or more of (a) the "CMT Rate" ("CMT Rate Notes"), (b) the "Commercial Paper Rate" ("Commercial Paper Rate Notes"), (c) "Compounded SOFR" ("Compounded SOFR Notes"); (d) "EURIBOR" ("EURIBOR Notes"), (e) the "Federal Funds (Effective) Rate" ("Federal Funds (Effective) Rate Notes"), (f) the "Federal Funds (Open) Rate" ("Federal Funds (Open) Rate Notes" and, together with Federal Funds (Effective) Rate Notes, "Federal Funds Rate Notes"), (g) the "Prime Rate" ("Prime Rate Notes"), (h) "SOFR" ("SOFR Notes"), (i) the "Treasury Rate" ("Treasury Rate Notes"), or (j) such other base rate or interest rate formula as may be specified in the applicable Pricing Supplement. In addition, a Floating Rate Note may bear interest at a rate determined by reference to the lowest or highest of two or more Base Rates. The Base Rate for any Floating Rate Note will in turn be determined, if applicable, by reference to the Index Maturity specified in the applicable Pricing Supplement. The interest rate on each Floating Rate Note will be calculated by reference to such Base Rate, plus or minus the Spread, if any, and/or multiplied by the Spread Multiplier, if any, in each case, as specified in the applicable Pricing Supplement. The "Index Maturity" will be the period to maturity of the instrument or obligation from which the Base Rate is calculated. The "Spread" will be the number of basis points to be added to or subtracted from the Base Rate for such Floating Rate Note, and the "Spread Multiplier" will be the percentage of the Base Rate applicable to such Floating Rate Note. As described below under "— Extension of Maturity Date," or if specified in the applicable Pricing Supplement, the Spread and/or Spread Multiplier on Floating Rate Notes may be adjusted from time to time.

A Floating Rate Note may also have either or both of the following: (i) a maximum numerical limit, or ceiling (the "Maximum Interest Rate"), on the per annum interest rate in effect with respect to such Note from time to time, and (ii) a minimum numerical limit, or floor (the "Minimum Interest Rate"), on the per annum interest rate in effect with respect to such Note from time to time, provided that the Minimum Interest Rate will not be less than zero, unless specified in the applicable Pricing Supplement. In addition to any Maximum Interest Rate that may apply to any Floating Rate Note pursuant to the foregoing, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law, the maximum rate of interest, with certain exceptions, is 16% per annum on a simple interest basis for securities in which less than $250,000 has been invested and 25% per annum on a simple interest basis for securities in which $250,000 or more has been invested. This limit does not apply to Floating Rate Notes in which U.S. $2,500,000 or more has been invested.

The rate of interest on each Floating Rate Note (except for Floating Rate Notes based on SOFR) will be reset daily, weekly, monthly, quarterly, semi-annually or annually, as specified in the applicable Pricing Supplement. The dates on which such rate of interest will be reset (each, an "Interest Reset Date") will be, in the case of Floating Rate Notes that reset (a) daily, each day; and (b) otherwise (that is, weekly, monthly, quarterly, semi-annually or annually), as agreed to by the purchaser and the Company and specified in the applicable Pricing Supplement.

If an Interest Reset Date for any Floating Rate Note (other than a EURIBOR Note) would fall on a day that is not a Business Day, the Interest Reset Date will be postponed to the next Business Day. If an Interest Reset Date for a EURIBOR Note would fall on a day that is not a TARGET Settlement Day, the Interest Reset Date will be postponed to the next TARGET Settlement Day. If postponement to the next TARGET Settlement Day, in the case of a EURIBOR Note, would cause the Interest Reset Date to be in the next calendar month, the Interest Reset Date will instead be the immediately preceding TARGET Settlement Day, in the case of a EURIBOR Note. If the Interest Reset Date for Treasury Rate Notes falls on a day on which an auction of United States Treasury bills is held, the Interest Reset Date will be the succeeding Business Day.

The interest rate that will take effect with respect to a Floating Rate Note on an Interest Reset Date will be the rate determined as of the applicable "Interest Determination Date." Unless otherwise specified in the applicable Pricing Supplement: the Interest Determination Date with respect to an Interest Reset Date for CMT Rate Notes and Commercial Paper Rate Notes will be the second Business Day prior to such Interest Reset Date; the Interest Determination Date with respect to an Interest Reset Date for Federal Funds Rate Notes and Prime Rate Notes will be the first Business Day prior to such Interest Reset Date; the Interest Determination Date with respect to Compounded SOFR Rate Notes and SOFR Notes is the second U.S. Government Securities Business Day before each Interest Payment Date; the Interest Determination Date with respect to an Interest Reset Date for EURIBOR will be the second TARGET Settlement Day before such Interest Reset Date; the Interest Determination Date with respect to an Interest Reset Date for Treasury Rate Notes will be the day of the week on which Treasury bills normally would be auctioned (Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); *provided*, *however*, that if, as a result of a legal holiday, an auction is held on the Friday of the week preceding an Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and *provided further*, that if an auction shall fall on any Interest Reset Date, then the Interest Reset Date shall instead be the first Business Day following such auction.

The Base Rate in effect with respect to a Floating Rate Note on each day that is not an Interest Reset Date will be the interest rate determined as of the Interest Determination Date pertaining to the immediately preceding Interest Reset Date, and the Base Rate in effect on any day that is an Interest Reset Date will be the interest rate determined as of the Interest Determination Date pertaining to the applicable Interest Reset Date, subject in either case to adjustment by any Spread and/or Spread Multiplier and to any Maximum Interest Rate and/or Minimum Interest Rate referred to above; *provided*, *however*, that (i) the interest rate in effect with respect to a Floating Rate Note for the period from the Original Issue Date to the first Interest Reset Date (the "Initial Interest Rate") will be as agreed upon by the purchaser and the Company and, except where the Initial Interest Rate is set after the Original Issue Date, as specified in the applicable Pricing Supplement and (ii) with respect to Floating Rate Notes with daily or weekly Interest Reset Dates, the interest rate in effect for the two Business Days ending on a Maturity Date or any other Interest Payment Date shall (as to the principal amount due or, as applicable, outstanding on such date) be the interest rate in effect on the second Business Day preceding such Maturity Date or other Interest Payment Date.

Each Floating Rate Note will bear interest from the Original Issue Date to the first Interest Reset Date at the Initial Interest Rate and thereafter upon the basis of the applicable rate determined as described below until the principal thereof is paid or otherwise made available for payment. Interest will be payable in arrears on the dates (each, an "Interest Payment Date") specified in the applicable Pricing Supplement and, in each case, at any Maturity Date as to the principal amount due at such Maturity Date.

If an Interest Payment Date of a Floating Rate Note falls on a day that is not a Business Day, the Interest Payment Date shall be adjusted to the next succeeding Business Day, and the related payment of interest shall be made on such next succeeding Business Day as if it were made on the date such payment was due, except, with respect to a Floating Rate Note that is a EURIBOR Note, that if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be adjusted to the preceding Business Day, and such payment shall be made on such preceding Business Day. Interest shall accrue on the amount so payable for the period from and after such Interest Payment Date. If a Maturity Date of a Floating Rate Note falls on a day that is not a Business Day, principal, premium, if any, and interest payable with respect to such Maturity Date will be paid on the next succeeding Business Day. Such payment will be made with the same force and effect as if made on such Maturity Date. No interest shall accrue on the amount so payable for the period from and after such Maturity Date.

Unless otherwise specified in the applicable Pricing Supplement, the "record date" for Floating Rate Notes with respect to any Interest Payment Date shall be the fifteenth calendar day, whether or not such date shall be a Business Day, prior to such Interest Payment Date.

Unless otherwise specified in the applicable Pricing Supplement, interest payable on any Interest Payment Date or Maturity Date with respect to a Floating Rate Note shall be the amount of interest accrued from and including the Original Issue Date or the most recent Interest Payment Date to, but excluding, such Interest Payment Date or such Maturity Date as to the principal amount due at such Maturity Date.

Unless otherwise specified in the applicable Pricing Supplement, interest will be paid monthly, quarterly, semi-annually or annually, as agreed to by the purchaser and the Company and as specified in the applicable Pricing Supplement, and at stated maturity or upon earlier redemption (if any).

Accrued interest on a Floating Rate Note (except for Floating Rate Notes based on SOFR) will be calculated by multiplying the principal amount of such Floating Rate Note by the actual number of days in the interest period, by the interest rate inclusive of Spread, and dividing by 360, or in the case of Treasury Rate Notes, by the actual number of days in the year or, in the case of EURIBOR Notes, by 365.

The calculation agent (the "Calculation Agent") will be specified in the applicable Pricing Supplement. The Calculation Agent will calculate the interest rate on or before any applicable Calculation Date pursuant to the Calculation Agency Agreement. Upon the request of the registered holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect and the interest rate that will become effective as a result of a determination already made and confirmed as provided in the Calculation Agency Agreement with respect to such Floating Rate Note. Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date," where applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day preceding the applicable Interest Payment Date or Maturity Date, as the case may be. All determinations by the Calculation Agent, in the absence of manifest error, will be conclusive for all purposes and binding on the holders of Floating Rate Notes.

All percentages resulting from any calculation on Floating Rate Notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (1/100,000), with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or 0.09876545) will be rounded upward to 9.87655% (or 0.0987655)), and all U.S. dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one-half cent or greater being rounded upward). All amounts in currencies other than U.S. dollars used in or resulting from calculations relating to Floating Rate Notes denominated in such other currencies will be rounded to the nearest 1/100 of a full unit of the relevant currency (with 0.005 of the relevant subunit rounded upward) unless otherwise agreed to by the purchaser and the Company and specified in the applicable Pricing Supplement.

As previously described, the Initial Interest Rate in effect with respect to a Floating Rate Note from the Original Issue Date to the first Interest Reset Date will be specified in the applicable Pricing Supplement, unless the Interest Determination Date does not occur until after the Original Issue Date. The interest rate for each subsequent Interest Reset Date will be determined by the Calculation Agent by reference to the applicable Base Rate or Base Rates determined as set forth below, plus or minus any Spread and/or multiplied by any Spread Multiplier and subject to any Maximum Interest Rate and/or Minimum Interest Rate, as specified in the applicable Pricing Supplement.

The Base Rate definitions that may be applicable for purposes of calculating interest on the Floating Rate Notes denominated in U.S. dollars include the following:

CMT Rate: Unless otherwise specified in the applicable Pricing Supplement, "CMT Rate" will mean, with respect to any Interest Determination Date relating to a CMT Rate Note or any Interest Determination Date for a Floating Rate Note for which the interest rate is determined with reference to the CMT Rate (a "CMT Rate Interest Determination Date"):

(1) the rate on the applicable CMT Rate Interest Determination Date displayed on the Designated CMT Reuters Page, as defined below, for

- the rate on that CMT Rate Interest Determination Date displayed on Reuters Page FRBCMT, or
- the weekly or monthly average on Reuters Page FEDCMT, for the week that ends immediately preceding the week in which the related CMT Rate Interest Determination Date falls, or the month that ends immediately before the month in which the relevant CMT Rate Interest Determination Date falls, as applicable, or

(2) if the above rate is no longer displayed on the relevant page, or if not displayed by 3:00 P.M., New York City time, on the applicable Calculation Date, then the CMT Rate will be the applicable Treasury Constant Maturity rate for the Designated CMT Maturity Index and for either the relevant CMT Rate Interest Determination Date or the weekly or monthly average, as applicable, as published in H.15Daily Update,

(3) if the rate referred to in clause (2) is no longer published, or if not published by 3:00 P.M., New York City time, on the applicable Calculation Date, then the CMT Rate will be the Treasury Constant Maturity rate for the Designated CMT Maturity Index or other U.S. Treasury rate for the Designated CMT Maturity Index on the CMT Rate Interest Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Reuters Page and published in the relevant H.15Daily Update, or

(4) if the information described in clause (3) is not provided by 3:00 P.M., New York City time, on the applicable Calculation Date, then the Calculation Agent will determine the CMT Rate to be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Rate Interest Determination Date, reported, according to their written records, by three leading primary U.S. government securities dealers in The City of New York, selected by the Calculation Agent as described in the following sentence. The Calculation Agent will select five securities dealers, after consultation with the Company, and will eliminate the highest quotation or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for the most recently issued direct noncallable fixed rate obligations of the United States, which are commonly referred to as "Treasury notes," with an original maturity of approximately the Designated CMT Maturity Index, a remaining term to maturity of no more than one year shorter than that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time. If two Treasury notes with an original maturity as described above have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the Treasury note with the shorter remaining term to maturity will be used,

(5) if the Calculation Agent cannot obtain three Treasury notes quotations as described in clause (4), the Calculation Agent will determine the CMT Rate to be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Rate Interest Determination Date of three securities dealers in The City of New York, selected using the same method described in clause (4), for Treasury notes with an original maturity equal to the number of years closest to, but not less than the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time,

(6) if three or four (and not five) of the reference dealers are quoting offered rates as described above, then the CMT rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of those quotes will be eliminated, or

(7) if less than three dealers selected by the Calculation Agent are quoting offered rates as mentioned in clause (6), the rate with respect to such CMT Rate Interest Determination Date will be the rate in effect on the applicable CMT Rate Interest Determination Date.

"**Designated CMT Maturity Index**" means the original period to maturity of the U.S. Treasury securities, which is either 1, 2, 3, 5, 7, 10, 20 or 30 years, specified in the applicable Pricing Supplement for which the CMT rate will be calculated. If no maturity is specified in the applicable Pricing Supplement, the Designated CMT Maturity Index will be two years.

"**Designated CMT Reuters Page**" means the display on the Reuters 3,000 Xtra Service ("Reuters"), or any successor service, on the page designated in the applicable Pricing Supplement or any other page as may replace that page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15 Daily Update. If no page is specified in the applicable Pricing Supplement, the Designated CMT Reuters Page will be FEDCMT for the most recent week.

"**H.15 Daily Update**" means the daily statistical release designated as such published by the Federal Reserve System Board of Governors, or its successor, available through the web site of the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/h15, or any successor site or publication.

Commercial Paper Rate: Unless otherwise specified in the applicable Pricing Supplement, "Commercial Paper Rate" will mean, with respect to any Interest Determination Date relating to a Commercial Paper Rate Note or any Interest Determination Date for a Floating Rate Note for which the interest rate is determined with reference to the Commercial Paper Rate (a "Commercial Paper Rate Interest Determination Date"),

(1) the Money Market Yield on the applicable Interest Determination Date of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Supplement published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Commercial Paper — Nonfinancial" or "Commercial Paper — Financial," as specified in the applicable Pricing Supplement,

(2) if the rate referred to in clause (1) is not so published by 3:00 P.M., New York City time, on the applicable Calculation Date, the rate on the applicable Interest Determination Date calculated by the Calculation Agent as the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on the applicable Interest Determination Date of three leading dealers of United States dollar commercial paper in The City of New York, which may include the agent and its affiliates, selected by the Calculation Agent (after consultation with the Company) for commercial paper having the Index Maturity specified in the applicable Pricing Supplement placed for financial issuers whose bond rating is "AAA," or the equivalent, from a nationally recognized statistical rating organization, or

(3) if less than three dealers selected by the Calculation Agent are quoting offered rates as mentioned in clause (2), the rate with respect to such Commercial Paper Rate Interest Determination Date will be the rate in effect on the applicable Interest Determination Date.

"**Money Market Yield**" means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days for which interest is being calculated (from and including the last preceding Interest Payment Date for which interest on the relevant Floating Rate Note has been paid or provided for, or from such Note's Original Issue Date, if applicable, and to but excluding the next following Interest Payment Date for such Note).

Compounded SOFR Rate. Unless otherwise indicated in the applicable Note and the related Pricing Supplement, "**Compounded SOFR Rate**" with respect to any interest period, means the rate of return of a daily compound interest investment computed in accordance with the following formula:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SOFR_i\, x\, n_i}{360}\right)-1\right] x\ \frac{360}{d}$$

where:

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

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

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

"n_i", for any U.S. Government Securities Business Day "i" in the relevant Observation Period, is the number of calendar days from, and including, such U.S. Government Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day ("i+1"); and

"d" means the number of calendar days in the relevant Observation Period.

"Observation Period" means, in respect of each interest period, the period from, and including, the date that is the number of U.S. Government Securities Business Days specified in the applicable pricing supplement preceding the first date in such interest period to, but excluding, the date that is the same number of U.S. government securities Business Days so specified preceding the Interest Payment Date for such interest Period.

"SOFR", with respect to any U.S. Government Securities Business Day, means:

(1) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day (the "SOFR Determination Time"); or

(2) if the rate specified in (1) above does not so appear, unless both a Benchmark Transition Event and its related Benchmark Replacement Date (as each such term is defined below under "—*Effect of a Benchmark Transition Event*") have occurred, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website; or

(3) If a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the Benchmark Replacement, subject to the provisions described, and as defined, below under "*—Effect of a Benchmark Transition Event.*"

"SOFR Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate); and

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

"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.

Effect of a Benchmark Transition Event

If we or our designee, which may be an affiliate of ours (a "Designee"), determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Floating Rate Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

In connection with the implementation of a Benchmark Replacement, we or the Designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

Any determination, decision or election that may be made by us or the Designee pursuant to this section, 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:

(1) will be conclusive and binding absent manifest error;

(2) will be made in our or the Designee's sole discretion, as applicable; and

(3) notwithstanding anything to the contrary in the documentation relating to Compounded SOFR Notes, shall become effective without consent from the holders of Compounded SOFR Notes or any other party.

"**Benchmark**" means, initially, the Base Rate (Compounded SOFR Rate), as such term is defined above; provided that if we or the Designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the Base Rate (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by us or the Designee as of the Benchmark Replacement Date.

(1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

(3) the sum of: (a) the alternate rate of interest that has been selected by us or the Designee as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of

interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

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

(1) 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;

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

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by us or the 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 with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time.

"**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) that we or the Designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if we or the Designee decides that adoption of any portion of such market practice is not administratively feasible or if we or the Designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as we or the Designee determines is reasonably necessary).

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

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives 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.

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

(1) 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);

(2) 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

(3) 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.

"**ISDA Definitions**" means the 2021 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 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 Compounded SOFR, the SOFR Determination Time, and (2) if the Benchmark is not Compounded SOFR, the time determined by us or the Designee after giving effect to the 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.

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

EURIBOR: Unless otherwise specified in the applicable Pricing Supplement, EURIBOR will be determined by the Calculation Agent in accordance with the following provisions:

(1) With respect to an Interest Determination Date relating to a EURIBOR Note or any Interest Determination Date for a Floating Rate Note for which the interest rate is determined with reference to EURIBOR (a "EURIBOR Interest Determination Date"), EURIBOR will be as specified in the applicable Pricing Supplement and will be determined as the offered rate for deposits in euro having the Index Maturity specified in such Pricing Supplement, commencing on the second TARGET Settlement Day immediately following such EURIBOR Interest Determination Date, which appears on the Reuters Page EURIBOR01 as of 11:00 A.M., Brussels time, on that EURIBOR Interest Determination Date. If no such rate appears on the Reuters Page EURIBOR01, as applicable, EURIBOR in respect of that EURIBOR Interest Determination Date will be determined as if the parties had specified the rate described in (2) below. Unless otherwise specified in the applicable Pricing Supplement, "Reuters Page EURIBOR01" will mean the display designated as page "EURIBOR01" on Reuters (or such other page as may replace the EURIBOR01 page on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying Euro-zone interbank offered rates for euro deposits). "Euro-zone" means the region comprised of Member States of the European economic and monetary union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

(2) If no rate appears on Reuters Page EURIBOR01 as specified in (1) above on a EURIBOR Interest Determination Date, EURIBOR will be determined at approximately 11:00 A.M., Brussels time, on

such EURIBOR Interest Determination Date on the basis of the rates at which deposits in euro having the Index Maturity specified in the applicable Pricing Supplement are offered to prime banks in the Euro-zone interbank market by four major banks in the Euro-zone interbank market selected by the Calculation Agent (after consultation with the Company) commencing on the second TARGET Settlement Day immediately following such EURIBOR Interest Determination Date and in a principal amount equal to an amount that is representative for a single transaction in such market at such time. The Calculation Agent will request the principal Euro-zone office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, EURIBOR for such EURIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, EURIBOR for such EURIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date by three leading banks in the Euro-zone selected by the Calculation Agent (after consultation with the Company) for loans in euro to European banks, having the specified Index Maturity, commencing on the second TARGET Settlement Day immediately following such EURIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in such market at such time. Notwithstanding the foregoing, if the banks selected as aforesaid by the Calculation Agent are not quoting as described above, EURIBOR in effect for the applicable period will be EURIBOR in effect on such EURIBOR Interest Determination Date.

Federal Funds (Effective) Rate: Unless otherwise specified in the applicable Pricing Supplement, the Federal Funds Rate for each interest reset period will be the rate on the applicable Interest Determination Date for federal funds published in H.15 Daily Update under the heading "Federal Funds (effective)," as displayed on Reuters on page FEDFUNDS1 under the heading "EFFECT," or any successor service or page ("Reuters Page FEDFUNDS1").

The following procedures will be followed if the Federal Funds Rate cannot be determined as described above:

(1) If by 3:00 P.M., New York City time, on the applicable Calculation Date the above rate is not yet published in H.15 Daily Update or another recognized electronic source, then the Federal Funds Rate will be the arithmetic mean of the rates, as of 11:00 A.M., New York City time, on that Interest Determination Date, for the last transaction in overnight federal funds arranged by three leading brokers of federal funds transactions in New York City selected by the Calculation Agent.

(2) If fewer than three brokers selected by the Calculation Agent are quoting rates as mentioned in clause (1), the Federal Funds Rate with respect to such Interest Determination Date will be the rate in effect on the applicable Interest Determination Date.

Federal Funds (Open) Rate: Unless otherwise specified in the applicable Pricing Supplement, the Federal Funds (Open) Rate for each interest reset period will be the rate on the applicable Interest Determination Date for federal funds published in H.15 Daily Update under the heading "Federal Funds" and opposite the caption "Open," as displayed on Reuters on page FEDFUNDS1.

The following procedures will be followed if the Federal Funds (Open) Rate cannot be determined as described above:

(1) If the above rate does not appear on Reuters Page FEDFUNDS1 or is not yet published by 3:00 P.M., New York City time on the Calculation Date for the applicable Interest Determination Date, the Federal Funds (Open) Rate for the interest reset period will be the rate on that Interest Determination Date as reported by Prebon Yamane (or a successor) on Bloomberg that appears on FEDSPREB Index.

(2) If by 3:00 P.M. New York City time on the Calculation Date the above rate is not published on Reuters Page FEDFUNDS1 or FEDSPREB Index on Bloomberg then the Federal Funds (Open) Rate will be the arithmetic mean of the rates, before 9:00 A.M., New York City time, on that Interest Determination Date, for the last transaction in overnight federal funds arranged by three brokers of federal funds transactions in New York City selected by the Calculation Agent after consultation with the Company.

(3) If fewer than three brokers selected by the calculation agent are quoting as described above, the Federal Funds (Open) Rate for the new interest reset period will be the same as that for the immediately preceding interest reset period. If there was no such interest reset period, the Federal Funds (Open) Rate will be the initial interest rate.

Prime Rate: Unless otherwise specified in the applicable Pricing Supplement, "Prime Rate" will mean, with respect to any Interest Determination Date relating to a Prime Rate Note or any Interest Determination Date for a Floating Rate Note for which the interest rate is determined with reference to the Prime Rate,

(1) the rate on the applicable Interest Determination Date as published in H.15 Daily Update under the heading "Bank Prime Loan,"

(2) if the rate referred to in clause (1) or the rate from another recognized electronic source is not so published by 3:00 P.M., New York City time, on the applicable Calculation Date, the rate calculated by the Calculation Agent as the arithmetic mean of the rates of interest offered by at least four banks that appear on the Reuters Screen US PRIME 1 Page as the particular bank's prime rate as of 11:00 A.M., New York City time, on the applicable Interest Determination Date,

(3) if fewer than four rates described in clause (2) are shown by 3:00 P.M., New York City time, on the related Calculation Date on the Reuters Screen US PRIME 1 Page, the rate on the applicable Interest Determination Date calculated by the Calculation Agent as the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Interest Determination Date by three major banks, which may include affiliates of the Calculation Agent, in The City of New York selected by the Calculation Agent (after consultation with the Company), or

(4) if the banks selected by the Calculation Agent (after consultation with the Company) are not quoting as mentioned in clause (3), the Prime Rate with respect to such Interest Determination Date will be the rate in effect on such Interest Determination Date.

"**Reuters Screen US PRIME 1 Page**" means the display on the Reuters Monitor Money Rates Service or any successor service on the "US PRIME 1 Page" or any other page as may replace the US PRIME 1 Page on such service for the purpose of displaying prime rates or base lending rates of major United States banks.

SOFR Rate. Unless otherwise indicated in the applicable Note and the related Pricing Supplement, "SOFR Rate" means, for each applicable interest period, a rate equal to the sum of the daily base rate for each calendar day in such interest period divided by the number of calendar days in such interest period, calculated in accordance with the terms and provisions set forth below.

Subject to the provisions below relating to a "rate lookback" or "rate cut-off date," as applicable, the "daily base rate" with respect to each calendar day in a relevant interest period will be SOFR in respect of such day; provided that for any calendar day in an interest period that is not a U.S. Government Securities Business Day, SOFR in respect of such calendar day will be SOFR for the immediately preceding U.S. Government Securities Business Day.

If the applicable Pricing Supplement specifies that a "rate lookback" applies, then, notwithstanding the terms and provisions set forth in the preceding paragraph: (i) the "daily base rate" with respect to each U.S. Government Securities Business Day in a relevant interest period will be SOFR in respect of the U.S. Government Securities Business Day falling two U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as may be specified in the applicable Pricing Supplement) prior to such U.S. Government Securities Business Day (such number of days, the "lookback period"); and (ii) the "daily base rate" with respect to each calendar day in a relevant interest period that is not a U.S. Government Securities Business Day will be equal to the daily base rate in effect for the immediately preceding U.S. Government Securities Business Day.

If the applicable Pricing Supplement specifies that a "rate cut-off date" applies then, notwithstanding the terms and provisions set forth in the second preceding paragraph, for each calendar day in an interest period falling after the rate cut-off date for such interest period, the "daily base rate" for each such calendar day will be SOFR in respect of such rate cut-off date. Unless we specify otherwise in the applicable Pricing Supplement, the "rate cut-off date" for an interest period, if applicable, will be the second U.S. Government Securities Business Day (or such other number of U.S. Government Securities Business Days as we may specify in the applicable Pricing Supplement) prior to the interest payment date for such interest period.

The Calculation Agent will determine SOFR, the interest rate and accrued interest for each interest period in arrears as soon as reasonably practicable prior to the relevant interest payment date and will notify us of SOFR and such interest rate and accrued interest for each interest period as soon as reasonably practicable after such determination, but in any event by the business day immediately prior to the interest payment date.

"SOFR", with respect to any U.S. Government Securities Business Day prior to a Benchmark Replacement Date, means:

(1) the Secured Overnight Financing Rate for the applicable Interest Determination Date published as of 3:00 P.M., New York City time, on the U.S. Government Securities Business Day immediately following such Interest Determination Date (the "SOFR Determination Time"); provided that:

(2) if the rate specified in (1) above does not so appear as of the SOFR Determination Time, then:

a. if a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to the Secured Overnight Financing Rate, then SOFR shall be the Secured Overnight Financing Rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website; or

b. if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the Secured Overnight Financing Rate, then SOFR shall be the rate determined pursuant to the "Effect of a Benchmark Transition Event" provisions described below.

"SOFR Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate); and

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

"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.

Effect of a Benchmark Transition Event:

If the Company or its Designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the SOFR Notes in respect of such determination on such date and all determinations on all subsequent dates.

In connection with the implementation of a Benchmark Replacement, the Company or its Designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

Any determination, decision or election that may be made by the Company or its Designee pursuant to this section, including a 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:

(1) will be conclusive and binding absent manifest error;

(2) will be made in the Company or its Designee's sole discretion; as applicable, and

(3) notwithstanding anything to the contrary in the documentation relating to the SOFR Notes, shall become effective without consent from the holders of the SOFR Notes or any other party.

"**Benchmark**" means, initially, the Secured Overnight Financing Rate, as such term is defined above; provided that if the Company or its Designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the Secured Overnight Financing Rate or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

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

(1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

(3) the sum of: (a) the alternate rate of interest that has been selected by the Company or its Designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

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

(1) 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;

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

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Company 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 with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time.

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

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives 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.

"**Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, 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;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark 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 has ceased or will cease to provide the Benchmark 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

(3) 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.

"**Corresponding Tenor**" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"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 for the applicable tenor.

"**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 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 Secured Overnight Financing Rate, the SOFR Determination Time, and (2) if the Benchmark is not the Secured Overnight Financing Rate, the time determined by the Company or its Designee after giving effect to the 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.

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

Treasury Rate: Unless otherwise specified in the applicable Pricing Supplement, "Treasury Rate" will mean, with respect to any Interest Determination Date relating to a Treasury Rate Note or any Interest Determination Date for a Floating Rate Note for which the interest rate is determined with reference to the Treasury Rate (a "Treasury Rate Interest Determination Date"),

(1) the rate for the auction held on the related Treasury Rate Interest Determination Date on which United States Treasury bills of the specified Index Maturity are auctioned which appears on either the Reuters Page USAUCTION10 or Page USAUCTION11 under the heading "INVEST RATE,"

(2) if such auction rate for such Treasury Rate Interest Determination Date does not appear by 3:00 P.M., New York City time, on the applicable Calculation Date on Reuters Page USAUCTION10 or Page USAUCTION11, the rate for that Treasury Rate Interest Determination Date will be the Bond Equivalent Yield of the rate set forth in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, for that day in respect of the Index Maturity under the caption "U.S. Government securities/Treasury bills,"

(3) if such auction rate for such Treasury Rate Interest Determination Date does not appear by 3:00 P.M., New York City time, on the applicable Calculation Date on Reuters Page USAUCTION 10 or Page USAUCTION11 and such rate is not set forth in the H.15 Daily Update in respect of the Index Maturity under the caption "U.S. Government securities/Treasury bills" or another recognized electronic source by 3:00 P.M., New York City time, on the applicable Calculation Date, the Treasury Rate for that Treasury Rate Interest Determination Date will be the Bond Equivalent Yield of the auction rate for those Treasury bills as announced by the United States Department of the Treasury, or

(4) if the United States Treasury bills of the Index Maturity are not auctioned during any period of seven consecutive calendar days ending on and including any Friday and a Treasury Rate Interest Determination Date would have occurred if such Treasury bills had been auctioned during that seven-day period, a Treasury Rate Interest Determination Date will be deemed to have occurred on the day during that seven-day period on which such Treasury bills would have been auctioned in accordance with the usual practices of the United States Department of the Treasury, and the Treasury Rate for that Treasury Rate Interest Determination Date will be calculated by the Calculation Agent as the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates quoted to the Calculation Agent for the issue of United States Treasury bills with a remaining maturity closest to the Index Maturity, as of approximately 3:30 P.M., New York City time, on the relevant Calculation Date, by three primary United States government securities dealers in The City of New York, which may include affiliates of the Calculation Agent, selected by the Calculation Agent (after consultation with the Company), or so many of them as provides such a quotation to the Calculation Agent, and if none of the dealers provides such a quotation, the Treasury Rate for the relevant Treasury Rate Interest Determination Date will be the Treasury Rate determined as provided above for the Treasury Rate Interest Determination Date during the preceding seven-day period for which the Treasury Rate may be determined as provided above.

The Calculation Agent will request each of such dealers to provide a quotation of its secondary market bid rate specified above. "Bond Equivalent Yield" means, in respect of a Treasury bill with a maturity of six months or less for which the relevant rate is quoted on a bank discount basis, a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D\,x\,N}{360 - (D\,x\,M)} \text{ x } 100$$

where "D" refers to the per annum rate for the Treasury bill quoted on a bank discount basis and expressed as a decimal, "N" refers to 365 or 366, as applicable, and "M" refers to: if the Index Maturity approximately corresponds to the length of the period for which the Bond Equivalent Yield is being calculated, the actual number of days in that period, and, otherwise, the actual number of days in the period from and including the applicable Treasury Rate Interest Determination Date to, but excluding, the next following date scheduled to be a Treasury Rate Interest Determination Date for the Note.

Foreign Currency Notes

If any Note is denominated and/or payable in a currency other than U.S. dollars, the applicable Pricing Supplement will specify the foreign currency or currencies in which the principal, premium, if any, and interest with respect to such Note are to be paid, along with any other terms relating to the non-U.S. Dollar denominated Note. See “Material United States Federal Income Tax Considerations — U.S. Holders.”

Indexed Notes

General

The Notes may be issued with the principal amount payable at maturity and/or interest, if any, to be determined with reference to the price or prices, or changes in the price or prices, of specified commodities or stocks or other securities, the exchange rate of one or more specified currencies relative to an indexed currency, or such other price, exchange rate or formula as is set forth in the applicable Pricing Supplement and the related Note (each, an “Indexed Note”).

Investment Considerations

An investment in Indexed Notes, as to principal or interest or both, indexed to one or more values of currencies (including exchange rates between currencies), commodities, securities or interest rate indices entails significant economic risks that are not associated with similar investments in a conventional fixed-rate debt security and may be subject to extraordinary tax treatment. See “Material United States Federal Income Tax Considerations — U.S. Holders — Indexed Notes and Notes with Contingent Payments.” If the interest rate of such a Note is so indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest will be paid, and, if the principal amount of such a Note is so indexed, the principal amount payable at maturity may be less than the original purchase price of such Note if allowed pursuant to the terms of such Note, including the possibility that no principal will be paid. The secondary market for such Notes will be affected by a number of factors, independent of the creditworthiness of the Company and the value of the applicable currency, commodity, security or interest rate index, including the volatility of, or of the price or value of, the applicable currency, commodity, security or interest rate index, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, commodity, security or interest rate index will depend on a number of interrelated factors, including economic, financial and political events, over which the Company has no control. Additionally, if the formula used to determine the principal amount or interest payable with respect to such Notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity, security or interest rate index will be increased. Historical experience relating to the relevant currencies, commodities, securities or interest rate indices and their values should not be taken as an indication of future performance or values of such currencies, commodities, securities or interest rate indices during the term of any Note. The particular economic and tax risks associated with the issuance of Indexed Notes will be specified in the applicable Pricing Supplement.

Amortizing Notes

Fixed Rate Notes or Floating Rate Notes may provide for level or graduated amortization of principal over the term of the Note, rather than payment of principal at the stated maturity of the Note, as specified in the applicable Pricing Supplement.

Reset Notes

If specified in the applicable Pricing Supplement, the Company will have the option with respect to the related Note to reset the interest rate, in the case of a Fixed Rate Note, or to reset the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, and, if so, (1) the date or dates on which such interest rate or such Spread and/or Spread Multiplier, as the case may be, may be reset, and (2) the formula, if any, for such resetting.

The Company may exercise such option with respect to a Note by notifying the Trustee of such exercise at least 45 but not more than 60 calendar days prior to an optional interest reset date for such Note. If the Company so notifies the Trustee of such exercise, the Trustee will send not later than 40 calendar days prior to such optional interest reset date, by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) to the holder of such Note a notice indicating (1) that the Company has elected to reset the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, (2) such new interest rate or such new Spread and/or Spread Multiplier, as the case may be, and (3) the provisions, if any, for redemption of such Note during the period from such optional interest reset date to the next optional interest reset date or, if there is no such next optional interest reset date, to the stated maturity of such Note, including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during such subsequent interest period.

Notwithstanding the foregoing, not later than 20 calendar days prior to an optional interest reset date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the reset notice and establish a higher interest rate, in the case of a Fixed Rate Note, or a Spread and/or spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the subsequent interest period commencing on such optional interest reset date by causing the Trustee to send by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) notice of such higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate, as the case may be, to the holder of such Note. Such notice will be irrevocable. All Notes with respect to which the interest rate or Spread and/or Spread Multiplier is reset on an optional interest reset date to a higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate will bear such higher interest rate, in the case of a Fixed Rate Note, or Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, whether or not tendered for repayment as provided in the next paragraph.

If the Company elects prior to an optional interest reset date to reset the interest rate or the Spread and/or Spread Multiplier of a Note, the holder of such Note will have the option to elect repayment of such Note, in whole but not in part, by the Company on such optional interest reset date at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, such optional interest reset date. In order for a Note to be so repaid on an optional interest reset date, the holder thereof must follow the procedures set forth in the applicable Pricing Supplement for optional repayment, except that the period for delivery of such Note or notification to the Trustee will be at least 25 but not more than 35 calendar days prior to such optional interest reset date. A holder who has tendered a Note for repayment following receipt of a reset notice may revoke such tender for repayment by written notice to the Trustee received prior to 5:00 P.M., New York City time, on the tenth calendar day prior to such optional interest reset date.

Extension of Maturity Date

If specified in the applicable Pricing Supplement, the Company will have the option with respect to the related Note to extend the stated Maturity Date for one or more periods of from one to five whole years up to, but not beyond, the final Maturity Date specified in such Pricing Supplement.

The Company may exercise its option to extend the stated Maturity Date with respect to a Note by notifying the Trustee of such exercise at least 45 but not more than 60 calendar days prior to the current stated Maturity Date of such Note (including, if such stated Maturity Date has previously been extended, the stated maturity as previously extended) in effect prior to the exercise of such option. If the Company so notifies the Trustee of such exercise, the Trustee will send not later than 40 calendar days prior to the current stated Maturity Date, by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) to the holder of such Note a notice relating to such extension, indicating (1) that the Company has elected to extend the stated maturity of such Note, (2) the new stated Maturity Date, (3) in the case of a Fixed Rate Note, the interest rate applicable to the extension period or, in the case of a Floating Rate Note, the Spread and/or Spread Multiplier applicable to the extension period, and (4) the provisions, if any, for redemption of such Note during the extension period, including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during the extension period. Upon the sending by the Trustee of an extension notice to the holder of a Note, the stated maturity of such Note will be extended automatically, and, except as modified by the extension notice and as described in the next two paragraphs, such Note will have the same terms as prior to the sending of such extension notice.

Notwithstanding the foregoing, not later than 20 calendar days prior to the current stated Maturity Date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the applicable extension notice and establish a higher interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the extension period by causing the Trustee to send by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) notice of such higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate, as the case may be, to the holder of such Note. Such notice will be irrevocable. All Notes with respect to which the stated maturity is extended will bear such higher interest rate, in the case of a Fixed Rate Note, or Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the extension period, whether or not tendered for repayment as provided in the next paragraph.

If the Company extends the stated maturity of a Note (including, if such stated maturity has previously been extended, the stated maturity as previously extended), the holder of such Note will have the option to elect repayment of such Note, in whole, but not in part, by the Company on the current stated Maturity Date (including the last day of the then current extension period, if any) at a price equal to the principal amount thereof, plus accrued and unpaid interest to, but excluding, such date. In order for a Note to be so repaid on the current stated Maturity Date, the holder thereof must follow the procedures set forth in the applicable Pricing Supplement, except that the period for delivery of such Note or notification to the Trustee will be at least 25 but not more than 35 calendar days prior to the current stated Maturity Date. A holder who has tendered a Note for repayment following receipt of an extension notice may revoke such tender for repayment by written notice to the Trustee received prior to 5:00 P.M., New York City time, on the tenth calendar day prior to the current stated Maturity Date.

Renewable Notes

If specified in the applicable Pricing Supplement, the holder of a Note (other than an amortizing Note) will have the option to renew the term of all or any portion of such Note in accordance with the procedures described in such Pricing Supplement.

Combination of Provisions

If specified in the applicable Pricing Supplement, any Note may be subject to all of the provisions, or any combination of the provisions, described above under "— Reset Notes," "— Extension of Maturity Date" and "— Renewable Notes."

Original Issue Discount; Zero Coupon Notes

Notes may be issued at a price less than their stated redemption price at maturity, resulting in the Notes being treated as issued with original issue discount for U.S. federal income tax purposes. Such discounted Notes may currently pay no interest or interest at a rate that at the time of issuance is below market rate and such Notes may provide that upon redemption or repayment prior to their stated maturity or upon acceleration of the maturity of such Notes, an amount less than the stated principal amount thereof shall become due and payable. If Notes are issued with original issue discount for U.S. federal income tax purposes, holders of such Notes will be required to include the amount of original issue discount in income in accordance with applicable provisions of the Code (as defined herein), and the Treasury regulations promulgated thereunder. See "Material United States Federal Income Tax Considerations — U.S. Holders — Notes with Original Issue Discount." Special federal income tax and other considerations applicable to any such discounted Notes may be described in the applicable Pricing Supplement.

Certain Covenants

Limitation on Liens

The Indenture provides that neither we nor any Subsidiary of ours shall incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness For Borrowed Money that is secured by a Lien on or with respect to any revenues (including any uncalled capital), property or assets now owned or hereafter acquired by us or such Subsidiary unless we make or cause to be made effective provisions whereby the Notes and all other debt securities issued under the Indenture and entitled to the benefit of this covenant will be secured by such Lien equally and ratably with (or prior to) all other indebtedness thereby secured so long as any such indebtedness shall be secured. The foregoing restriction does not apply to the following:

- any lien or charge on any Securitizable Assets which may arise as a result of a transaction involving a transfer of such Securitizable Assets to an entity that issues ABS obligations backed by such Securitizable Assets;

- any lien securing our performance of any contract or undertaking not directly or indirectly in connection with the borrowing of money, obtaining advances or credit, or the securing of debt, if made and continuing in the ordinary course of business;

- any lien or charge on any of our property (whether tangible or intangible, real or personal), that exists at the time the property is acquired or constructed (which includes an acquisition through merger or consolidation) other than liens created in contemplation of such acquisition or construction, or that is given to secure either the payment of all or any part of the purchase, construction or improvement price of the property, or any indebtedness incurred prior to, at the time of or within 180 days after the property is acquired or its construction or improvement is completed for the purpose of financing all or any part of its purchase, construction or improvement price;

- any lien to secure payment obligations with respect to the following transactions if entered into for hedging and not speculative purposes: rate swap transactions, swap options, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, credit protection transactions, credit swaps, credit default swaps, credit default options, total return swaps, credit spread transactions, repurchase transactions, reverse repurchase transactions, buy/sell-back transactions, securities lending transactions, weather index transactions, or forward purchases or sales of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions), or similar transactions;

- liens in favor of us or a consolidated subsidiary that is, directly or indirectly, wholly owned by us;

- liens existing on the date of the Indenture;

- the pledge of receivables payable in currencies other than United States dollars to secure borrowings in countries other than the United States, or the pledge, lien or deposit of cash, securities or receivables for the purpose of securing banking accommodations, or as the basis for the issuance of bankers' acceptances, or in aid of other similar borrowing arrangements in connection with the exporting of goods between (or the marketing of goods in) countries other than the United States;

- bankers' lien or rights of offset;

- liens for taxes not yet subject to penalties for nonpayment or contest;

- carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like liens imposed by law, arising in the ordinary course of business and securing obligations that, except for liens resulting from the conduct of obligors or dealers, are not overdue by more than 60 days or are being contested in good faith;

- pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

- any extension, renewal or replacement of any lien, charge or pledge referred to above, provided the amount secured is not increased, and it relates to the same property; or

- other liens arising in connection with our indebtedness and our Subsidiaries' indebtedness in an aggregate principal amount for us and our Subsidiaries not exceeding at the time such lien is issued, created or assumed 10% of our Consolidated Net Tangible Assets.

Limitation on Consolidation, Merger, Conveyance or Transfer on Certain Terms

The Indenture provides that we will not consolidate with or merge into any other Person or sell, lease, convey or transfer all or substantially all of our properties and assets, unless:

(1) the Person formed by such consolidation or into which we are merged or the Person which acquires by sale, lease, conveyance or transfer all or substantially all of our properties and assets shall be organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the debt securities issued under the Indenture, including the Notes, and the performance of every covenant of the Indenture (as supplemented from time to time) on our part to be performed or observed;

(2) immediately after giving effect to such 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 happened and be continuing; and

(3) we have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, sale, lease, conveyance or transfer and such supplemental indenture comply with this covenant and that all conditions precedent provided for relating to such transaction have been complied with.

Upon any consolidation or merger, or any conveyance or transfer of all or substantially all of our properties and assets as set forth above, the successor Person formed by such consolidation or into which we are merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise all of our right and power under the Indenture with the same effect as if such successor had been named as our company in the Indenture. In the event of any such conveyance or transfer, we, as the predecessor, shall be discharged from all obligations and covenants under the Indenture and debts securities issued thereunder, including the Notes, and may be dissolved, wound up or liquidated at any time thereafter.

Subject to the foregoing, the Indenture and the Notes do not contain any covenants or other provisions designed to afford Holders of Notes protection in the event of a highly leveraged transaction involving our company or in the event of a decline in our credit rating as a result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving our company that could affect such Holders or for any other reason. Notwithstanding the foregoing, nothing herein will prohibit or restrict a transfer of Securitizable Assets to an entity that issues ABS obligations backed by such Securitizable Assets.

Reports to Holders of the Notes

The Indenture provides that we will file with the Trustee, within 90 days after the end of each fiscal year, an audited consolidated balance sheet and an audited consolidated statement of income, changes in shareholder's equity and cash flows for that fiscal year. These financial statements will set forth, in comparative form and in reasonable detail, the figures for the previous fiscal year. We will not be required to file with the Trustee any financial statements on a more frequent basis.

Delivery of Rule 144A Information

The Indenture provides that, so long as the Notes remain outstanding and we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or are not complying with the reporting requirements thereof, we will prepare and will furnish to any Holder of debt securities issued under the Indenture, any beneficial owner of debt securities and any prospective purchaser or other prospective transferee of debt securities designated by such a Holder or a beneficial owner, promptly upon request and at our expense, the financial statements and other information specified in Rule 144A(d)(4) (or any successor provision thereto) under the Securities Act (collectively, the "Rule 144A Information"), in each case whether or not such debt securities are "restricted securities" within the meaning of Rule 144 (or any successor provision thereto) under the Securities Act and whether or not such request is being made in connection with any sale or transfer of debt securities.

Defeasance

The Indenture provides that we, at our option,

(a) will be Discharged from any and all obligations in respect of any series of debt securities (except in each case for certain obligations to register the transfer or exchange of debt securities, replace stolen, lost or mutilated debt securities, maintain paying agencies and hold moneys for payment in trust) or

(b) need not comply with the covenants described above under "Description of the Notes—Certain Covenants" and that certain Events of Default (other than those arising out of the failure to pay interest or principal on the debt securities of a particular series and certain events of bankruptcy, insolvency and reorganization) will no longer constitute Events of Default with respect to such series of debt securities;

in each case if we deposit with the Trustee, in trust, money or the equivalent in securities of the government which issued the currency in which the debt securities are denominated or government agencies backed by the full faith and credit of such government, or a combination thereof, which through the payment of interest thereon and principal thereof in accordance with their terms will provide money in an amount sufficient to pay all the principal (including any mandatory sinking fund payments) of, and interest on, such series on the date such payments are due in accordance with the terms of such series.

To exercise any such option, we are required, among other things, to deliver to the Trustee an opinion of counsel to the effect that the deposit and related defeasance would not cause the Holders of such series to recognize income, gain or loss for U.S. federal income tax purposes and, in the case of a Discharge pursuant to clause (a), accompanied by a ruling to such effect received from or published by the IRS.

In addition, we are required to deliver to the Trustee an Officers' Certificate stating that such deposit was not made by us with the intent of preferring the Holders over other creditors of ours or with the intent of defeating, hindering, delaying or defrauding creditors of our company or others.

Events of Default, Notice and Waiver

The Indenture provides that, if an Event of Default specified therein with respect to any series of debt securities, including the Notes, issued thereunder shall have happened and be continuing, either the Trustee thereunder or the Holders of 25% in aggregate principal amount of the outstanding debt securities of such series (or 25% in aggregate principal amount of all outstanding debt securities under the Indenture, in the case of certain Events of Default affecting all series of debt securities under the Indenture) may declare the principal of all the debt securities of such series to be due and payable.

"*Events of Default*" in respect of any series, including the Notes, are defined in the Indenture as being:

- default for 30 days in payment of any interest (including Additional Interest) installment with respect to such series;
- default in payment of principal of, or premium, if any, on, or any sinking or purchase fund or analogous obligation with respect to, debt securities of such series when due at their stated maturity, by declaration on acceleration, when called for redemption or otherwise;
- default in the performance of or breach of any of our obligations set forth under "—Limitation on Consolidation, Merger, Conveyance or Transfer on Certain Terms";

- default for 60 days after written notice to us by the Trustee thereunder or by Holder of 25% in aggregate principal amount of the outstanding debt securities of such series in the performance, or breach, of any other covenant or warranty pertaining to debt securities of such series;

- certain events or bankruptcy, insolvency and reorganization with respect to us or any subsidiary thereof which is organized under the laws of the United States or any political sub division thereof or the entry of an order ordering the winding up or the liquidation of our affairs;

- our indebtedness or indebtedness of one of our subsidiaries in principal amount of at least US $25,000,000 (or its equivalent in any other currency), is accelerated by reason of a default or there has been a failure to pay such indebtedness at maturity, if that indebtedness is not discharged or the acceleration is not annulled within 10 days after written notice; or

- the support agreement between us and HMC is not (or is claimed by either party to the agreement not to be) in full force and effect or is modified, amended or terminated in circumstances where such modification, amendment or termination would have a material adverse effect upon any Holder of the Notes offered hereby or we waive, or fail to take all reasonable steps to exercise, any of our rights under the support agreement or HMC fails to perform or observe any obligation on its part under the support agreement so as to affect materially and adversely the interests of any holder of the Notes offered hereby.

The Indenture provides that the Trustee thereunder will, within 90 days after the occurrence of a default with respect to the debt of any series, give to the Holders of the debt securities of such series notice of all uncured and unwaived defaults known to it, provided, however, that, except in the case of default in the payment of principal of, premium, if any, or interest, if any, on any of the debt securities of such series, the Trustee thereunder will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Holders of the debt securities of such series. If an Event of Default, other than a bankruptcy, insolvency, reorganization or similar event of default with respect to us, has occurred and has not been cured, the Trustee or the holders of at least 25% in principal amount of the Notes outstanding may declare the entire principal amount of, and any other amounts and accrued interest on, all the Notes to be due and immediately payable. This is called a declaration of acceleration of maturity. If an Event of Default occurs because of certain events in bankruptcy, insolvency or reorganization with respect to us, the principal amount of all the Notes will be automatically accelerated, without any action by the Trustee or any Holder. The term “default” for the purpose of this provision means any event which is, or after notice or lapse of time or both would become an Event of Default with respect to debt securities of such series.

The Indenture contains provisions entitling the Trustee, subject to the duty of the Trustee during an Event of Default to act with the required standard of care, to be indemnified to its reasonable satisfaction by the Holders of the debt securities before proceeding to exercise any right or power under the Indenture at the request of Holders of the debt securities.

The Indenture provides that the Holders of a majority in aggregate principal amount of the outstanding debt securities of any series may direct the time, method and place of conducting proceedings for remedies available to the Trustee or exercising any trust or power conferred on the Trustee in respect of such series, subject to certain conditions.

In certain cases, the Holders of a majority in principal amount of the outstanding debt securities of any series may waive, on behalf of the Holders of all debt securities of such series, any past default or Event of Default with respect to the debt securities of such series except, among other things, a default not theretofore cured in payment of the principal of, or premium, if any, or interest, if any, on any of the debt securities of such series or payment of any sinking or purchase fund or analogous obligations with respect to such debt securities.

We will furnish to the Trustee every year a written statement of certain of our officers stating that, to their knowledge, we are in compliance with the Indenture and the Notes, or else specifying any default that exists.

Modification of the Indenture

We and the Trustee may, without the consent of the Holders of the debt securities, enter into indentures supplemental to the Indenture for, among others, one or more of the following purposes:

(1) to evidence the succession of another Person to us and the assumption by such successor of our obligations under the Indenture;

(2) to add to the covenants of our company or to surrender any rights or powers of our company for the benefit of the Holders of debt securities of any or all series;

(3) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provisions therein, or to make any other provisions with respect to matters or questions arising under the Indenture;

(4) to add to the Indenture any provisions that may be expressly permitted by the Trust Indenture Act of 1939, as amended, or "the Act," excluding the provisions referred to in Section 316(a)(2) of the Act as in effect at the date as of which the Indenture was executed or any corresponding provisions in any similar federal statute hereafter enacted;

(5) to establish the form or terms of any series of debt securities, to provide for the issuance of any series of debt securities and/or to add to the rights of the Holders of debt securities;

(6) to evidence and provide for the acceptance of any successor Trustee with respect to one or more series of debt securities or to add or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts thereunder by one or more trustees in accordance with the Indenture;

(7) to provide any additional Events of Default;

(8) to provide for uncertificated securities in addition to or in place of certificated securities; provided that the uncertificated securities are issued in registered form for U.S. federal income tax purposes;

(9) to provide for the terms and conditions of converting those debt securities that are convertible into common stock or another such similar security;

(10) to secure any series of debt securities pursuant to the Indenture's limitation on liens;

(11) to add guarantors in respect of the debt securities;

(12) to make any change necessary to comply with any requirement of the SEC in connection with the qualification of the Indentures or any supplemental indenture under the Act; and

(13) to make any other change that does not adversely affect the rights of the Holders of the debt securities.

No supplemental indenture for the purpose identified in clauses (2), (3), (5) or (7) above may be entered into if to do so would adversely affect the rights of the Holders of debt securities of any series in any material respect.

The Indenture contains provisions permitting us and the Trustee, with the consent of the Holders of a majority in principal amount of the outstanding debt securities of all series to be affected voting as a single class, to execute supplemental indentures for the purpose of adding any provisions to or changing or eliminating any of the provisions of the Indenture or modifying the rights of the Holders of the debt securities of such series to be affected, except that no such supplemental indenture may, without the consent of the Holders of affected debt securities, among other things:

(1) change the maturity of the principal of, or the maturity of any premium on, or any installment of interest on, any such debt security, or reduce the principal amount or the interest or any premium of any such debt securities, or change the method of computing the amount of principal or interest on any such debt securities on any date or change any place of payment where, or the currency in which, any debt securities or any premium or interest thereon is payable;

(2) reduce the percentage in principal amount of any such debt securities the consent of whose Holders is required for any supplemental indenture, waiver of compliance with certain provisions of the Indenture or certain defaults under the Indenture;

(3) modify any of the provisions of the Indenture related to (i) the requirement that the Holders of debt securities consent to certain amendments of the Indenture, (ii) the waiver of past defaults and (iii) the waiver of certain covenants, except to increase the percentage of Holders required to make such amendments or grant such waivers; or

(4) impair or adversely affect the right of any Holder to institute suit for the enforcement of any payment on, or with respect to, such debt securities on or after the maturity of such debt securities.

Certain Definitions

The following are certain of the terms defined in the Indenture:

"*ABS obligation*" means any security or other obligation that is (i) issued by a trust or entity created for the special purpose of issuing such security or obligation (regardless of whether it may also issue others of the same or another class or series) and (ii) secured by specific assets transferred directly or indirectly to such trust or entity by us or a Subsidiary.

"*Consolidated Net Tangible Assets*" means the aggregate amount of our consolidated assets (less applicable reserves and other properly deductible items), after deducting therefrom (i) all current liabilities and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles all as set forth on our most recent audited consolidated balance sheet.

"*GAAP*" means generally accepted accounting principles as such principles are in effect in the United States as of the date of the Indenture.

"*Holder*," when used with respect to any debt securities, means a holder of the debt securities, which means a Person in whose name a debt security is registered in the Security Register.

"*Indebtedness For Borrowed Money*" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments and (c) all guarantee obligations of such Person with respect to Indebtedness For Borrowed Money of others. The Indebtedness For borrowed Money of any Person shall include the Indebtedness For Borrowed Money of any other entity (including any partnership in which such Person is general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other contractual relationship with such entity, except to the extent the terms of such Indebtedness For Borrowed Money provide that such Person is not liable therefor.

"*Lien*" means any lien, mortgage, pledge, encumbrance, charge or other security interests.

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

"*Responsible Officer*," when used with respect to the Company, means any of the Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Senior Executive Vice President, General Counsel, Treasurer or Controller of our company (or any equivalent of the foregoing officers).

"*Securitizable Assets*" means vehicle loan receivables, vehicle installment contracts, vehicle leases (together with or without the underlying vehicles), and/or other accounts receivable or assets arising from the financial services which the Company provides, the records relating thereto, any related assets and the proceeds, rights and benefits accruing to it thereunder and any beneficial interests therein.

"*Security Register*" means the register or registers we shall keep or cause to be kept, in which, we shall provide for the registration of debt securities, or of debt securities of a particular series, and of transfers of debt securities or of debt securities of such series.

"*Subsidiary*" means, with respect to any Person, any corporation more than 50% of the voting stock of which is owned directly or indirectly by such Person, and any partnership, association, joint venture or other entity in which such Person owns more than 50% of the equity interests or has the power to elect a majority of the board of directors or other governing body.

The Trustee

U.S. Bank Trust Company, National Association is the Trustee under the Indenture. The Trustee is a depository for funds and performs other services for, and transacts other banking business with, us in the normal course of business.

Governing Law

The Indenture is governed by, and will be construed in accordance with, the laws of the State of New York.

Form, Denomination, Transfer and Exchange; Book-Entry Registration

General

Notes being offered and sold within the United States or otherwise to U.S. persons (as defined in Regulation S under the Securities Act) are being offered and sold only to qualified institutional buyers in reliance on Rule 144A. We refer to these Notes as the "Rule 144A Notes." Notes are also being offered and sold to non-U.S. persons in offshore transactions in reliance on Regulation S. We refer to these Notes as the "Regulation S Notes." Rule 144A Notes initially will be represented by one or more securities in registered, global form, without interest coupons, collectively referred to as the "Rule 144A Global Notes." Regulation S Notes initially will be represented by one or more temporary securities in registered, global form, without interest coupons (collectively, the "Temporary Regulation S Global Notes"). Each Temporary Regulation S Global Note will, as described below, be exchangeable for one or more securities in registered, global form, without interest coupons (collectively, the "Permanent Regulation S Global Notes" and, together with the Temporary Regulation S Global Notes, the "Regulation S Global Notes" and, the Regulation S Global Notes together with the Rule 144A Global Notes, collectively the "Global Notes"). Global Notes will be deposited upon issuance with the Trustee as custodian for DTC and registered in the name Cede & Co. (or another nominee of DTC) as nominee for DTC, in each case for credit to an account of a direct or indirect participant in DTC as described below. Prior to the expiration of the "40-day distribution compliance period," as described below, beneficial interests in the Temporary Regulation S Global Notes may be held only through Euroclear and Clearstream (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Each Temporary Regulation S Global Note will be exchangeable for a Permanent Regulation S Global Note after the expiration of the "40-day distribution compliance period," as described below, and in accordance with the certifications required by Regulation S. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "— Exchanges between Regulation S Notes and Rule 144A Notes."

"*40-day distribution compliance period*" means 40 days after the later of the commencement of this offering and the date the applicable Notes were originally issued.

Except as set forth below, Global Notes may be transferred, in whole, but not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Rule 144A Notes (including beneficial interests in Rule 144A Global Notes) and Regulation S Notes (including beneficial interests in Regulation S Global Notes) will be subject to certain restrictions on transfer. Rule 144A Notes (including Rule 144A Global Notes) and Regulation S Notes (including Regulation S Global Notes) will bear a restrictive legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream, which may change from time to time).

Notes will be denominated and payable in U.S. dollars (or one or more foreign currencies as specified in the applicable Pricing Supplement) and issued in fully registered form, without coupons, in minimum denominations of U.S.$2,000 and in integral multiples of U.S.$1,000 in excess thereof (or the equivalent amount in one or more foreign currencies as specified in the applicable Pricing Supplement). Notwithstanding the foregoing, Notes (including Notes denominated in pounds sterling) in respect of which the issue proceeds are to be accepted in the United Kingdom and which have a maturity of less than one year shall have a minimum denomination and redemption value of £100,000 (or if the Notes are denominated in a currency other than pounds sterling, as specified in the applicable Pricing Supplement, at least the equivalent thereof in such currency using the spot rate as of the date of issue).

Upon issuance of a Global Note in respect of one or more Notes in book-entry form ("Book-Entry Notes"), DTC, or its nominee, will credit the accounts of persons that hold accounts with DTC ("Participants") as designated by the Agents or other agent or the Company in respect of such Notes. Ownership of beneficial interests in a Global Note will be limited to Participants, including Euroclear and Clearstream, or persons that may hold interests through Participants. Ownership of beneficial interests by Participants in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC for such Global Note. Ownership of beneficial interests in such Global Note by persons that hold through Participants will be shown on, and the transfer of that ownership interest within such Participant will be effected only through, records maintained by such Participant. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form.

Payment of principal, premium, if any, and interest on Book-Entry Notes represented by any Global Note will be made to DTC or its nominee, as the case may be, as the sole registered owner and the sole registered holder of the Global Note representing such Book-Entry Notes. The Company, the Trustee and their respective agents will not have any responsibility or liability for any aspect of DTC's records relating to or payments made on account of beneficial ownership interests in a Global Note representing any Book-Entry Notes or for maintaining, supervising or reviewing any of DTC's records relating to such beneficial ownership interests.

The Company has been advised by DTC that redemption proceeds and distributions on any Global Note will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the accounts of Direct Participants (as defined below), upon DTC's receipt of funds and corresponding detail information from the Company or the Agents on the date payable in accordance with their respective holdings shown on DTC's records. Payment by Participants to owners of beneficial interests in a Global Note 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, the Agents, the Trustee or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Company or the Agents, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the owner of beneficial interests in a Global Note shall be the responsibility of Direct Participants and Indirect Participants (as defined below).

A Global Note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor. A Global Note representing Book-Entry Notes is exchangeable only if DTC notifies the Company that it is unwilling or unable to continue as depository in respect of such Global Note or if at any time DTC ceases to be a clearing agency registered under the Exchange Act, and a successor depository is not appointed by the Company within 90 days. Any Global Note that is exchangeable pursuant to the preceding sentence shall be exchangeable for Notes in definitive form issuable in denominations of U.S.$2,000 and in integral multiples of U.S.$1,000 in excess thereof (or the equivalent amount in one or more foreign currencies as specified in the applicable Pricing Supplement) and registered in such names as DTC or another depository holding such Global Note shall direct. Subject to the foregoing, the Global Note is not exchangeable, except for a Global Note of like denomination to be registered in the name of DTC or its nominee.

So long as DTC, or its nominee, is the registered owner of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and registered holder of the Book-Entry Notes represented by such Global Note for the purposes of receiving payments of principal, premium, if any, and interest on such Book-Entry Notes, receiving notices and for all other purposes under the Indenture and such Notes. Beneficial interests in such Global Note will be evidenced only by, and the transfer thereof will be effected only through, records maintained by DTC and its Participants. Except as provided above, owners of beneficial interests in a Global Note will not be entitled to be and will not be considered the holders thereof for any purpose. Accordingly, each person owning a beneficial interest in a Global Note must rely on the procedures of DTC and, if such person is not a Participant, on the procedures of the Participant through which such person owns its interest, to exercise any rights of a registered holder under the Notes.

DTC, Clearstream and Euroclear

DTC has advised the Company as follows: DTC 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 member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct 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., and Financial Industry Regulatory Authority, 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”). The rules applicable to DTC and its Direct Participants and Indirect Participants are on file with the SEC.

Purchasers in Europe may hold their interests in a Global Note directly through Euroclear or Clearstream, or indirectly through organizations that are participants in Euroclear or Clearstream.

Euroclear and Clearstream will hold interests in a Global Note on behalf of their participants through DTC. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Clearstream and Euroclear have provided us with the following information:

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations (“Clearstream participants”) and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic securities markets in several countries. As a professional depositary, Clearstream is subject to regulation by the

Luxembourg Commission for the Supervision of the Financial Sector ("*Commission de Surveillance du Secteur Financier*"). Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the agents. Clearstream participants in the U.S. are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream.

Euroclear was created in 1968 to hold securities for participants of Euroclear ("Euroclear participants") and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear performs various other services, including securities lending and borrowing and interacts with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear operator") under contract with Euroclear plc, a U.K. corporation. All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not Euroclear plc. Euroclear plc establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is a Belgian bank. As such it is regulated by the Belgian Banking and Finances Commission. Securities clearance accounts and cash accounts with the Euroclear operator are governed by the terms and conditions governing use of Euroclear and the related operating procedures of the Euroclear System, and applicable Belgian law (collectively, the "terms and conditions"). The terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific clearance accounts. The Euroclear operator acts under the terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions, to the extent received by the U.S. depositary for Euroclear.

Euroclear has further advised the Company that investors that acquire, hold and transfer interests in the Notes by book-entry through accounts with the Euroclear operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the global securities certificates.

Although DTC, Euroclear and Clearstream have acknowledged the foregoing procedures, they are under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. None of the Company nor the Trustee will have any responsibility for the performance by DTC or its Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream has been obtained from sources that the Company believe to be reliable, but the Company takes no responsibility for the accuracy of this information.

Exchanges Between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the 40-day distribution compliance period, Regulation S Notes (including beneficial interests in the Regulation S Global Notes) may be exchanged for Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) only if:

- such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and

- the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a person:

    - whom the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

    - purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

    - in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Rule 144A Notes (including beneficial interests in a Rule 144A Global Note) may be transferred to a person who takes delivery in the form of an interest in a Regulation S Note (including a beneficial interest in a Regulation S Global Note), whether before or after the expiration of the 40-day distribution compliance period, only if the transferor first delivers to the Trustee a written certificate (in the applicable form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the 40-day distribution compliance period, the Note (including beneficial interests therein) transferred will be held immediately thereafter until the expiration of the 40-day distribution compliance period through Euroclear or Clearstream.

Although DTC, Euroclear and Clearstream, have agreed to the foregoing procedures to facilitate transfers of interests in Rule 144A Global Notes and Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither we, the Trustee, nor any of our or their agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Notes prior to the expiration of the 40-day distribution compliance period.

Exchange of Global Notes for Certificated Notes

In a few special situations, the Global Notes will terminate and interests in them will be exchanged for physical certificates representing the Notes. After that exchange, the choice of whether to hold the Notes directly or in street name will be up to the investor, subject to certain matters in the discretion of DTC as described below. Investors must consult their own bank or brokers to find out how to have their interests in the Notes transferred to their own name so that they will be direct holders.

The special situations for termination of the Global Notes are:

- When DTC notifies us that it is unwilling, unable or no longer qualified to continue as depositary.

- When an event of default on the Notes has occurred and has not been cured. Defaults are discussed above under “Events of Default, Notice and Waiver.”

In all cases, certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC, as the depositary (in accordance with its customary procedures), and will bear the applicable restrictive legend referred to under the caption "Transfer Restrictions," unless that legend is not required by applicable law.

You may have certificated Notes broken into more Notes of smaller denominations or combined into fewer Notes of larger denominations, as long as the total principal amount is not changed and as long as the denomination of each Note remains at least $2,000. You may exchange or transfer certificated Notes at the office of the Trustee. The Trustee acts as our agent for registering certificated Notes in the names of holders and transferring the securities. We may change this appointment to another entity or perform the service ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also register transfers of the certificated Notes. You will not be required to pay a service charge to transfer or exchange the Notes, but you may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange of such certificated Notes will only be made if the security registrar is satisfied with your proof of ownership.

We expect that new certificated Notes issued in the circumstances set forth above will be available within seven business days at the office of the Trustee and the office of any paying agent.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to us, and the security registrar, a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Transfer Restrictions."

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes have not been registered, and will not be registered, under the Securities Act or any other applicable securities laws, and the securities may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

- to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- to non-U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Each purchaser of Notes (other than the Agents in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States;
- it acknowledges that the Notes have not been registered under the Securities Act or with any notes regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- it understands and agrees that Notes initially offered to qualified institutional buyers will be represented by one or more global Notes and that Notes offered outside the United States to non-U.S. persons in reliance on Regulation S will also be represented by one or more global Notes;
- it will not resell or otherwise transfer any of such Notes except (a) to the Issuer, (b) to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States to non-U.S. persons in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;
- it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;
- it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture;
- it is either (a) not acquiring or holding a Note (or a beneficial interest therein) with the assets of an "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA, a "plan" as defined in and subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), or any entity deemed to hold "plan assets" of the foregoing (each, a "Benefit Plan Investor"), or any other employee benefit plan or entity that is subject to any law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("Similar Law"), or (b) the acquisition and holding of the Note (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law;

- it acknowledges that the trustee, registrar or transfer agent for the Notes will not be required to accept for registration transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with; and

- it acknowledges that we, the Agents and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the Agents. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.

The following is the form of restrictive legend which will appear on the face of each global note, and which will be used to notify transferees of the foregoing restrictions on transfer. This legend can only be removed with our consent:

> "THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (I) TO HYUNDAI CAPITAL AMERICA (THE "ISSUER") OR ANY OF ITS SUBSIDIARIES, (II) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (III) IN AN OFFSHORE TRANSACTION TO A NON-U.S. PERSON IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY ACQUIRING OR HOLDING THIS NOTE, AGREES THAT EITHER (I) IT IS NOT ACQUIRING OR HOLDING THIS NOTE WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY ENTITY DEEMED TO HOLD "PLAN ASSETS" OF THE FOREGOING, OR ANY OTHER EMPLOYEE BENEFIT PLAN OR ENTITY THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (II) THE ACQUISITION AND HOLDING OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY WITH THE CONSENT OF THE ISSUER."

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> "THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH

TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER HEREOF, BY ACQUIRING OR HOLDING THIS NOTE, AGREES THAT EITHER (I) IT IS NOT ACQUIRING OR HOLDING THIS NOTE WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY ENTITY DEEMED TO HOLD "PLAN ASSETS" OF THE FOREGOING, OR ANY OTHER EMPLOYEE BENEFIT PLAN OR ENTITY THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (II) THE ACQUISITION AND HOLDING OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW. THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DAY ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THIS NOTE."

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfers of interest in global Notes and certificated Notes, see "Description of the Notes—Form, Denomination, Transfer and Exchange; Book Entry Registration."

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of certain U.S. federal income tax consequences of purchasing, holding and selling Notes. The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations (including proposed Treasury regulations) issued thereunder, Internal Revenue Service ("IRS") rulings and pronouncements and judicial decisions now in effect, all of which are subject to change, possibly with retroactive effect (which could result in U.S. federal income tax considerations different from those discussed below). Except where stated otherwise, this summary deals only with Notes held as capital assets by a "U.S. Holder" (as defined below).

We do not address all of the tax consequences that may be relevant to a U.S. Holder. We also do not address, except as stated below, any of the tax consequences to holders that are "Non-U.S. Holders" (as defined below) or to holders that may be subject to special tax treatment including banks, thrift institutions, real estate investment trusts, personal holding companies, regulated investment companies, insurance companies, tax exempt entities, persons that hold Notes in a "straddle" or as part of a "hedging," "integrated," "conversion" or "constructive sale" transaction or U.S. Holders whose "functional currency" is not the U.S. dollar, accrual method taxpayers that file applicable financial statements (as described in Section 451(b) of the Code), and brokers and dealers in securities or currencies. Further, we do not address:

- all of the tax consequences applicable to Notes with special features, such as amortizing Notes, reset Notes, Notes with respect to which the Company has the option to extend the stated Maturity Date, or renewable Notes, which consequences would be discussed in the applicable Pricing Supplement;
- the U.S. federal income tax consequences to stockholders in, or partners or beneficiaries of, an entity that is a holder of Notes;
- the U.S. federal estate and gift or alternative minimum tax consequences of the purchase, ownership or sale of Notes; or
- any state, local or foreign tax consequences of the purchase, ownership and sale of Notes.

A U.S. Holder is a beneficial owner of Notes that is, for U.S. federal income tax purposes:

- a citizen or resident of the U.S.;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- a trust if (1) a U.S. court can exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (2) the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person; or
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A Non-U.S. Holder is a beneficial owner of Notes other than a U.S. Holder or an entity treated as a partnership for U.S. federal tax purposes.

If an entity treated as a partnership for U.S. federal tax purposes holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in an entity treated as a partnership for U.S. federal tax purposes holding Notes, you should consult your own tax advisor.

U.S. Holders

Payments of Interest

Payments of qualified stated interest (as defined below) on a Note (other than amounts attributable to pre-acquisition accrued interest, if any, which will be treated as a return of capital) generally will be taxable to a U.S. Holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. Holder's regular method of accounting for tax purposes). A U.S. Holder that uses the cash method of accounting and that holds a Note denominated in a currency other than U.S. dollars (a "foreign currency") will be required to include in income the U.S. dollar value of the amount of interest income received by the U.S. Holder (determined as of the time that such payment is received), regardless of whether such payment in fact is received in U.S. dollars or converted into U.S. dollars. A U.S. Holder that uses the accrual method of accounting and that holds a Note denominated in a foreign currency will be required to include in income the U.S. dollar value of the amount of interest income that has accrued during an accrual period determined by translating such income at the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate of exchange for the partial period within the taxable year). A U.S. Holder that uses the accrual method of accounting may elect, however, to translate such income using the spot rate of exchange on the last day of the accrual period (or, with respect to an accrual period that spans two taxable years, at the spot rate on the last day of the taxable year). Such an election must be applied consistently by the U.S. Holder from year to year and cannot be revoked without the consent of the IRS. The average rate of exchange for an accrual period is the simple average of the spot exchange rates for each business day of such period (or other average exchange rate for the period reasonably derived and consistently applied by the U.S. Holder). If the last day of an accrual period is within five business days of the date of receipt or payment of the accrued interest, a U.S. Holder that uses the accrual method of accounting and that makes such an election may translate such interest using the spot rate on the date of receipt or payment. A U.S. Holder that uses the accrual method of accounting will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment if the amount of the payment in U.S. dollars received, or in the case of a U.S. Holder who elects to receive payment on the Notes in a foreign currency, the U.S. dollar value of the foreign currency payment determined by translating the payment at the spot rate on the date the payment is received, differs from the amount of interest previously accrued during the accrual period. This foreign currency gain or loss will be treated as ordinary income or loss and will generally be treated as U.S. source income or as an offset to U.S. source income, respectively.

Payments of Principal

A U.S. Holder of a Note denominated in a foreign currency will recognize foreign currency gain or loss, as the case may be, on the receipt of payments of principal on a Note, measured by the difference between the U.S. dollar value of the principal payment received (translated at the spot rate on the date such payment is received) and the U.S. dollar value of such amount translated at the spot rate in effect on the date such U.S. Holder acquired the Note.

Purchase, Sale, Redemption and Retirement of Notes

A U.S. Holder's tax basis in a Note generally will equal the cost of such Note to such holder, increased by any amounts included in income by the U.S. Holder as original issue discount or market discount and reduced by any amortized premium (each as described below) and any payments other than qualified stated interest (as defined below) made on such Note. In the case of a Note denominated in a foreign currency, the cost of such Note to a U.S. Holder will be the U.S. dollar value of the foreign currency purchase price determined on the date of purchase. In the case of a Note which is denominated in a foreign currency and is traded on an established securities market, a cash basis taxpayer (or, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a U.S. Holder's tax basis in a Note in respect of foreign currency-denominated original issue discount, market discount (as defined below) and premium will be determined in the manner described below for such adjustments. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. Holder.

Upon the sale, exchange, redemption or retirement of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (less any accrued interest, which will be taxable as such) and the U.S. Holder's tax basis in the Note. With respect to the sale, exchange, redemption or retirement of a Note denominated in a foreign currency, the amount realized generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis taxpayer and (ii) the date of the sale, exchange, redemption or retirement in the case of an accrual basis taxpayer. In the case of a Note which is denominated in a foreign currency and is traded on an established securities market, a cash basis taxpayer (or, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized by translating the amount paid at the spot rate of exchange on the settlement date of sale. The election available to accrual basis U.S. Holders in respect of the purchase and sale of a Note denominated in a foreign currency that is traded on an established securities market must be applied consistently by the U.S. Holder from year to year and cannot be revoked without the consent of the IRS.

Except as discussed below with respect to market discount, short-term OID Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a U.S. Holder on the sale, exchange, redemption or retirement of a Note generally will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for such Notes exceeds one year. A U.S. Holder generally may offset capital losses against capital gains, and, if such U.S. Holder is an individual and such capital losses exceed such capital gain, to a limited extent (currently up to U.S.$3,000 per taxable year) against ordinary income.

Notwithstanding the foregoing, gain or loss recognized by a U.S. Holder on the sale, exchange, redemption or retirement of a Note denominated in a foreign currency generally will be treated as ordinary income or loss and will generally be treated as U.S. source income or as an offset to U.S. source income, respectively, to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the U.S. Holder held such Note.

Notes with Original Issue Discount

U.S. Holders of Notes issued with original issue discount ("OID Notes") generally will be subject to the special rules for original issue discount obligations provided by the Code and the Treasury regulations issued thereunder (the "OID Regulations"). A Note will be considered to have been issued with original issue discount if such Note has a stated redemption price at maturity (as defined below) that exceeds its issue price (as defined below) by at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to the maturity for such Note (or in the case of Notes providing for payment of principal in installments, the weighted average maturity). If the stated redemption price at maturity of a Note exceeds its issue price by less than this amount, such Note will be considered to have de minimis original issue discount and will not be an OID Note. Holders of Notes with de minimis original issue discount generally will include the amount of original issue discount on the Notes in income, as capital gain, on a pro rata basis as principal payments are made on the Notes, unless the Holder makes a constant yield election (as defined below). U.S. Holders of OID Notes (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include original issue discount in income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each U.S. Holder of an OID Note which matures more than one year from the date of issue, whether such U.S. Holder uses the cash or the accrual method of accounting for tax purposes, will be required to include in ordinary gross income the sum of the "daily portions" of original issue discount on that Note for all days during the taxable year that the U.S. Holder owns the Note. In addition, a U.S. Holder will be required to include any "qualified stated interest" (as defined below) on such a Note in gross income (as interest) under the U.S. Holder's regular method of accounting for tax purposes. The daily portions of original issue discount on an OID Note are determined by allocating to each day in any accrual period (generally any period of one year or less that is elected by a U.S. Holder, typically a period that ends or begins on a scheduled interest or principal payment date) a ratable portion of the original issue discount allocable to the accrual period. In the case of an initial holder, the amount of original issue discount on an OID Note allocable to each accrual period generally is determined by (i) multiplying the "adjusted issue price" (as defined below) of the Note at the beginning of the accrual period by the yield to maturity of the Note (adjusting the yield to take into account the length of the particular accrual period) and (ii) subtracting from that product the amount (if any) payable as "qualified stated interest" (as defined below) during that accrual period. The "adjusted issue price" of an OID Note at the beginning of any accrual period will be the sum of its issue price and the amount of original issue discount allocable to all prior accrual periods (without regard to any acquisition premium), reduced by the amount of all payments other than qualified stated interest payments (if any) made with respect to such Notes in all prior accrual periods. The "issue price" of a Note for this purpose generally is the first price at which a substantial amount of the Notes included in the particular issuance is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). "Qualified stated interest" is defined to include stated interest that is unconditionally payable in cash or in property (other than debt instruments of the Company) at least annually at a single fixed rate or, to the extent described below, at a variable rate if the Note is a variable rate debt instrument (as defined below). The "stated redemption price at maturity" of a Note is the sum of all payments provided by the terms of the Note, other than qualified stated interest payments.

If a portion of the initial purchase price of a Note is attributable to pre-issuance accrued interest, the first stated interest payment on the Note is to be made within one year of the Note's issue date, and the payment will equal or exceed the amount of pre-issuance accrued interest, then the U.S. Holder may elect to decrease the issue price of the Note by the amount of pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note.

Under the OID Regulations, interest payments on a "variable rate debt instrument" may be considered qualified stated interest. For this purpose, a Note is a "variable rate debt instrument" if it is an instrument that (x) has an issue price that does not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of such total noncontingent principal payments and the number of complete years to maturity of the Note (or in the case of Notes providing for payment of principal in installments, the weighted average maturity) and (ii) 15% of the total noncontingent principal payments; (y) provides for stated interest (compounded or paid at least annually) at the current value of (A) one or more qualified floating rates (as defined below), (B) a single fixed rate followed by one or more qualified floating rates, (C) a single objective rate (as defined below), or (D) a single fixed rate and a single objective rate (as defined below) that is a qualified inverse floating rate (as defined below); and (z) does not provide for any principal payments that are contingent (disregarding any remote and incidental contingencies, within the meaning of applicable Treasury regulations).

If a Note that provides for a variable rate of interest does not qualify as a variable rate debt instrument, such Note would be a "contingent payment debt instrument" subject to rules set forth in the Treasury regulations that address the U.S. federal income tax treatment of such instruments. As noted under the caption "— Indexed Notes and Notes with Contingent Payments," a description of any material U.S. federal income tax considerations relevant to U.S. Holders of such Notes will be set forth in the applicable Pricing Supplement.

A "qualified floating rate" is a floating rate under which variations in the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated. A multiple of a qualified floating rate is not a qualified floating rate unless the relevant Spread Multiplier is (x) fixed at a number that is greater than 0.65 but not more than 1.35 or (y) fixed at a number that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. Notwithstanding the foregoing, stated interest on a Note that is subject to a maximum or minimum interest rate limitation (i.e., a cap or floor), a restriction on the amount of increase or decrease in such rate (i.e., a governor) or other similar restrictions generally will not be treated as a qualified floating rate. However, a restriction will not cause a variable rate to fail to be a qualified floating rate if it is a cap, floor or governor that is fixed throughout the term of the Note or is a cap, floor, governor or similar restriction that is not reasonably expected on the issue date to cause the yield on the Note to be significantly less than (in the case of a cap), significantly more than (in the case of a floor), or significantly different from (in the case of a governor), the expected yield determined without such cap, floor or governor, as the case may be. In addition, under the OID Regulations, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the variable rate note (e.g., two or more qualified floating rates with values within 25 basis points (i.e., 0.25%) of each other as determined on the Note's issue date) will be treated as a single qualified floating rate. An "objective rate" is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information;

provided, however, that an objective rate does not include a rate based on information that is within the control of the Company (or a related party within the meaning of the applicable statutory provisions) or that is unique to the circumstances of the Company (or a related party within the meaning of the applicable statutory provisions), other than the Company's credit quality, such as dividends, profits or the value of the Company's stock. A variable rate is not an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term. A "qualified inverse floating rate" is an objective rate (1) that is equal to a fixed rate minus a qualified floating rate and (2) the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds. The OID Regulations also provide that if a debt instrument provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the debt instrument's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points (i.e., 0.25%)), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

Under the OID Regulations, if a Note qualifies as a variable rate debt instrument that provides for interest at a single qualified floating rate or a single objective rate and that rate is payable unconditionally at least annually, all of the interest is treated as qualified stated interest. Therefore, such a Note will not have original issue discount unless its stated principal amount exceeds the price at which it is issued by an amount that is greater than or equal to the de minimis amount. The accrual of original issue discount, if any, on such a Note is determined by assuming the Note bears interest at a fixed interest rate equal to the value of the qualified floating rate or qualified inverse floating rate on the issue date, or equal to the reasonably expected yield for the note in the case of any other objective rate. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period. If a Note qualifying as a variable rate debt instrument provides for interest at more than a single qualified floating rate or a single objective rate, the rules for determining the amount and accrual of original issue discount and qualified stated interest on such a variable rate debt instrument provide for the conversion of such debt instrument into an equivalent fixed rate debt instrument and the application of the general rules regarding original issue discount to such debt instrument. The OID Regulations generally require that such a Note be converted into an equivalent fixed rate debt instrument by substituting any variable rate for the appropriate fixed rate substitute (as described above). Under such rules, the qualified stated interest allocable to an accrual period based on such assumed fixed rate is increased or decreased, as the case may be, if the interest actually paid during such accrual period exceeds, or is less than, the interest assumed to be paid during the accrual period based on such assumed fixed rate. If a Note qualifying as a variable rate debt instrument provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate (other than a Note described in the preceding paragraph that provides for stated interest at a fixed rate for an initial period), the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Note provides for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Note as of the Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. After converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Note is then converted into an equivalent fixed rate debt instrument and subject to the general rules regarding original issue discount, as described above.

While each U.S. Holder of an OID Note which matures more than one year from the issue date will be required to accrue original issue discount income under a constant yield method, as described above, a taxpayer may also elect to include in gross income all interest that accrues on a debt instrument (including qualified stated interest, original issue discount, de minimis original issue discount, market discount (as defined below), de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium (as discussed below) under a constant yield method (such election, a "constant yield election").

As a result of this "constant yield" method of including original issue discount income, the amounts so includible in income by a U.S. Holder in respect of an OID Note denominated in U.S. dollars are generally lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

In the case of an OID Note denominated in a foreign currency, a U.S. Holder should determine the U.S. dollar amount includible in income as original issue discount for each accrual period by (i) calculating the amount of original issue discount allocable to each accrual period in the foreign currency using the constant yield method described above, and (ii) translating the foreign currency amount so derived at the average exchange rate in effect during that accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate of exchange for the partial period within the taxable year) or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period (or, with respect to an accrual period that spans two taxable years, at the spot rate on the last day of the taxable year). Because exchange rates may fluctuate, a U.S. Holder of an OID Note denominated in a foreign currency may recognize a different amount of original issue discount income in each accrual period than would the holder of a similar OID Note denominated in U.S. dollars. Upon receipt of an amount attributable to original issue discount (whether in connection with a payment of interest or the sale or retirement of an OID Note), a U.S. Holder may recognize foreign currency gain or loss (treated as ordinary income or loss) in an amount equal to the difference between the amount of income received attributable to the original issue discount (translated into U.S. dollars at the spot rate on the date of receipt) and the amount of original issue discount previously accrued (as discussed above). For these purposes, all receipts on a Note will be viewed first, as the receipt of any qualified stated interest payments called for under the terms of the Note; second, as receipts of previously accrued original issue discount (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as the receipt of principal.

OID Notes that are subject to redemption prior to maturity, have an extendible maturity date or are subject to renewal or that include interest rate reset features may be subject to rules that differ from the general rules discussed above. U.S. Holders that intend to purchase OID Notes with such a feature should carefully examine the applicable Pricing Supplement and should consult with their own tax advisors with respect to such feature since the tax consequences with respect to original issue discount will depend, in part, on the particular terms and the particular features of the purchased Note.

A subsequent U.S. Holder of an OID Note that purchases the Note at a cost less than its stated redemption price at maturity also generally will be required to include in gross income the daily portions of original issue discount, calculated as described above. However, if the subsequent U.S. Holder acquires the OID Note at a lower yield to maturity than the yield of the Note for original issue discount purposes with respect to the initial holder of the Note (i.e., if the subsequent U.S. Holder has acquisition premium with respect to the Note), the subsequent U.S. Holder may reduce its periodic inclusions of original issue discount income to reflect the lower yield to maturity of the Note or make the constant yield election described above and compute original issue discount accruals by treating the purchase as a purchase at original issue and applying the mechanics of the constant yield method.

Short-term OID Notes

Under the OID Regulations, no payment of interest on a Note that matures one year or less from the date of its issuance (a "short-term OID Note") would be considered to be qualified stated interest. Therefore, any such Note would be considered to be issued with original issue discount. In general, a U.S. Holder that uses the cash method of accounting for tax purposes and that holds a short-term OID Note that matures one year or less from the date of its issuance is not required to accrue original issue discount for U.S. federal income tax purposes unless such U.S. Holder elects to do so. U.S. Holders that utilize the accrual method of accounting and certain other holders, including banks and dealers in securities, are required to include original issue discount (or, alternatively, acquisition discount) on such short-term OID Notes on a straight-line basis, unless an election is made to accrue the original issue discount according to a constant yield method based on daily compounding. A U.S. Holder that includes original issue discount on a short-term OID Note as it accrues is subject to the rules set forth above regarding foreign currency gains or losses on OID Notes. In the case of a U.S. Holder that is not required, and does not elect, to include original issue discount in income currently, any gain recognized on the sale, exchange, redemption or retirement of a short-term OID Note will be ordinary income to the extent of the original issue discount accrued on a straight-line basis (or, if elected, under the constant yield method) through the date of sale, exchange, redemption or retirement. In addition, such non-electing U.S. Holder will be required to defer the deduction of all or a portion of any interest paid on indebtedness incurred to purchase or carry a short-term OID Note until such original issue discount is included in such U.S. Holder's income.

Premium and Market Discount

A U.S. Holder of a Note that purchases the Note at a cost greater than the sum of all amounts payable on the Note other than payments of qualified stated interest will be considered to have purchased the Note at a premium, and may make an election, applicable to all Notes held by such U.S. Holder, to amortize such premium, using a constant yield method, over the remaining term of the Note. Such election applies to all taxable debt instruments held by the U.S. Holder at the beginning of the first taxable year for which the election applies or thereafter acquired and is irrevocable without the consent of the IRS. The amount amortized in any year will be treated as a reduction of the U.S. Holder's interest income from the Note. The U.S. Holder's tax basis in such Notes will be reduced to the extent that amortizable premium is applied to offset interest payments. In the case of a Note denominated in a foreign currency purchased at a premium, a U.S. Holder should calculate the amortization of the premium in the relevant foreign currency and should reduce interest income by the amortizable bond premium in units of such foreign currency. A U.S. Holder should recognize foreign currency gain or loss (treated as ordinary income or loss) equal to the difference between the U.S. dollar value of the premium amortized with respect to a period, determined on the date the interest attributable to such period is received, and the U.S. dollar value of the premium determined on the date of the acquisition of the Note. A U.S. Holder that does not elect to amortize premium will translate the premium, computed in the applicable foreign currency, into U.S. dollars at the spot rate on the maturity date and such bond premium will constitute a capital loss.

If a U.S. Holder of a Note purchases a Note, other than a short-term OID Note, at a price that produces a yield to maturity higher than the yield to maturity at which such Note first was issued, the Note will be considered to bear "market discount" in the hands of such U.S. Holder unless the market discount is less than a specified de minimis amount. In such case, any partial principal payment (or, in the case of an OID Note, any payment other than a payment of qualified stated interest) or any gain realized by the U.S. Holder on the sale, exchange, redemption or retirement of the Note generally will be treated as ordinary income to the extent of the lesser of the amount of such payment or realized gain or the market discount that accrued on the Note while held by such U.S. Holder that was not previously included in income. Such U.S. Holder also could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or continued to purchase or carry the Note (unless the U.S. Holder elects to include such market discount in income as it accrues). Such election applies to all taxable debt instruments held by the U.S. Holder at the beginning of the first taxable year for which the election applies or thereafter acquired and is irrevocable without the consent of the IRS. The adjusted basis of a Note in the hands of a U.S. Holder subject to such election will be increased to reflect market discount included in gross income, thereby reducing any gain or increasing any loss on a sale or other taxable disposition of the Note. In general, market discount on a Note will be treated as accruing ratably over the term of such Note, or, at the election of the U.S. Holder, under a constant yield method. With respect to Notes which are denominated in a foreign currency, the amount of market discount which accrues during any accrual period will be determined in the foreign currency and translated into U.S. dollars (i) at the spot rate of exchange on the date the Note is disposed of, or (ii) if the holder elects to include such market discount in income as it accrues, in the manner described above under the heading "— Payments of Interest," under the special rules describing the translation of income using the average rate of exchange for the accrual period. If a U.S. Holder elects to include market discount in income as it accrues, then upon the disposition or maturity of a Note and the receipt of an amount attributable to accrued market discount, such U.S. Holder will recognize foreign currency gain or loss (treated as ordinary income or loss) in the same manner as for original issue discount. A U.S. Holder that does not make the election to include market discount in income as it accrues will take into account, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate in effect on that date, and no part of the accrued market discount will be treated as foreign currency gain or loss.

Indexed Notes and Notes with Contingent Payments

The tax consequences to a U.S. Holder of an Indexed Note or a Note the payments under which are contingent will depend on factors including the specific index or indices used to determine payments on such Note and the amount and timing of any noncontingent payments on such Note. A description of any material U.S. federal income tax considerations relevant to U.S. Holders of Indexed Notes and Notes the payments under which are contingent will be set forth in the applicable Pricing Supplement.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of an individual) or "undistributed net investment income" (in the case of an estate or trust) for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's net investment income generally will include its interest income and its net gains from the disposition of the Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the Notes.

Tax Return Disclosure Regulations

Pursuant to certain Treasury regulations (the "Disclosure Regulations"), any taxpayer that has participated in a "reportable transaction" and that is required to file a U.S. federal income tax return must generally attach a disclosure statement disclosing such taxpayer's participation in the reportable transaction to the taxpayer's tax return for each taxable year for which the taxpayer participates in the reportable transaction. A penalty in the amount of 75% of the decrease in tax shown on the return as a result of such transaction (or which would have resulted from such transaction if such transaction were respected for U.S. federal tax purposes) is imposed on any taxpayer that fails to file a reportable transaction disclosure statement. The maximum penalty is $200,000 ($100,000 for a natural person) for failure to disclose a listed transaction, and $50,000 ($10,000 for a natural person) for any other reportable transaction; whereas the minimum penalty is $10,000 ($5,000 for a natural person) for failure to disclose any reportable transaction. The Disclosure Regulations provide that, in addition to certain other transactions, a "loss transaction" constitutes a "reportable transaction." A "loss transaction" is any transaction resulting in the taxpayer claiming a loss under Section 165 of the Code in an amount equal to or in excess of certain threshold amounts. The Disclosure Regulations specifically provide that a loss resulting from a "Section 988 transaction" (as defined in Section 988(c)(1) of the Code relating to foreign currency transactions) will constitute a Section 165 loss. In the case of individuals or trusts, whether or not the loss flows through from an S corporation or partnership, if the loss arises with respect to a Section 988 transaction, the applicable threshold amount is $50,000 in any single taxable year. Higher threshold amounts apply depending upon the taxpayer's status as a corporation, partnership, or S corporation, as well as certain other factors. It is important to note, however, that the Disclosure Regulations provide that the fact that a transaction is a reportable transaction shall not affect the legal determination of whether the taxpayer's treatment of the transaction is proper. U.S. Holders should consult their own tax advisors concerning the potential application of the Disclosure Regulations to the Notes.

Non-U.S. Holders

Payments of Interest

Subject to the discussion of backup withholding and FATCA below, payments of principal of, and interest (including original issue discount) on, any Note to a Non-U.S. Holder, other than (i) a "controlled foreign corporation" (as such term is defined in the Code) which is related to the Company through actual or constructive stock ownership, (ii) a person owning (actually or constructively) securities representing at least 10% of the total combined outstanding voting power of all classes of voting stock of the Company and (iii) a bank which acquires such Note in consideration of an extension of credit and pursuant to a loan agreement entered into in the ordinary course of its business, will generally not be subject to any United States withholding tax under the "portfolio interest exemption," provided that the certification requirement described below is satisfied or an exemption is otherwise established.

Under current law, the certification requirement will generally be satisfied in any of the following circumstances:

- if a Non-U.S. Holder provides the U.S. payor with a properly completed and duly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or suitable successor or substitute form), stating, among other things, that the Non-U.S. Holder is not a U.S. person; or

- if a Note is held through a securities clearing organization, bank or another financial institution that holds customers' securities in the ordinary course of its trade or business, (i) the Non-U.S. Holder provides such a form to such organization or institution, and (ii) such organization or institution, under penalty of perjury, certifies to the U.S. payor that it has received such statement from the beneficial owner or another intermediary and furnishes the U.S. payor with a copy thereof.

If the requirements of the portfolio interest exemption described above are not satisfied, a 30% withholding tax will generally apply to the gross amount of interest on the Notes that is paid to a Non-U.S. Holder, unless either: (a) an applicable income tax treaty reduces or eliminates such tax, and the Non-U.S. Holder claims the benefit of that treaty by providing a properly completed and duly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or suitable successor or substitute form) establishing qualification for benefits under the treaty, or (b) the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States and the Non-U.S. Holder provides an appropriate statement to that effect on a properly completed and duly executed IRS Form W-8ECI (or suitable successor form).

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Note is effectively connected with the conduct of that trade or business, the Non-U.S. Holder will be required to pay U.S. federal income tax on that interest on a net income basis (and the 30% withholding tax described above will not apply, provided the appropriate statement is provided to the U.S. payor) generally in the same manner as a U.S. person. If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the United States and its country of residence, any interest income that is effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business will be subject to U.S. federal income tax in the manner specified by the treaty and generally will only be subject to such tax if such income is attributable to a permanent establishment (or a fixed base in the case of an individual) maintained by the Non-U.S. Holder in the United States provided the Non-U.S. Holder claims the benefit of the treaty by properly submitting an IRS Form W-8BEN or an IRS Form W-8BEN-E (or a suitable successor or substitute form), as applicable. In addition, a Non-U.S. Holder that is treated as a foreign corporation for U.S. federal income tax purposes may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States.

Purchase, Sale, Redemption and Retirement of Notes

Subject to the discussion of backup withholding below, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption or retirement of a Note will not be subject to U.S. federal income tax, unless (x) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (y) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption or retirement and certain other conditions are met. If the first exception applies, the Non-U.S. Holder will generally be subject to U.S. federal income tax on the net gain derived from the sale, exchange or other disposition of the Notes in the same manner as a U.S. person. In addition, corporate Non-U.S. Holders may be subject to a 30% branch profits tax on any such effectively connected gain. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% on the amount by which its U.S.-source capital gains exceed its U.S.-source capital losses. If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the United States and its country of residence, the U.S. federal income tax treatment of any such gain may be modified in the manner specified by the treaty.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements apply in the case of certain non-corporate U.S. Holders with respect to certain payments of principal, premium, if any, and interest (including original issue discount) on a Note, and to the proceeds of the sale or retirement of a Note, unless, in the case of backup withholding, a holder provides certain identifying information (generally on IRS Form W-9) or otherwise establishes an exemption from backup withholding. Payments of principal, premium and interest (including original issue discount) on a Note to a holder that is a Non-U.S. Holder will not be subject to any backup withholding or information reporting requirements if the beneficial owner of the Note or a financial institution holding the Note on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification (generally on an appropriate IRS Form W-8) to the U.S. payor and the U.S. payor does not have actual knowledge that the certification is false. If provided by a beneficial owner, the certification must give the name and address of such owner, state that such owner is not a United States person, and be signed by the owner under penalties of perjury. If provided by a financial institution, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification (and include a copy of such certification), and be signed by an authorized representative of the financial institution under penalties of perjury. The holder may also be subject to penalties if it fails to properly provide the appropriate certification or other evidence of exemption from withholding. Notwithstanding the foregoing, income allocable to Non-U.S. Holders may be subject to annual tax reporting on IRS Form 1042-S. Any amounts deducted and withheld may be allowed as a credit against the beneficial owner's U.S. federal income tax liability, if any. If backup withholding results in an overpayment of taxes, the holder may obtain a refund.

The IRS will not require a financial institution to furnish it with the names of the beneficial owners of the Notes that are non-U.S. persons or a copy of such beneficial owners' certifications where the financial institution is a qualified intermediary which has entered into a withholding agreement with the IRS pursuant to United States Treasury regulations addressing the withholding tax rules and has assumed primary withholding responsibility.

In the case of payments to foreign partnerships (other than payments to foreign partnerships that qualify as "withholding foreign partnerships" within the meaning of such United States Treasury regulations and payments to foreign partnerships of income that is effectively connected with the conduct of a trade or business in the United States), the partners of such partnerships will be required to provide the certification discussed above in order to establish an exemption from withholding tax, backup withholding and information reporting requirements. Moreover, a payor may rely on a certification provided by a Non-U.S. Holder only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is unreliable. Further, if the payment of the proceeds of a sale of a Note is made to the beneficial owner thereof by the foreign office of a foreign "broker" (as defined in applicable United States Treasury regulations), backup withholding and information reporting generally will not apply, provided that such custodian, nominee, agent or broker (i) derives gross income less than 50% of which for the three-year period prior to payment is effectively connected with the conduct of a trade or business in the United States, (ii) is not a "controlled foreign corporation" and (iii) is not a foreign partnership (x) one or more of the partners of which, at any time during its tax year, are United States persons (as defined in Treasury regulations Section 1.1441-1(c)(2)) that, in the aggregate hold more than 50% of the income or capital interest in the partnership or (y) which, at any time during its tax year, is engaged in the conduct of a trade or business in the United States. If the broker is a United States person or a foreign person that fails to satisfy any of the tests in the proviso of the preceding sentence, the payment by the foreign office of such broker of the proceeds of the sale of a Note will not be subject to backup withholding (unless the payor has actual knowledge that the payee is a United States person), but will be subject to information reporting unless the broker has documentary evidence in its records that the beneficial owner is not a United States person and certain conditions are met, or the beneficial owner otherwise establishes an exemption. Payments to or through the U.S. office of a broker generally will be subject to backup withholding and information reporting unless the Non-U.S. Holder establishes an exemption.

FATCA

Pursuant to Sections 1471 through 1474 of the Code and the Treasury regulations promulgated thereunder ("FATCA"), a 30% U.S. withholding tax may be imposed on payments of interest on the Notes made to non-U.S. financial institutions and certain other non-U.S. non-financial entities (including, in some instances, where such an entity is acting as an intermediary) that fail to comply with certain information reporting obligations. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest payments on the Notes as a result of a holder's failure to comply with these rules or the presence in the payment chain of an intermediary that does not comply with these rules, no person would be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, holders may receive less interest than expected. Certain countries have entered into, and other countries are expected to enter into, agreements with the United States to facilitate the type of information reporting required under FATCA. While the existence of such agreements will not eliminate the risk that Notes will be subject to the withholding described above, these agreements are expected to reduce the risk of the withholding for investors in (or indirectly holding Notes through financial institutions in) those countries. Holders should consult their own tax advisors regarding FATCA and whether it may be relevant to their purchase, ownership and disposition of the Notes.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes may be acquired with assets of a Benefit Plan Investor, as well as by governmental plans (as defined in Section 3(32) of ERISA) and church plans (as defined in Section 3(33) of ERISA) (collectively, with Benefit Plan Investors, referred to as "Plans"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan Investor from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Plans that are governmental plans are not subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA or Section 4975 of the Code; *however*, such Plans might be subject to Similar Law.

An investment in the Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if we, our Agents, or any of our or their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to the acquisition or holding of an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest or disqualified person to the Benefit Plan Investor. Even if the conditions specified in an exemption are met, the scope of the relief provided by an exemption might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, and prospective investors that are Benefit Plan Investors should consult with their legal advisors regarding the applicability of any exemption.

By acquiring a Note (or a beneficial interest therein), each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) is deemed to represent and warrant that either: (a) it is not, and for so long as it holds the Note (or a beneficial interest therein) will not be, acquiring or holding a Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor or any employee benefit plan or entity that is subject to Similar Law, or (b) the acquisition and holding of the Note (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Prospective investors are advised to consult their advisers with respect to the matters discussed above and other applicable legal requirements.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the Private Placement Agency Agreement, dated as of March 13, 2015 (the "Agency Agreement"), the Notes are being offered from time to time for sale by the Company through one or more of the Agents named on the cover of this Offering Memorandum, or through one or more additional or other agents appointed by the Company from time to time, each of which has agreed to use its reasonable efforts to solicit offers to purchase the Notes. The applicable Pricing Supplement will discuss any variation in the plan of distribution therein.

The Company reserves the right, in its sole discretion, to withdraw, cancel or modify this Program or any offer made hereby without notice and may reject orders in whole, or in part, whether placed directly with the Company or through one of the Agents. Each Agent will have the right, in its sole discretion, to reject any offer to purchase Notes solicited by it, in whole, or in part.

The Company will pay an Agent, in connection with sales of these Notes resulting from a solicitation that such Agent made or an offer to purchase that such Agent received, a commission as agreed between the Company and such Agent at the time of such sale. Actual commissions payable in respect of any sale of such Notes will be specified in the applicable Pricing Supplement.

Subject to the terms and conditions set forth in the Agency Agreement and any related terms agreement, we may also sell these Notes to an Agent as principal for its own account at discounts to be agreed upon at the time of sale. That Agent may resell these Notes to investors and other purchasers subject to the restrictions described under "Transfer Restrictions" at a fixed offering price or at prevailing market prices, or prices related thereto at the time of resale or otherwise, as that Agent determines. The Notes will be sold to investors at par unless otherwise agreed upon by the purchaser and the Company and specified in the applicable Pricing Supplement. If the Company sells a Note at a discount to, or a premium over, its principal amount, the price to the investors will be as agreed between the Company and the relevant Agent and indicated on the cover page of the applicable Pricing Supplement.

An Agent may offer the Notes it has purchased as principal to other dealers. That Agent may sell the Notes to any dealer at a discount and, unless otherwise specified in the applicable Pricing Supplement, the discount allowed to any dealer will not be in excess of the discount that Agent will receive from us. After the initial offering of Notes that an Agent is to resell on a fixed offering price basis, the Agent may change the offering price, concession and discount.

The Company may also sell the Notes directly to investors in those jurisdictions in which it is permitted to do so and to or through such other agents as the Company shall designate from time to time. No commission will be payable on Notes sold directly to investors by the Company. After the initial offering of Notes, the offering price and other selling terms may be changed.

Unless specified in the applicable Pricing Supplement, settlement for sales of Notes will be made in immediately available funds in New York, New York, generally two business days after the sale date.

No Note will have an established trading market when issued. Unless otherwise specified in the applicable Pricing Supplement, we do not intend to apply for the listing of the Notes on a national notes exchange. Each of the Agents may from time to time purchase and sell Notes in the secondary market but none of the Agents are obligated to do so and may discontinue market-making at any time without notice.

The Notes have not been and will not be registered under the Securities Act or any state securities laws and 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) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

Accordingly, in connection with sales outside the United States, each Agent has agreed that, except as permitted by the purchase agreement and set forth in the "Transfer Restrictions," it will not offer or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, and it will have sent to each dealer to which it sells Notes during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

In connection with this offering, the Agents may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of Notes in excess of the principal amount of Notes to be purchased by the Agents in this offering, which creates a short position for the Agents. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Agents may conduct these transactions in the over-the-counter market or otherwise. If the Agents commence any of these transactions, they may discontinue them at any time.

The Agents and their affiliates are full service financial institutions. Some of the Agents and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. We currently have loan commitments outstanding with certain of the Agents or their affiliates.

The Agents are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) 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/or instruments of ours or our affiliates (directly, as collateral securing other obligations or otherwise). If any of the Agents or their affiliates has a lending relationship with us, certain of those Agents or their affiliates routinely hedge, and certain other of those Agents or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Agents and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes. The Agents and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. U.S. Bancorp Investments, Inc., one of the Agents, is an affiliate of the Trustee.

We have agreed to indemnify the several Agents against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Agents may be required to make because of any of those liabilities.

Notice to Prospective Investors in Canada

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 this Offering Memorandum (including any amendment or supplement 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. Any 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 Agents are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with any offering.

Prohibition of Sales to EEA Retail Investors

The Notes which are the subject of the offering contemplated by this Offering Memorandum and the applicable Pricing Supplement in relation thereto may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

(a) 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 MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not an EEA Qualified Investor; and

(b) the expression "offer" includes 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.

Prohibition of Sales to United Kingdom Retail Investors

The Notes which are the subject of the offering contemplated by this Offering Memorandum and the applicable Pricing Supplement in relation thereto may not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

(a) 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 in the United Kingdom; or

(ii) a customer within the meaning of the provisions of 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 in the United Kingdom; or

(iii) not a UK Qualified Investor; and

(b) the expression "offer" includes 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.

Other Regulatory Restrictions in the United Kingdom

Notes which have a maturity of less than one year may not be offered or sold other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or 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 Hyundai Capital America.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to Hyundai Capital America.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Hong Kong

The Notes have not been offered or sold and will not be offered or sold in Hong Kong by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (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 the Laws 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. No advertisement, invitation or document relating to the Notes has been or will be issued or has been or will be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, 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 the 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.

Notices to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued by the Securities and Futures Commission in Hong Kong (the "Code"):

Important Notice to Prospective Investors:

Prospective investors should be aware that certain intermediaries in the context of any offering of the Notes, including certain underwriters, may be "capital market intermediaries" (the "CMIs") subject to paragraph 21 of the Code. This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (the "OCs") for this offering and are subject to additional requirements under the Code. Prospective investors who are the directors, employees or major shareholders of the relevant issuer, a CMI or its group companies would be considered under the Code as having an association (the "Association") with the relevant issuer, the CMI or the relevant group company. Prospective investors associated with the relevant issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this 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 the relevant 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). If a prospective investor is an asset management arm affiliated with any underwriter, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the underwriter 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 Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this 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 underwriter, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant underwriter 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 the relevant offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this 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 underwriters and/or any other third parties as may be required by the Code, including to the relevant issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Important Notice to CMIs (including private banks):

This notice to CMIs (including private banks) is a summary of certain obligations the 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 this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the issuer, a CMI or its group companies would be considered under the 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 Notes. 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 underwriters accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Memorandum.

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 Notes (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 Notes.

The 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 underwriters in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, 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 Code. private banks should be aware that placing an order on a "principal" basis may require the underwriters to apply the "proprietary orders" of the Code to such order and will require the underwriters to apply the "rebates" requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide certain underlying investor information in respect of each order constituting the relevant omnibus order, 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). 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; and (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 Code, including to the issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The underwriters may be asked to demonstrate compliance with their obligations under the 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 underwriters with such evidence within the timeline requested.

To:	*[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide]* *CMIs submitting orders should send ALL of the below information, at the same time as such order is submitted, to EACH OC contact set out above. Failure to do so may result in such order being rejected.*
Offering:	*[To be filled in after finalizing the draft Offering Memorandum]*
Date:	
Name of CMI submitting order:	
Name of prospective investor:	
Type of unique identification of the prospective investor:	*For individual investor clients, indicate one of the following: (i) HKID card; or (ii) national identification document; or (iii) passport.* *For corporate investor clients, indicate one of the following: (i) legal entity identifier (LEI) registration; or (ii) company incorporation identifier; or (iii) business registration identifier; or (iv) other equivalent identity document identifier.*
Unique identification number of the prospective investor:	
Order size (and any price limits):	
Other information:	

- Associations	*Identify any "Associations" (as used in the Code) and, if any Associations identified, provide sufficient information to enable the OCs to assess whether such order may negatively impact the price discovery process.*
- Proprietary Orders	*Identify if this order is a "Proprietary Order" (as used in the Code), and if so, provide sufficient information to enable the OCs to assess whether such order may negatively impact the price discovery process.*
- Duplicated Orders	*If the prospective investor has placed an/any order(s) via other CMIs in this offering, identify if this order is (i) a separate/unique order or (ii) a duplicated order.*
Contact Information of CMI submitting the order:	*Provide 24-hour contact details (telephone and email) of the relevant individual(s) who may be contacted in relation to this order.*

Notice to Prospective Investors in Singapore

This Offering Memorandum has not been and will not be registered as a prospectus under the Securities and Futures Act 2001 (the "SFA") by the Monetary Authority of Singapore, and the offer of the Notes in Singapore is made primarily pursuant to the exemptions under Section 274 and 275 of the SFA. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA (an "Institutional Investor") pursuant to Section 274 of the SFA, (ii) to an accredited investor as defined in Section 4A of the SFA (an "Accredited Investor") or other relevant person as defined in Section 275(2) of the SFA (a "Relevant Person") and pursuant to Section 275(1) of the SFA, or to any person pursuant to an offer referred to in 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 exemption or provision of the SFA.

It is a condition of the offer that where the Notes are subscribed for or acquired pursuant to an offer made in reliance on Section 275 of the SFA by a Relevant Person which is:

(a) a corporation (which is not an Accredited Investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor; or

(b) a trust (where the trustee is not an Accredited Investor), the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation and the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has subscribed for or acquired the Notes except:

(i) to an Institutional Investor, an Accredited Investor, a Relevant Person, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(c)(ii) of the SFA (in the case of that trust);

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore Securities and Futures Act Product Classification—Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) 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).

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended, "FIEL") and, accordingly, have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan, or to, or for the account or benefit of, any Japanese Person or to, or for the account or benefit of, others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person, pursuant to an exemption from the registration requirement of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Switzerland

This Offering Memorandum 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, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in Republic of Korea

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea and none of the Notes may be offered, delivered or sold directly or indirectly in Korea or to any resident of Korea (as such term is defined in the Foreign Exchange Transaction Law of Korea rules and regulations promulgated thereunder), except as otherwise permitted under applicable Korean laws and regulations.

Notice to Prospective Investors in China

This Offering Memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in China (for such purposes, not including Hong Kong and Macau Special Administrative Regions of China or Taiwan). The Notes have not been and will not be, offered or sold and may not be offered or sold, directly or indirectly, in China (for such purposes, not including Hong Kong and Macau Special Administrative Regions of China or Taiwan), other than to qualified domestic institutional investors, except as permitted by the securities laws of China.

Notice to Prospective Investors in Taiwan

The Notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and the Notes may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan requiring registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

LEGAL MATTERS

The validity of the Notes offered hereby will be passed upon for us by Mayer Brown LLP, Chicago, Illinois. Certain legal matters in connection with the offering of the Notes will be passed upon for the Agents by Sidley Austin LLP, New York, New York.

INDEPENDENT AUDITORS

The consolidated financial statements of Hyundai Capital America and subsidiaries as of December 31, 2023 and 2022 and for each of the years then ended, included in this Offering Memorandum, have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein.

The consolidated financial statements of Hyundai Motor Company and subsidiaries as of December 31, 2023 for the year then ended, included in this Offering Memorandum, have been audited by Ernst & Young Han Young, independent auditors, as stated in their report appearing herein.

The consolidated financial statements of Hyundai Motor Company and subsidiaries as of and for the year ended December 31, 2022, before the retrospective adjustments on discontinued operations as discussed in Note 43 to the financial statements included in this Offering Memorandum, have been audited by KPMG Samjong Accounting Corp., independent auditors, as stated in their report appearing herein.

INDEX TO FINANCIAL STATEMENTS
HYUNDAI CAPITAL AMERICA

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Directors
Hyundai Capital America:

Opinion

We have audited the consolidated financial statements of Hyundai Capital America, a majority-owned subsidiary of Hyundai Motor America, and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has elected to change its method of accounting for EV tax credits under the deferral method as of January 1, 2022.

Adoption of Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company has adopted ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) as of January 1, 2023.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Irvine, California
February 15, 2024

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Balance Sheets

December 31, 2023 and 2022

(Amounts in thousands, except share data)

Assets		**2023**	**2022** [1]
Cash and cash equivalents	$	557,295	436,853
Restricted cash		852,229	731,424
Investments (note 3):			
Available-for-sale		469,955	376,399
Equity		38,467	26,648
Other		6,890	5,981
Finance receivables, net of allowance of $698,750 and $343,187, respectively (note 4)		41,974,550	31,888,477
Investment in operating leases, net (note 5)		16,468,996	15,921,175
Due from affiliates, net (note 8)		1,350,897	744,592
Derivative assets (note 13)		179	3,905
Returned and repossessed collateral		153,991	94,503
Other assets (note 14)		1,563,939	1,206,515
Total assets	$	63,437,388	51,436,472
Liabilities and Shareholders' Equity			
Liabilities:			
Debt, net (note 7)	$	52,222,175	41,279,401
Net deferred tax liabilities (note 9)		2,560,500	2,237,265
Derivative liabilities (note 13)		8,662	—
Accounts payable and other liabilities (note 16)		2,662,182	2,028,342
Total liabilities		57,453,519	45,545,008
Commitments and contingent liabilities (note 11)			
Shareholders' equity:			
Common stock, no par value. Authorized, 5,000,000 shares; issued and outstanding, 1,940,065 shares		1,525,000	1,525,000
Accumulated other comprehensive loss		(15,603)	(17,056)
Retained earnings		4,474,472	4,383,520
Total shareholders' equity		5,983,869	5,891,464
Total liabilities and shareholders' equity	$	63,437,388	51,436,472

[1] As revised for Electric Vehicle Tax Credit Accounting Methodology change. See Note 2(l) for additional information.

The following table presents the assets and liabilities related to the consolidated variable interest entities. These assets and liabilities are included in the Consolidated Balance Sheets presented above. Refer to note 10 for additional information.

		2023	**2022**
Restricted cash	$	774,141	678,881
Finance receivables, net		8,867,246	7,491,241
Investment in operating leases, net		5,883,762	5,891,055
Other assets		30,283	22,919
Total assets	$	15,555,432	14,084,096
Debt, net	$	11,855,763	11,075,867
Other liabilities		22,042	10,669
Total liabilities	$	11,877,805	11,086,536

See accompanying notes to consolidated financial statements.

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Statements of Income

Years ended December 31, 2023 and 2022

(Amounts in thousands)

		2023	2022 [1]
Financing revenue:			
Operating leases	$	3,388,336	3,352,714
Retail		1,912,711	1,291,683
Wholesale		200,296	73,854
Finance Lease		2,401	40
Total financing revenue		5,503,744	4,718,291
Depreciation on operating leases		2,471,033	2,551,903
Interest expense		1,887,155	937,841
Net financing revenue		1,145,556	1,228,547
Other revenue:			
Disposal of investment in operating leases		157,323	201,743
Vehicle service contracts revenue, net (note 15)		34,353	41,176
Gain from derivative instruments (note 13)		—	243
Other revenue, net		76,486	27,925
Total net financing margin and other revenue		1,413,718	1,499,634
Expenses:			
Operating expenses		582,532	628,054
Provision for credit losses (note 6)		401,254	152,313
Total expenses		983,786	780,367
Income before provision for income taxes		429,932	719,267
Provision for Income tax (note 9)		127,972	206,543
Net income	$	301,960	512,724

See accompanying notes to consolidated financial statements.

[1] As revised for Electric Vehicle Tax Credit Accounting Methodology change. See Note 2(l) for additional information.

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Statements of Comprehensive Income

Years ended December 31, 2023 and 2022

(Amounts in thousands)

		2023	2022 [1]
Net income	$	301,960	512,724
Other comprehensive income (loss), net of tax:			
Unrealized holding gains (losses):			
Unrealized holding gains (losses) arising during the period on derivative hedging instruments		(12,388)	3,905
Unrealized holding gains (losses) arising during the period on available-for-sale investments		13,533	(34,001)
Reclassification adjustment for net gains on available-for-sale investments included in Other revenue, net		—	(161)
		1,145	(30,257)
Income tax expense related to unrealized holding (gains) losses:			
Income tax expense related to unrealized holding (gains) losses on derivative hedging instruments		2,846	(899)
Income tax expense related to unrealized holding (gains) losses on available for sale investments		(3,046)	7,615
Tax effect due to reclassification adjustment on available-for-sale investments		—	35
Other comprehensive gains (losses)		945	(23,506)
Comprehensive income		302,905	489,218

See accompanying notes to consolidated financial statements.

[1] As revised for Electric Vehicle Tax Credit Accounting Methodology change. See Note 2(l) for additional information.

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Statements of Shareholders' Equity

Years ended December 31, 2023 and 2022

(Amounts in thousands, except share data)

	Common stock			Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
	Shares		Amount			
Balance at December 31, 2021[1]	1,940,065	$	1,525,000	6,450	3,870,796	5,402,246
Issuance of common stock	—		—	—	—	—
Net income[1]	—		—	—	512,724	512,724
Other comprehensive loss	—		—	(23,506)	—	(23,506)
Balance at December 31, 2022[1]	1,940,065		1,525,000	(17,056)	4,383,520	5,891,464
Adoption of ASU 2016-13	—		—	508	(211,008)	(210,500)
Issuance of common stock	—		—	—	—	—
Net income	—		—	—	301,960	301,960
Other comprehensive loss, net of tax	—		—	945	—	945
Balance at December 31, 2023	1,940,065	$	1,525,000	(15,603)	4,474,472	5,983,869

See accompanying notes to consolidated financial statements.

[1] As revised for Electric Vehicle Tax Credit Accounting Methodology change. See Note 2(l) for additional information.

HYUNDAI CAPITAL AMERICA AND SUBSIDIARIES

(A Majority-Owned Subsidiary of Hyundai Motor America)

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(Amounts in thousands)

		2023	2022 [(1)]
Cash flows from operating activities:			
Net income	$	301,960	512,724
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of investment in operating leases, fixed assets, debt costs and other		2,554,359	2,528,213
Accretion of rate subsidies and other costs/fees on finance receivables and investments		(29,579)	76,437
Provision for credit losses		401,254	152,313
Expected credit loss on AFS securities		(147)	—
Gain on disposal of investment in operating leases		(157,323)	(201,743)
(Gain) Loss from sale of available-for-sale and changes in market value of equity investments		(5,204)	4,529
Loss on disposition and impairment of fixed assets		—	103
Gain on disposal of repossessed collateral		(32)	—
Net change in:			
Due to/from affiliates		(8,228)	128,655
Deferred income taxes		(157,895)	148,628
Derivative liabilities		—	(243)
Other assets		(629,341)	(335,313)
Accounts payable and other liabilities		951,363	434,944
Net cash provided by operating activities		3,221,187	3,449,247
Cash flows from investing activities:			
Purchase of property, equipment and software		(13,467)	(13,893)
Purchase of finance receivables		(45,819,857)	(33,273,952)
Principal collected on finance receivables, net		34,756,979	30,251,793
Proceeds from sale of returned and repossessed collateral acquired in settlement		383,524	274,362
Purchase of investment in operating leases		(7,952,691)	(5,978,824)
Proceeds from liquidation of investment in operating leases and repossessed vehicles		4,954,101	4,652,854
Increase in due from affiliates		—	73,000
Purchase of available-for-sale, equity and other investments		(148,577)	(84,041)
Proceeds from maturity and redemption of available-for-sale, equity and other investments		61,394	45,967
Net cash used in investing activities		(13,778,594)	(4,052,734)
Cash flows from financing activities:			
(Decrease) Increase in NACM		(1,513,698)	1,531,540
Proceeds from issuance of debt		97,482,746	64,720,346
Repayments on debt		(84,870,394)	(66,938,630)
Proceeds from affiliate borrowings		500,000	1,500,000
Repayments on affiliate borrowings		(800,000)	(500,000)
Proceeds from finance lease liability		—	1,658
Net cash provided by financing activities		10,798,654	314,914
Net change in cash, cash equivalents and restricted cash		241,247	(288,573)
Cash, cash equivalents and restricted cash at beginning of period		1,168,277	1,456,850
Cash, cash equivalents and restricted cash at end of period	$	1,409,524	1,168,277
Supplemental disclosures of cash flow information:			
Interest paid	$	1,771,322	926,866
Income taxes paid		71,465	55,884
Supplemental disclosures of noncash investing:			
Returned and repossessed collateral acquired in settlement of finance receivables	$	361,371	212,189
Accrual for property, equipment and software		816	965
Reversal of accrual for property, equipment and software		(965)	(192)

See accompanying notes to consolidated financial statements.

[(1)] As revised for Electric Vehicle Tax Credit Accounting Methodology change. See Note 2(l) for additional information.

(1) Nature of Operations

Hyundai Capital America and its subsidiaries (HCA or the Company) is a majority-owned subsidiary of Hyundai Motor America (HMA or Parent). HCA was incorporated in the state of California on September 6, 1989. HMA, the primary distributor of Hyundai vehicles in the United States, owns 80% of the outstanding common stock of HCA. HMA is a wholly owned subsidiary of Hyundai Motor Company (HMC). The outstanding common stock of HMC is listed on the Korea Exchange (KRX) but is not registered with the Securities and Exchange Commission (SEC) in the United States of America. Kia America, Inc. (KUS) owns 20% of the outstanding common stock of HCA. KUS is a wholly owned subsidiary of Kia Corporation, which is an affiliate of HMC.

HCA has retail dealer agreements with dealers authorized by HMA, KUS, and Genesis Motor America LLC, a subsidiary of HMA. All of the dealers' dealerships are located within the United States. A small number of dealers have dealerships offering other domestic and imported vehicles, which are financed by the Company. Contracts for dealers are submitted to HCA under the trade names of Hyundai Motor Finance, Kia Motors Finance, and Genesis Finance.

HCA provides indirect retail passenger motor vehicle loan and lease financing by purchasing motor vehicle retail installment sale contracts and leases from dealers. HCA also provides direct wholesale financing to many of these dealers by financing inventories, making loans for facilities refurbishment, real estate purchases, construction, and working capital requirements and providing finance leases to dealers for property and equipment upgrades.

The Company's wholly owned subsidiaries included in consolidation as of December 31, 2023 are as follows:

Hyundai ABS Funding, LLC
Hyundai Asset Backed Lease, LLC
Hyundai Auto Lease Offering, LLC
Hyundai Cha Funding, LLC
Hyundai HK Funding, LLC
Hyundai HK Funding Two, LLC
Hyundai HK Funding Three, LLC
Hyundai HK Funding Four, LLC
Hyundai HK Lease, LLC
HCA Exchange, LLC
Hyundai Lease Titling Trust
Hyundai Capital Insurance Services, LLC
HK Real Properties, LLC
Hyundai Protection Plan, Inc.
Hyundai Protection Plan Florida, Inc.
Hyundai Capital Insurance Company
Power Protect Extended Services, Inc.
Power Protect Extended Services Florida, Inc.
Extended Term Amortizing Program, LLC

Hyundai Capital Insurance Services, LLC was established in 2009 to provide insurance brokerage services. HK Real Properties, LLC was established in 2010 to manage foreclosed dealership properties. Hyundai Protection Plan, Inc. (HPP) and Hyundai Protection Plan Florida, Inc. (HPP FL) were established in 2012 as service contract obligor companies to offer a variety of service contract and related vehicle protection products. Hyundai Capital Insurance Company (HCIC) was established in 2012 to be a licensed captive insurance company to provide insurance products to support the obligor companies. Operations for these companies commenced in January 2013. Power Protect Extended Services, Inc. (PPES) and Power Protect Extended Services Florida, Inc. (PPES FL) were established in 2014 to expand the Company's vehicle service contract business (note 15). Operations in these companies

(Continued)

commenced in January 2019. Hyundai Capital America Deferred Compensation Plan, a grantor trust, was established for certain key personnel to defer a portion of their income to be paid out at a later date after which the income was actually earned. The remaining entities were established for the purpose of purchasing, holding, and selling finance receivables and leases.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of the Company and all variable interest entities (VIEs) of which the Company is the primary beneficiary. See note 2(o) for additional discussion on VIEs. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management of the Company to make several estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The accounting estimates that are most significant to the Company's business are the allowance for credit losses and the determination of residual value of vehicles subject to operating leases as well as estimates related to the fair value of investment securities.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits, short-term money market instruments, and certain highly liquid investment securities with maturities of three months or less from the date of purchase.

(d) Restricted Cash

Restricted cash consists of deposits held in trust for the benefit of the note holders with respect to the asset-backed notes secured by retail and wholesale finance receivables, operating leases, and deposits for reserves on hedged derivatives held for interest rates swaps on asset-backed conduits.

(e) Investments

Investments consist of debt and equity securities, and other investments. The Company determines the appropriate classification of debt securities at the time of purchase. The Company classifies all of its debt securities as available for sale as the investments can be held for an indefinite period of time, but not necessarily be held to maturity or on a long-term basis. The available for sale securities are carried at fair value using quoted market prices, where available, with unrealized gains or losses included in Consolidated Statements of Comprehensive Income and recognition of an allowance for credit loss for the portion of market loss attributed to credit risk. Interest income is recognized when earned. Realized gains and losses from available for sale securities are reported using the specific identification method and are included in the Consolidated Statements of Income. Equity securities are carried at fair value using quoted prices, where available. All of the equity securities market gains and losses are included in Other revenue, net in the Consolidated Statements of Income. All of the available for sale and equity securities are held by HPP, HPP FL, and HCIC to meet certain regulatory capital requirements related to the Company's vehicle service contract business (note 15) and are generally not available to satisfy obligations not related to this line of business.

After adoption of Topic 326 on January 1, 2023, for available for sale debt securities in an unrealized loss position, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. Management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a ratings agency, recent changes in market rates, information obtained from regulatory filings, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the Company estimates a portion of the difference between fair value and amortized cost, the impairment, to be recorded as an allowance for credit loss on the security that is recognized in the Consolidated Statement of Income. Any impairment that has not been recorded through the allowance for credit losses is recognized in Other comprehensive income. Changes in the allowance for credit losses are recorded as a reduction of (or increase in) Other revenue, net. The Company has elected to exclude accrued interest receivable on available for sale debt securities from the estimate of credit losses. Accrued interest receivable is included in Other assets. For securities where the Company determines it no longer has the intent or ability to hold the investment until a recovery in fair value occurs, the investment and accrued interest receivable is written-down to the investment's fair value in the same period the determination is made. Accrued interest receivable for written-off securities are recorded against interest income in the Other revenue line.

Prior to January 1, 2023, debt securities were reviewed periodically to determine whether a decline in fair value below the carrying value is other than temporary. When a decline in fair value was considered other than temporary, a loss was recognized in the Consolidated Statements of Income with a new cost basis established for the security.

Other investments consist of company-owned life insurance which was acquired on certain executives and key employees through a trust in conjunction with the deferred compensation plan. It is carried at cash surrender value, which approximates fair value.

(Continued)

(f) Finance Receivables

Finance receivables include retail finance receivables, wholesale finance receivables, and finance lease receivables. Retail finance receivables consist of retail installment contracts with consumers. Wholesale finance receivables consist of floor plan, real estate, and working capital loans made to dealers. Finance lease receivables consist of signage leases made to dealers for a term of ten years and the underlying assets have a zero-dollar residual value, leases for hydrogen trucks made to the lessee for seven years which the lessee will purchase at the end of the term, and leases of electric vehicle (EV) charging equipment made to the lessee for five years with an option to go month-to-month thereafter.

Finance receivables are classified as held-for-investment if the Company has the intent and ability to hold the receivables for the foreseeable future or until maturity or payoff. As of December 31, 2023 and 2022, all finance receivables were classified as held-for-investment, and there were no receivables classified as held-for-sale.

Retail finance receivables are generally due in installments from customers over a period of three to seven years and are collateralized by liens on the related vehicles. The Company retains purchased money security interests in all automobiles financed until full payment is received. Retail finance receivables also include a retail balloon product offered where customers may finance their vehicles with a series of installment payments followed by a single balloon payment. At the end of the contract, the customer may keep the vehicle by making the final balloon payment or return it to HCA and pay charges for excess mileage and use, if any. The recorded investment of retail balloon products may contain an allowance for residual exposure as well as residual guarantees received from HMA and KUS.

Finance receivables are reported at the principal amount outstanding, net of allowance for credit losses, unearned origination fees, and deferred origination costs. A portion of the retail finance receivables include origination fees in the form of rate subsidies (subvention) received from HMA or KUS at the inception of the receivable and are accreted into revenue over the receivable’s term using the effective-interest-rate method. Origination costs include flat commissions paid to the dealers for originating the loan, payments made for rate participation, and other initial direct costs.

Revenue on retail finance receivables and wholesale finance receivables includes contractual interest income, accretion of origination fees, and amortization of origination costs. Interest income is accrued as earned using the simple-interest method. The recognition of finance revenue on retail finance receivables is discontinued when the underlying collateral is repossessed or accounts are charged off, generally no later than 120 days. Revenue on finance lease receivables includes the interest calculated throughout the lease term using a precomputed method as well as the selling profit which is calculated as the difference between the contractual value and the carrying value of the underlying assets at lease commencement. Interest is accrued when earned and accrued interest receivable is included within Other assets in the Consolidated Balance Sheets.

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(g) *Investment in Operating Leases*

The Company leases vehicles to customers under operating leases typically for a term of two to four years. The investment in operating leases is reported at cost, less accumulated depreciation and net of allowance for credit losses. Operating lease revenue is recognized on a straight-line basis over the lease term. Operating lease revenue includes accretion of origination fees and is net of amortization of origination costs, which are also recognized on a straight-line basis over the lease term as earned. Rental subsidies received from HMA or KUS at the inception of the lease are accounted for as deferred origination fees in Accounts payable and other liabilities and are accreted into revenue over the lease term in proportion to the recognition of operating lease income. Initial direct costs of originating operating leases are deferred and allocated over the lease term in proportion to the recognition of operating lease income. Occasionally, HMA or KUS guarantees a portion of the vehicle's residual value as part of a marketing program to reduce the customer's monthly payment. The guaranty amount is a fixed percentage of the vehicle's value established at origination and is accounted for as a reduction to investment in operating leases. At lease termination, the realized portion of the guaranty is recognized as income and presented net with the gain or loss on disposition of the vehicle in Disposal of investment in operating leases.

A review for impairment of the Company's operating leases is performed whenever events or changes in circumstances indicate that the carrying values may not be recoverable. Generally, an impairment condition is determined to exist if estimated undiscounted cash flows from the use and eventual disposition of the asset are lower than the carrying value. For the purposes of testing for impairment, operating lease assets are grouped at the lowest level the Company can reasonably estimate cash flows. When impairment conditions are met, impairment losses are measured by the amount carrying values exceed their fair values. For the years ended December 31, 2023 and 2022, the Company did not record impairment charges on Investment in operating leases, net.

(h) *Determination of Residual Values for Vehicles Subject to Operating Leases*

The Company is exposed to residual risk for vehicles subject to operating leases to the extent the actual amount received upon the sale of vehicles at disposition is lower than the residual value, net of guaranty, estimated at lease inception. The Company initially estimates the residual values at lease inception using external industry guides, which take into account expected economic conditions for the used vehicle market. Periodically, residual values are reviewed to assess the appropriateness of the carrying value of the vehicles. To the extent the estimated fair value at lease termination is lower than the residual value established at lease inception, the residual value of the vehicle is adjusted downward so that the carrying value at lease-end will approximate the estimated end of term market value. Adjustments are made on a straight-line basis over the remaining terms of the leases and are included in Depreciation expense on operating leases on the Consolidated Statements of Income.

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(i) Returned and Repossessed Collateral

Returned and repossessed collateral includes vehicles and real estate property acquired by voluntary return or through repossession/foreclosure for nonpayment of indebtedness. These held-for-sale assets are generally recorded at fair value less estimated selling expenses. The majority of vehicles are sold through automobile auctions within a short period after repossession. Real estate property is classified as available-for-sale property and disposal times vary depending upon market demand. Once the collateral has been sold, the net sales proceeds are applied as reduction to net credit losses. If there is a deficiency balance remaining, the cumulative value that was charged off is pursued for recovery.

(j) Allowance for Credit Losses

With the adoption of ASU 2016-13 on January 1, 2023, the allowance for credit losses is the Company's estimate of lifetime credit losses inherent in Finance receivables, net, and probable credit losses inherent in Investment in operating leases, net as of the Consolidated Balance Sheet date. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain.

The allowance for credit losses is estimated using a combination of models and management judgment and is based on factors such as historical trends in credit losses and recoveries (including key metrics such as delinquencies, repossessions, and bankruptcies), the composition of the present portfolio (including vehicle brand, term, and internal risk evaluation), trends in historical and projected used vehicle values, and economic conditions.

The allowance for credit losses on retail finance receivables is calculated under the current expected credit loss (CECL) standard. Retail finance receivables are categorized as a homogeneous portfolio for the purpose of disclosures in note 6. The retail finance receivables portfolio is primarily comprised of pools of homogenous loans that are evaluated collectively for purposes of calculating the allowance. The Company estimates the allowance for credit losses for retail finance receivables at the portfolio level based on loan characteristics. Retail loans are segmented by origination year and month, customer FICO score (greater than or equal to 680 being prime, below being non-prime), and the designation of the vehicle as either new or used to assess for performance of the portfolio. Credit quality metrics are analyzed by each segment to develop a lifetime allowance for credit losses on retail finance receivables. The allowance is calculated utilizing regression models that correlate loan vintage, credit quality, historical performance, aging of individual accounts, current delinquencies, and macroeconomic variables such as unemployment rate, used vehicle price indices, and the Consumer Confidence Index. The reasonable and supportable forecast period extends over the life of the underlying assets. Qualitative adjustments considering underwriting quality, collections performance, collateral value, and external factors are applied based on management judgment in cases where the model is not representative of the current environment. Assignment of retail finance receivables to segments is determined at the time of origination.

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A portion of the Company's operating leases is expected to terminate prior to their scheduled maturities when lessees default on their contractual obligations. Losses are generally realized upon the disposition of the repossessed operating lease vehicles. Operating leases are collectively evaluated to determine the estimated losses incurred. The Company estimates an allowance for credit losses on the net investment in operating leases initially utilizing historic net loss data from the portfolio and applying it to the outstanding investment in operating leases. In cases where historical loss data is not representative of the current environment, qualitative adjustments are used to supplement the allowance to the levels management estimates to be adequate.

Losses on retail finance receivables and investment in operating leases are charged to the allowance for credit losses at the earlier of when an account is deemed uncollectible or over 120 days contractually past due, taking into consideration the value of the collateral. Interest ceases to be earned on accounts that have been charged to the allowance. Subsequent recoveries on finance receivables and investments in operating leases previously charged off are credited to the allowance. Related collateral, if recoverable, is repossessed and sold. For leased assets, proceeds resulting in a gain will be retained by HCA and in the case of a shortfall between proceeds received from the sale of repossessed collateral and the amounts due from customers, the shortfall is charged off and it will trigger collection efforts. For retail contracts, the collateral is generally recorded at fair market value less selling costs upon repossession. Any shortfalls are charged to the allowance. After sale, excess amounts are resolved as recoveries and any remaining shortfalls trigger collection efforts.

After adoption of ASU 2016-13 on January 1, 2023, the allowance for credit losses on wholesale and finance lease finance receivables is calculated under the CECL standard. The Company develops an estimate of lifetime credit losses on wholesale finance receivables. For wholesale finance receivables, the Company utilizes an internal risk rating system to evaluate dealer credit risk. Dealers are assigned an internal probability of default based primarily on assessment of their financial condition and historical performance, and other factors. Such credit quality indicators include dealer liquidity and profitability ratios. When assessing the credit quality of the wholesale finance receivables, account balances are categorized into three distinct credit quality indicators based on internal risk assessments: performing, credit watch, and default. Internal risk ratings are explained further in note 6. The internal risk assessments for all wholesale finance receivables are updated monthly.

Wholesale finance receivables where the dealer is currently in default are individually evaluated for impairment. The Company evaluates the expected credit losses on an individual basis if, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the original contractual terms of the loan agreement. Factors such as payment history, compliance with terms and conditions of the underlying loan agreement, and other subjective factors related to the financial stability of the borrower are considered when determining if a loan will be individually evaluated for impairment. The amount of the impairment on wholesale loans individually evaluated equals the difference between the outstanding loan amount and the estimated amount that could be recovered from the underlying collateral. The remaining wholesale finance receivables (not individually evaluated for impairment) are evaluated at the dealer and product level over the life of the underlying asset based upon the Company's internal risk assessment, which

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contemplates historic loss experience, financial condition of the dealer and current economic indicators.

Losses on wholesale finance receivables individually evaluated for impairment are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the wholesale finance receivable is estimated to be below the carrying value of the receivables. Interest ceases to be earned on wholesale finance receivables generally when the dealer is in default on a loan for greater than 120 days.

Loans generating wholesale finance receivables include off-balance-sheet credit exposures related to the unfunded portion of real estate loans and revolving lines of credit. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via contractual obligations to extend credit unless that obligation is unconditionally cancellable by the entity. The estimate for credit losses on these unfunded commitments is developed under the same methodology for other loans in the wholesale portfolio. The allowance for credit losses on off-balance sheet credit exposures is reflected in the Provision for credit losses in the Consolidated Statement of Income and is recorded in Accounts payable and other liabilities on the Consolidated Balance Sheet.

The allowance for credit losses on finance lease receivables is measured using the same internal risk rating system as used for wholesale finance receivables. The internally developed probability of default is applied at the dealer level leveraging the same information to evaluate creditworthiness. Account balances are categorized into three distinct credit quality indicators based on internal risk assessments, see note 6. The internal risk assessments for all finance lease receivables are updated on a monthly basis.

Finance lease receivables where the dealer is currently in default, are individually evaluated for impairment on an individual dealer basis. Finance lease receivable account balances are considered specifically impaired when, based on current information and events, it is probable the borrower will be unable to make all of their contractual principal and interest payments or if the lease is modified for dealers under reorganization due to a bankruptcy proceeding. Factors such as payment history, compliance with terms and conditions of the underlying finance lease receivable agreement, and other subjective factors related to the financial stability of the dealer are considered when determining if a lease will be individually evaluated for impairment. The amount of the impairment on finance leases individually evaluated equals the difference between the outstanding finance lease receivable amount and the estimated amount that could be recovered from the underlying collateral. The remaining finance lease receivables (not individually evaluated for impairment) are evaluated at the dealer and product level over the life of the underlying asset based upon the Company’s internal risk assessment, which contemplates historic loss experience, financial condition of the dealer and current economic indicators.

Losses on finance lease receivables individually evaluated for impairment are charged to the allowance for credit losses upon loss of specific assets or when the fair value of the collateral supporting the finance lease receivable is estimated to be below the carrying value of the receivable.

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Interest ceases to be earned on finance lease receivables generally when the dealer is in default on a loan for greater than 120 days.

Prior to adoption of ASU 2016-13 on January 1, 2023, the allowance for credit losses on Finance receivables, net, was the Company's estimate of probable credit losses as of the Consolidated Balance Sheet date. The retail finance receivables portfolio is primarily comprised of pools of homogenous loans that are evaluated collectively for purposes of calculating the allowance. The allowance is calculated initially utilizing historic net loss data from the portfolio and applying it to the outstanding principal balance, and estimates expected losses on the portfolio over a 15-month loss emergence period. In cases where historic loss data is not representative of the current environment, qualitative adjustments are used to supplement the allowance to the levels management estimates to be adequate.

Prior to adoption of ASU 2016-13 on January 1, 2023, the allowance for credit losses on wholesale and finance lease finance receivable portfolio is evaluated at the dealer and product level based upon the Company's internal risk assessment, which contemplates historic loss experience and current economic indicator. The allowance is calculated to forecast expected losses over one year for each dealer.

Wholesale and finance lease finance receivables where the dealer is currently in default, including loans modified in a TDR, are evaluated for impairment on an individual dealer basis. Wholesale and finance lease finance receivable account balances are considered impaired when, based on current information and events, it is probable the borrower will be unable to make all of their contractual principal and interest payments or if the loan was modified in a TDR. Factors such as payment history, compliance with terms and conditions of the underlying loan agreement, and other subjective factors related to the financial stability of the borrower are considered when determining if a loan is impaired. The amount of the impairment on wholesale loans individually evaluated equals the difference between the outstanding loan amount and the estimated amount that could be recovered from the underlying collateral. The remaining wholesale finance receivables (not individually evaluated for impairment) are evaluated at the dealer and product level based upon the Company's internal risk assessment, which contemplates historic loss experience and current economic indicators.

As accrued interest receivable is excluded from the amortized cost basis of finance receivables; it is excluded from measurement on the allowance for credit losses. The Company has elected the practical expedient to not measure an allowance for credit losses on accrued interest receivable as the interest receivable is considered to be written off in a timely manner. See below for the Company's non-accrual policies. Refer to note 6 for the amount of accrued interest receivable excluded from the measurement of the allowance for credit losses.

(i) Nonaccrual Policy

Retail finance receivable

Retail finance receivables are not placed on nonaccrual status when principal or interest is 120 days or more past due. Rather, these receivables are charged off against the allowance for credit losses when payments due are no longer expected to be received or the account is

120 days contractually delinquent, whichever occurs first. Interest accrued, but not collected at the date of charge off is reversed against Total financing revenue.

Wholesale finance receivable

Wholesale finance receivables are placed on nonaccrual status if full payment of principal or interest is in doubt, or when principal or interest is 120 days or more past due. Impaired collateral dependent loans are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a receivable is placed on nonaccrual status, is reversed against interest income. Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

Finance lease receivable

Finance lease receivables are placed on nonaccrual status if full payment of principal or interest is in doubt, or when principal or interest is 120 days or more past due. Impaired collateral dependent receivables are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued, but not collected at the date a receivable is placed on nonaccrual status, is reversed against interest income. Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

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(k) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation/amortization and included in Other assets on the Consolidated Balance Sheets. Leasehold improvements are depreciated over the lesser of the lease term or asset life. Depreciation and amortization of property and equipment are calculated using the straight-line method based on the following estimated useful lives:

Furniture, fixtures, equipment, and capitalized software	3 to 7 years
Leasehold improvements	2 to 11 years

The Company reviews property and equipment for recoverability whenever events or changes in circumstances indicate that impairment may have occurred. When such events or changes in circumstances occur, recoverability of the asset to be held and used is measured by a comparison of the carrying amount of the asset to estimated future net cash flows, undiscounted, and without interest, expected to be generated by the asset.

(l) Income Taxes

HCA uses the asset-and-liability method of accounting for income taxes, whereby the deferred tax assets and liabilities are determined based on differences between the financial reporting and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences reverse and become deductible.

HCA is included in HMA's consolidated federal income tax return and combined or consolidated income tax returns in certain states. Federal income tax is provided in the consolidated financial statements on a separate-return method. In accordance with the tax sharing agreement between HCA and HMA, to the extent that HCA has net operating losses (NOLs), the current benefit is provided to HCA up to the amount that can be utilized by HMA. For states where a combined or consolidated income tax return is filed, state income taxes are allocated to HCA based upon the relative apportionment factors and income in those states. Current federal and state income taxes receivable or payable, which are included in Due from affiliates, are settled on an annual basis.

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes - Overall*, the Company recognizes the effect of uncertain income tax positions only if those positions have a probability of more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

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The Company records interest related to unrecognized tax benefits and penalties through the income tax provision.

Effective January 1, 2023, the Company changed its accounting policy for EV income tax credits generated through leasing applicable vehicles. Previously, the Company accounted for EV tax credits using the flow-through method permissible under ASC 740-10-25-46 which allows recognition of the EV tax credit and reduction in income tax expense in the same period. The Company now elects to account for the EV tax credits under the deferral method permissible under ASC 740-10-25-45, which allows for recognition of the benefit over the life of the underlying revenue-generating asset. The change in policy was made to better match the expense reduction created with the revenue-generating activity of the associated underlying assets. The change in accounting policy was made on a retrospective basis. The adoption of this accounting methodology change resulted in a decrease to Investment in operating leases, net of $(93,818) and a decrease to Retained earnings of $(93,818) on the Consolidated Balance Sheet as of December 31, 2022. Comparative financial statements of the prior period have been adjusted to apply the new method retrospectively. Provision for income tax increased $249,995 and $43,103 and Depreciation on operating leases decreased by $(105,804) and $(71,917) for a net (decrease)/increase of $(144,191) and $28,814 to Net income in the Consolidated Statements of Income for the years ended December 31, 2023 and 2022, respectively, due to the change in accounting method. All other prior year changes are considered to be immaterial.

(m) Vehicle Service Contracts and Related Vehicle Protection Products

The Company offers vehicle service contracts and related vehicle protection products (the Products). The Products offered primarily consist of:

- Vehicle service contracts (VSC) that offer mechanical and roadside assistance over and beyond the manufacturer’s standard warranty;
- Guaranteed asset protection (GAP) coverage that pays the difference between the vehicle’s cash value (as determined by the primary insurer) and the balance of the contract holder’s outstanding loan balance when a damaged vehicle is deemed to be a total loss;
- Prepaid/complimentary maintenance (PPM) that covers the cost of regularly scheduled maintenance; and
- Other ancillary finance and insurance products that complement the vehicle owners’ overall experience with the vehicle.

For VSC, GAP and PPM products, the Company receives cash upon origination of the contract and is required to pay claims throughout the contract period. At origination, the Company records the gross amount of the contract to Accounts payable and other liabilities (note 16) as unearned revenue and the amount of deferred acquisition costs directly attributable to the contract to Other assets (note 14). A contract deficiency liability is recognized if the sum of the anticipated claims expenses, maintenance costs, and any acquisition costs not previously expensed, less anticipated investment income, exceed the unearned contract revenue. Such deficiency is first recognized as a reduction of deferred acquisition costs and is included in the Consolidated Statements of Income. To the extent the deficiency exceeds deferred acquisition costs, a contract deficiency liability is established.

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These amounts are deferred and recognized to revenue based upon the contract's estimated claims experience curve over the life of the products. The Company uses an actuarial consulting firm to estimate the claims experience curve based upon an analysis on the historical and industry claims experience. Claims are recorded as incurred and are reflected in Vehicle service contracts revenue, net (note 15).

Other related vehicle protection products consist of other fee income products where the Company does not have claims risk. Fees are recognized over the life of the contract for certain products where the Company is paid to administrate the policies or at contract origination for other products where the fee is a sales commission.

(n) Derivatives

The Company enters into interest rate and foreign exchange derivative agreements to reduce the exposure to market risks from changing interest rates and foreign currency exchange rates. The interest rate instruments are used to economically hedge interest rate exposure on floating rate debt, and the currency exchange agreements are used to manage the currency exposure on foreign denominated debt. For derivatives that the Company has elected not to apply hedge accounting to, the fair value changes in the interest rate and currency exchange agreements are included in Other revenue on the Consolidated Statements of Income. For derivatives that the Company has elected to apply hedge accounting to, the fair value changes in the interest rate and currency exchange agreements are included in Accumulated other comprehensive income on the Consolidated Balance Sheets. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period.

(o) Variable Interest Entities

A VIE is an entity that either (i) has insufficient equity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The Company is the primary beneficiary when it is determined that the Company has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive residual returns that could potentially be significant to the VIE.

(i) On-Balance-Sheet Securitization Trusts

HCA uses several special-purpose entities that are considered VIEs to issue asset-backed securities (ABS) to third party, bank sponsored asset-backed securitization vehicles and to investors in securitization transactions. The securities issued by these VIEs are backed by the cash flows from retail and wholesale finance receivables and investment in operating leases (the Assets) that have been transferred to the VIEs. Although the transferred assets have been legally sold to the VIEs, HCA holds variable interests in the VIEs that are expected to absorb expected losses, receive the expected residual returns, or both. The Company determined that HCA is the primary beneficiary of the securitization entities because (i) HCA's servicing responsibilities for the transferred receivables give them the power to direct the activities that most significantly impact

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the performance of the VIEs and (ii) HCA's variable interests in the VIEs give them the obligation to absorb losses and the right to receive residual returns that could potentially be significant.

The cash held by the Company on behalf of the VIE is classified as Restricted cash on the Consolidated Balance Sheets. The assets of the VIEs and the restricted cash held by HCA serve as the sole source of repayment for the asset-backed securities issued by these entities. Investors in the notes issued by the VIEs do not have recourse to HCA's general credit, with the exception of customary representation and warranty repurchase provisions and indemnities.

As the primary beneficiary of these entities, HCA is exposed to credit, interest rate, and prepayment risk from the receivables transferred to the VIEs. However, HCA's exposure to these risks did not change as a result of the transfer of the assets to the VIEs. HCA may also be exposed to interest rate risk arising from the secured notes issued by some of the VIEs.

The transfers of the receivables to the special-purpose entities in HCA's securitizations are considered to be sales for legal purposes. However, the securitized assets and the related debt remain on HCA's Consolidated Balance Sheets. The Company recognizes financing revenue on the pledged receivables and interest expense on the secured debt issued by the entities. The Company also maintains an allowance for credit losses on the pledged receivables to cover probable credit losses estimated using a methodology consistent with that used for the nonsecuritized loan portfolio. The interest rate instruments are consolidated within HCA's consolidated financial statements.

(ii) Off-Balance-Sheet Securitization Trusts

The Company periodically has transactions involving an off-balance-sheet securitization trust. The trust is created from an ABS transaction and the subsequent sale of the residual interest certificates in the assets of the trust. The Company continues to service the assets held by the VIE. As of December 31, 2023 and 2022, the Company does not have any off-balance-sheet securitizations.

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(p) Debt Issuance Costs

The Company incurs costs that are directly related to issuing debt. These costs are deferred and amortized over the life of the debt using the effective-interest-rate method and recognized as interest expense. For debt issuances with no scheduled payment terms or variable payment terms where the effective-interest-rate method cannot be calculated, the costs are amortized as follows:

(i) Debt with No Scheduled Payment Terms

Direct costs related to debt issuances with no scheduled payment terms (revolving lines of credit) are deferred and amortized, straight-line over the expected term of the debt – generally from the date the line of credit is opened until the renewal date.

(ii) Debt with Variable Payment Terms

The Company issues notes related to asset-backed securitizations where the repayment term is dependent upon the cash flows of the securitized finance receivables. Direct costs related to these notes are amortized proportionately to the collection of cash flows from the securitized receivables as an approximation of the effective-interest rate method.

(q) Recently Adopted Accounting Pronouncements

In October 2020, the FASB issued ASU No. 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs*. The new guidance further clarifies the amortization of premium recognized on certain purchased callable debt securities, a matter previously addressed by ASU No. 2017-08. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2021. The Company adopted this guidance on January 1, 2022. The adoption of the guidance did not have an impact on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Additionally, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, ASU No. 2019-04, *Codification improvements to Topic 326, Financial Instruments – Credit Losses*, ASU No. 2019-05, *Financial Instruments – Credit Loss (Topic 326): Targeted Transition Relief*, ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, ASU No. 2020-03, *Codification Improvements to Financial Instruments* and ASU No. 2022-02, *Financial Instruments – Credit Losses, Troubled Debt Restructure and Vintage Disclosures*. The new guidance replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB issued ASU No. 2019-10—*Financial Instruments—Credit Losses (Topic 326): Effective Dates* to defer the effective date from January 1, 2022 to January 1, 2023. The Company adopted this guidance using the modified retrospective approach as of January 1, 2023. The adoption of the guidance resulted in a decrease to Finance receivables, net of $(259,771), an increase to Accounts payable and other liabilities of $394, an increase to Accumulated other comprehensive income of $508, a decrease to Net deferred tax

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liabilities of $(49,665), and a decrease to Retained earnings of $(211,008) on the Company's Consolidated Balance Sheet. The Company changed its financial statement disclosures resulting from adoption of the guidance.

In July 2021, the FASB issued *ASU No. 2021-05, Leases (Topic 842) - Lessors—Certain Leases with Variable Lease Payments*. The new guidance amends the lease classification requirements for lessors to align them with practice under Topic 840. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2022. The Company adopted this guidance on January 1, 2023. The adoption of the guidance did not have an impact on the consolidated financial statements.

(r) Recently Issued Accounting Pronouncements

In October 2023, the FASB issued *ASU No. 2023-06, Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The new guidance modifies disclosure and presentation requirements of a variety of Topics in the Codification. The amendments under this update are effective for the Company in fiscal periods starting two years after SEC removal of the related disclosure from Regulation S-X or Regulation S-K. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements and financial statement disclosures.

In December 2023, the FASB issued *ASU No. 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*. The new guidance outlines revisions to disclosure requirements for income tax information. The amendments under this update are effective for the Company for the fiscal years beginning after December 15, 2025. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements and financial statement disclosures.

(s) Reclassifications

Certain amounts in the prior years' financial statements and related note disclosures have been reclassified to conform to the current year presentation.

(Continued)

(Dollar amounts in thousands)

(3) Investments

The following tables present amortized cost, gross unrealized gains and losses, and estimated fair value of investments classified as available-for-sale at December 31, 2023 and 2022:

	December 31, 2023			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale investments:				
U.S. Treasury securities	$ 21,312	—	(538)	20,774
Mortgage-backed securities:				
Federal agency	2,947	—	(507)	2,440
Nonfederal agency	24,658	10	(845)	23,823
Municipal debt securities	—	—	—	—
Foreign government debt securities	700	—	(24)	676
Corporate debt securities	432,535	4,207	(14,500)	422,242
Total available-for-sale investments	$ 482,152	4,217	(16,414)	469,955

	December 31, 2022			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale investments:				
U.S. Treasury securities	$ 21,112	—	(756)	20,356
Mortgage-backed securities:				
Federal agency	3,215	—	(564)	2,651
Nonfederal agency	27,847	—	(1,184)	26,663
Municipal debt securities	1,000	—	(1)	999
Foreign government debt securities	3,199	—	(104)	3,095
Corporate debt securities	345,903	177	(23,445)	322,635
Total available-for-sale investments	$ 402,276	177	(26,054)	376,399

(Continued)

(Dollar amounts in thousands)

Gross unrealized losses and fair value by length of time that the individual available-for-sale securities have been in a continuous unrealized loss position at December 31, 2023 and 2022 are as follows:

	December 31, 2023					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale investments:						
U.S. Treasury securities	$ 7,255	(118)	13,519	(420)	20,774	(538)
Mortgage-backed securities:						
Federal agency	—	—	2,439	(507)	2,439	(507)
Nonfederal agency	121	(14)	22,801	(831)	22,922	(845)
Municipal debt securities	—	—	—	—	—	—
Foreign government debt securities	—	—	676	(24)	676	(24)
Corporate debt securities	33,018	(560)	237,926	(13,940)	270,944	(14,500)
Available-for-sale investments	$ 40,394	(692)	277,361	(15,722)	317,755	(16,414)

	December 31, 2022					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale investments:						
U.S. Treasury securities	$ 19,682	(680)	674	(76)	20,356	(756)
Mortgage-backed securities:						
Federal agency	196	(22)	2,454	(542)	2,650	(564)
Nonfederal agency	26,134	(1,112)	530	(72)	26,664	(1,184)
Municipal debt securities	999	(1)	—	—	999	(1)
Foreign government debt securities	673	(27)	2,422	(77)	3,095	(104)
Corporate debt securities	174,491	(8,497)	134,737	(14,948)	309,228	(23,445)
Available-for-sale investments	$ 222,175	(10,339)	140,817	(15,715)	362,992	(26,054)

(Continued)

As of December 31, 2023, based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information, and information obtained from regulatory filings, management believes the decline in fair value for these available-for-sale securities is temporary, and therefore all unrealized losses were recognized in accumulated other comprehensive income. The Company estimates the portion of decline in fair value due to expected credit losses and records an allowance against the investment. The expected credit losses for available-for-sale investments totaled $654 at the date of adoption of ASC 326. The Company recognized $(147) of allowance for credit loss on the debt securities for the year ended December 31, 2023. The ending provision for expected credit loss on the portfolio was $507 at December 31, 2023. Should the decline in fair value of any available-for-sale securities become unrecoverable and if management no longer has the intent or ability to hold the investment until recovery of fair value, the cost basis of the investment will be written off and the resulting loss recognized in net income in the period identified. For the year ended December 31, 2023, no available-for-sale securities were deemed to be unrecoverable. Management evaluates the allowance for credit losses, at minimum, on a quarterly basis.

At December 31, 2022, the Company reviewed the available-for-sale securities that were in a continuous loss position less than 12 months and longer than 12 months at each reporting period-end. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information, and information obtained from regulatory filings, management believes the decline in fair value for these available-for-sale securities is temporary. In addition, the Company intends and has the ability to hold these investment securities for a period of time sufficient to allow for an anticipated recovery. Should the impairment of any of these available-for-sale securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period in which the other-than-temporary impairment is identified. For the year ended December 31, 2022, no available-for-sale securities were deemed to be other than temporarily impaired, and therefore, all unrealized losses were recognized in Accumulated other comprehensive income (loss).

Accrued interest receivable on available-for-sale debt securities totaled $4,072 at December 31, 2023 and is excluded from the amortized cost basis and fair value of the securities and is reported in Other assets on the Consolidated Balance Sheet. Accrued interest is excluded from the measurement on the expected credit losses.

All changes in market value of equity securities are immediately recognized in Other revenue, net in the Consolidated Statements of Income.

(Continued)

(Dollar amounts in thousands)

Investments by contractual maturity at December 31, 2023 are summarized as follows:

	Available-for-sale		Equity investments	Other
	Amortized cost	Fair value	Fair value	Fair value
Due in one year or less	$ 69,578	68,208	—	—
Due after one year through five years	274,019	266,313	—	—
Due after five years through ten years	115,407	114,185	—	—
Due after ten years	23,148	21,249	38,467	6,890
Total investments	$ 482,152	469,955	38,467	6,890

Mortgage-backed securities have contractual terms to maturity. However, expected maturities of residential mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations with or without call or prepayment penalties.

Other investments consist of company-owned life insurance which was acquired on certain executives and key employees through a trust in conjunction with the deferred compensation plan.

(Continued)

(Dollar amounts in thousands)

(4) Finance Receivables

Finance receivables consist of the following at December 31, 2023 and 2022:

		2023	2022
Retail	$	39,387,051	30,336,965
Wholesale		3,889,350	2,164,190
Finance lease		20,415	507
		43,296,816	32,501,662
Add:			
Premium on purchase of retail contracts		103,063	67,325
Less:			
Allowance for credit losses		(698,750)	(343,187)
Yield maintenance subvention		(726,579)	(337,323)
	$	41,974,550	31,888,477

As of December 31, 2023 and 2022, approximately $12,754,410 and $4,154,365, respectively, of the retail finance receivables held by the Company's subsidiaries have been pledged for borrowings under asset-backed conduit transactions (note 7). Refer to note 10 for additional information regarding finance receivables sold for legal purposes in securitization transactions.

It is the Company's experience that a substantial portion of the finance receivable portfolio generally is repaid before contractual maturity dates.

Wholesale finance receivables are primarily inventory lines of credit, real estate, construction, and working capital loans for certain dealers. These loans are reviewed and renewed on a periodic basis.

Finance lease receivables consist of ten year signage leased to dealers, seven year hydrogen truck leases and five year EV charging stations, classified as sales-type leases.

The Company services retail finance receivables for borrowers residing in all 50 states and the District of Columbia with no concentration of retail finance receivables of more than 12% and 13% in any one state at December 31, 2023 and 2022, respectively.

(Dollar amounts in thousands)

The annual contractual maturities of finance receivables at December 31, 2023 were as follows:

	Retail	Wholesale	Finance Lease	Total
2024	$ 8,937,013	3,096,354	3,072	12,036,439
2025	8,750,009	91,262	3,424	8,844,695
2026	7,877,927	198,852	3,424	8,080,203
2027	6,352,422	196,554	3,422	6,552,398
2028	4,700,457	306,328	3,398	5,010,183
2029 and thereafter	2,769,223	—	12,966	2,782,189
Undiscounted receivables	39,387,051	3,889,350	29,706	43,306,107
Unearned revenue	—	—	(9,291)	(9,291)
	$ 39,387,051	3,889,350	20,415	43,296,816

(5) Investment in Operating Leases

Investment in operating leases at December 31, 2023 and 2022 were as follows:

	2023	2022
Investment in operating leases	$ 20,285,042	19,777,399
Initial direct costs	243	1,013
Less:		
Accumulated depreciation	(3,739,058)	(3,778,412)
Allowance for credit losses	(77,231)	(78,825)
Investment in operating leases	$ 16,468,996	15,921,175

As of December 31, 2023 and 2022, approximately $2,547,808 and $1,172,700, respectively, of the lease receivables held by the Company’s subsidiaries have been pledged for borrowings under asset-backed conduit transactions (note 7). Refer to note 10 for additional information regarding securitized investments in operating leases under asset-backed securitization transactions.

(Continued)

(Dollar amounts in thousands)

Future minimum lease rentals on operating leases that have initial or remaining noncancelable terms of more than one year as of December 31, 2023 are as follows:

2024	$	2,695,471
2025		1,856,191
2026		801,228
2027		71,340
2028		—
2029 and thereafter		—
	$	5,424,230

The Company has operating leases outstanding from lessees residing in all 50 states and the District of Columbia with no concentration of lease receivables of more than 16% and 17% in any one state at December 31, 2023 and 2022, respectively.

(6) Allowance for Credit Losses and Credit Risk

The following tables provide an analysis of the allowance for credit losses related to retail finance receivables, wholesale finance receivables, finance lease receivables, and investment in operating leases for years ended December 31, 2023 and 2022. After considering adoption of ASU 2016-13 on January 1, 2023, the change in the allowance for credit losses for the year ended December 31, 2023 is driven primarily by growth in the retail receivable portfolio and worsening macroeconomic forecasts related to used car price index.

	Year ended December 31, 2023					
	Retail receivables	Wholesale receivables	Finance lease receivables	Total finance receivables	Investment in operating leases	Total
Balance, beginning of year	$ 341,071	2,113	3	343,187	78,825	422,012
Adoption of ASU 2016-13 CECL	257,871	1,885	15	259,771	—	259,771
Provision for credit losses	369,076	2,610	1,172	372,858	28,089	400,947
Charge-offs	(687,630)	—	—	(687,630)	(65,390)	(753,020)
Recoveries	410,517	47	—	410,564	35,719	446,283
Other	—	—	—	—	(12)	(12)
Balance, end of year	$ 690,905	6,655	1,190	698,750	77,231	775,981

(Continued)

(Dollar amounts in thousands)

	Year ended December 31, 2022					
	Retail receivables	Wholesale receivables	Finance lease receivables	Total finance receivables	Investment in operating leases	Total
Balance, beginning of year	$ 341,045	1,735	2	342,782	105,739	448,521
Provision for credit losses	185,579	148	1	185,728	(33,415)	152,313
Charge-offs	(472,620)	—	—	(472,620)	(72,493)	(545,113)
Recoveries	287,067	230	—	287,297	79,041	366,338
Other	—	—	—	—	(47)	(47)
Balance, end of year	$ 341,071	2,113	3	343,187	78,825	422,012

(a) *Credit Quality Indicators as of December 31, 2023 and 2022*

The Company is exposed to credit risk on its finance receivables. Credit risk is the risk of loss arising from the failure of customers or dealers to meet the terms of their contracts or otherwise fail to perform as agreed.

(b) *Retail Finance Receivables*

To estimate the allowance for credit losses over the lifetime of retail finance receivables, the model bifurcates loans based on customer FICO score. Customers with FICO scores of 680 and higher are in the prime segment and customers with FICO scores lower than 680 are in the non-prime segment. The decision to do so is driven by the consideration that the two segments are targeted for specific programs and have differences in interest rates and incentives.

The table below shows the recorded investments in retail finance receivables by credit quality indicator as of December 31, 2023 and 2022:

	2023	2022
Retail portfolio segment:		
Prime	$ 31,777,105	23,549,391
Non-Prime	7,609,946	6,787,574
Total	$ 39,387,051	30,336,965

(Continued)

(Dollar amounts in thousands)

(c) Wholesale Finance Receivables

For the three classes within the wholesale finance receivables (floor plan, real estate, and working capital), all loans outstanding to an individual dealer or dealership group are aggregated and evaluated collectively by dealer or dealership group. This reflects the interconnected nature of financing provided to individual dealers and dealer group customers.

When assessing the credit quality of the wholesale finance receivables, account balances are categorized into three distinct credit quality indicators based on internal risk assessments. The internal risk assessments for all wholesale finance receivables are updated on a quarterly basis.

The three credit quality indicators are as follows:

- Performing – Accounts not classified as either credit watch or default.
- Credit watch – The account is subject to heightened monitoring based upon certain qualitative and quantitative factors. These factors include liquidity ratios, profitability, and other early warning metrics developed by management. Accounts in credit watch status are not classified as impaired and the borrower is generally paying as agreed.
- Default – Account is individually evaluated for impairment because the borrower is not meeting contractual obligations, certain contractual obligations have been temporarily waived, or management believes collateral is insufficient to cover principal and interest.

The table below shows the recorded investment for each credit quality indicator of wholesale finance receivable as of December 31, 2023 and 2022:

		2023				2022			
		Floor plan	Real estate	Working capital	Total	Floor plan	Real estate	Working capital	Total
Wholesale:									
Performing	$	2,897,657	693,940	138,591	3,730,188	1,433,050	531,964	174,808	2,139,822
Credit watch		116,179	3,256	39,727	159,162	23,659	—	709	24,368
Default		—	—	—	—	—	—	—	—
Total	$	3,013,836	697,196	178,318	3,889,350	1,456,709	531,964	175,517	2,164,190

As of December 31, 2023 and 2022, the Company had no impaired wholesale finance receivables.

(Continued)

(Dollar amounts in thousands)

(d) Finance Lease Receivables

When assessing the credit quality of the finance lease receivables, account balances are categorized into three distinct credit quality indicators based on internal risk assessments. The internal risk assessments for all finance lease receivables are updated on a quarterly basis.

The three credit quality indicators are as follows:

- Performing – Accounts not classified as either credit watch or default.
- Credit watch – The account is subject to heightened monitoring based upon certain qualitative and quantitative factors. These factors include liquidity ratios, profitability, and other early warning metrics developed by management. Accounts in credit watch status are not classified as impaired and the borrower is generally paying as agreed.
- Default – Account is individually evaluated for impairment because the borrower is not meeting contractual obligations, certain contractual obligations have been temporarily waived, or management believes collateral is insufficient to cover principal and interest.

The table below shows the recorded investment for each credit quality indicator of finance lease receivables as of as of December 31, 2023 and 2022.

		2023	2022
Finance lease:			
Performing	$	20,415	507
Credit Watch		—	—
Default		—	—
Total	$	20,415	507

As of December 31, 2023 and 2022, the Company had no impaired finance lease receivables.

(Continued)

(Dollar amounts in thousands)

(e) Aging Analysis of Past-Due Finance Receivables as of December 31, 2023 and 2022

		30–59 days past due	60–89 days past due	Delinquent 90 days and above	Total past due	Current	Total financing receivables	Recorded investment 90+ days and accruing
December 31, 2023								
Retail	$	723,916	223,567	81,688	1,029,171	38,357,880	39,387,051	81,688
Wholesale		—	—	—	—	3,889,350	3,889,350	—
Finance lease		—	—	—	—	20,415	20,415	—
Total	$	723,916	223,567	81,688	1,029,171	42,267,645	43,296,816	81,688
December 31, 2022								
Retail	$	570,629	173,817	67,673	812,119	29,524,846	30,336,965	67,673
Wholesale		—	—	—	—	2,164,190	2,164,190	—
Finance lease		—	—	—	—	507	507	—
Total	$	570,629	173,817	67,673	812,119	31,689,543	32,501,662	67,673

Recorded investment 90+ days and accruing represents the investment in finance receivables greater than 90 days past due, which continue to accrue interest.

(f) Investment in Finance Receivables on Nonaccrual Status

As of December 31, 2023 and 2022, there were no finance receivables on nonaccrual status. See note 2(j) for an explanation of the Company's nonaccrual policy.

(g) Loan Modifications & Troubled Debt Restructurings

The Company generally does not grant concessions on finance receivables other than modifications of retail loans in reorganization proceedings pursuant to the U.S. Bankruptcy Code and modifications of wholesale loans and finance leases with dealers experiencing financial difficulty in order to maximize collections. For such finance receivables, when concessions are made the finance receivable is treated as a modification. While payment extensions are sometimes granted on retail loans in the normal course of the collection process, no concessions are made on the principal balance loaned or the interest rate charged. Payment extensions typically result in a short term one month deferral of the consumer's normal monthly payment and do not constitute a loan modification. As of December 31, 2023 and 2022, HCA had no commitments to lend additional funds to borrowers with loan modifications. As of December 31, 2023 and 2022, the loan modifications in the retail finance receivable portfolio were immaterial, and there were no loan modifications in the wholesale and finance lease receivable portfolios.

(Continued)

(Dollar amounts in thousands)

(h) *Accrued Interest Receivable*

Excluded from the amortized cost basis of all classes of finance receivables is $136,224 of accrued interest receivable as of December 31, 2023. Accrued interest receivable is presented within Other assets on the Consolidated Balance Sheet.

(i) *Unfunded Credit Exposure*

The Company records an allowance for credit losses related to off-balance sheet credit exposures attributable to the unfunded portion of wholesale commitments. The allowance for credit losses for these unfunded commitments totaled $394 at the date of adoption of ASC 326 and $701 as of December 31, 2023. Unfunded commitments comprised $307 of the Provision for credit losses for the year ended December 31, 2023.

(7) Debt

Debt and the related weighted average contractual interest rates for the Company and its subsidiaries were as follows at December 31, 2023 and 2022:

			Weighted average rates	
	2023	2022	2023	2022
Commercial paper	$ 2,532,693	$ 1,821,381	5.59 %	4.67 %
Revolving lines of credit and term loans	2,263,000	2,030,000	5.68	4.66
Asset-backed conduits	8,393,127	3,077,000	5.89	4.23
Asset-backed securitization	11,887,611	11,105,291	4.28	2.20
Senior unsecured notes	23,873,174	18,137,210	3.78	2.27
Affiliate borrowings	3,366,830	5,180,528	5.73	4.61
Less:				
Unamortized debt issuance costs	94,260	72,009	N/A	N/A
Total debt, net	$ 52,222,175	$ 41,279,401	4.53 %	2.91 %

(a) *Commercial Paper*

On July 26, 2013, the Company established a Commercial Paper and the initial program size was $800,000. On May 28, 2014, the Company upsized the program by $1,500,000, increasing its limit to $2,300,000. On September 29, 2017, the Company upsized the program by $700,000, increasing its limit to $3,000,000. On January 14, 2021, the Company upsized the program by $1,000,000, increasing its limit to $4,000,000. HCA utilizes commercial paper to meet short-term working capital requirements. The Company's commercial paper is recorded net of any discount at issuance. Amortization of the discount is reported as interest expense in the Consolidated Statements of Income. As of December 31, 2023 and 2022, the Company had a weighted average remaining maturity of 19 and 32 days, respectively.

(Continued)

(b) Revolving Lines of Credit and Term Loans

HCA utilizes committed revolving lines of credit and term loans to meet working capital requirements. The Company maintains relationships with a variety of global banking partners to ensure liquidity. The rates for these instruments are generally fixed or based upon a floating benchmark rate (typically Secured Overnight Financing Rate (SOFR) plus a fixed spread). As of December 31, 2023 and 2022, the Company had drawn $1,613,000 and $1,380,000 on its $6,100,000 revolving lines of credit, respectively. Term loans generally have terms of one to five years. As of December 31, 2023 and 2022, the Company had an outstanding balance of $650,000 for both periods in term loans. The revolving lines of credit and term loans mature at various times through May 2027.

(c) Asset-Backed Conduits

HCA's financing transactions with bank-sponsored asset-backed commercial paper conduits consist of bankruptcy remote, special-purpose entities (warehouse facilities) to which the Company has transferred retail finance receivables and operating lease assets, which are pledged as collateral for debt issued by the special-purpose entities (notes 4 and 5). Interest rates on these facilities are generally based upon a floating benchmark rate (such as the SOFR or Commercial Paper index rate) plus a fixed spread. HCA generally engages in interest rate derivative instrument transactions to manage the risk related to floating interest rates. As of December 31, 2023 and 2022, the Company had the ability to draw an additional $4,880,720 and $6,285,158, respectively.

(d) Asset-backed Securitization

HCA regularly sells pools of finance receivables and lease assets through asset-backed securitization transactions. Pursuant to these transactions, the assets are sold to a bankruptcy remote, special-purpose entity, which has been established for the limited purpose of buying and reselling the Company's finance receivables and lease assets. The special-purpose entity then transfers the same assets to a trust, which issues notes to investors, which are collateralized by the finance receivable and lease assets (note 10). The notes are generally fixed-rate and are structured to amortize on a monthly basis according to the cash collections on the underlying assets.

(e) Senior Unsecured Notes

The Company issues senior unsecured notes to meet longer term liquidity needs. The Company's senior unsecured notes are denominated in U.S. dollars and recorded net of any discount or premium at issuance. Interest expense on senior unsecured notes is recognized on an accrual basis and reported as interest expense in the Consolidated Statements of Income. On March 13, 2015, the Company established a private U.S. medium term note (MTN) program under Rule 144A under the U.S. Securities Act of 1933, as amended. Under the MTN program, the Company can issue up to $4,000,000 aggregate principal amount of notes with original maturities of one year or more. On June 2, 2016, the Company upsized the program by $8,000,000, increasing its limit to $12,000,000. On June 11, 2019, the Company upsized the program by $28,000,000, increasing its limit to $40,000,000. On September 8, 2023, the Company updated the program from an issuance-based program to outstanding-based program. The limit of notes outstanding under the new program is $60,000,000.

(Continued)

(Dollar amounts in thousands)

(f) Affiliate Borrowings

The Company administrates the North America Cash Management fund (NACM) for HMC's affiliates in the United States (note 8). Affiliate companies may deposit cash into the fund or borrow from it. Excess cash held by the fund is used to fund short-term borrowing needs of the affiliate companies that participate. Deposits to the fund from affiliate companies are classified as affiliate borrowings and included in the debt section of the Consolidated Balance Sheets. Loans from the fund to affiliate companies are classified as Due from affiliates, net. As of December 31, 2023 and 2022, deposits from affiliate companies included in debt were $1,166,830 and $2,680,528, respectively. The Company also enters into separate intercompany borrowing agreements with affiliated companies. These loan agreements can range from two months to two years and generally are renewed at maturity. The interest rates of these loans are generally fixed or floating, which consists of a benchmark rate (such as the SOFR or Commercial Paper index rate) plus a fixed spread. As of December 31, 2023 and 2022, the principal balance outstanding for the agreements separate from NACM were $2,200,000 and $2,500,000, respectively.

(g) Maturity of Debt

The following tables show the contractual maturity of the Company's debt as of December 31, 2023 and 2022. Actual repayment on asset-backed debt will vary based upon repayment activity on the related pledged assets:

	December 31, 2023				
	Within 1 year	1–2 years	2–3 years	3+ years	Total
Commercial paper	$ 2,532,693	—	—	—	2,532,693
Revolving lines of credit and term loans	1,863,000	—	400,000	—	2,263,000
Asset-backed conduits	1,626,921	2,640,230	1,996,578	2,129,398	8,393,127
Asset-backed securitization	346,797	3,022,956	4,376,139	4,141,719	11,887,611
Senior unsecured notes	4,149,459	4,297,656	6,542,790	8,883,269	23,873,174
Affiliate borrowings	3,366,830	—	—	—	3,366,830
Less unamortized debt issuance cost	37,106	20,164	14,455	22,535	94,260
Total	$ 13,848,594	9,940,678	13,301,052	15,131,851	52,222,175

(Continued)

(Dollar amounts in thousands)

	December 31, 2022				
	Within 1 year	1–2 years	2–3 years	3+ years	Total
Commercial paper	$ 1,821,381	—	—	—	1,821,381
Revolving lines of credit and term loans	1,630,000	50,000	—	350,000	2,030,000
Asset-backed conduits	942,257	1,009,516	680,051	445,176	3,077,000
Asset-backed securitization	304,455	2,640,634	4,353,448	3,806,754	11,105,291
Senior unsecured notes	4,149,451	4,148,162	1,848,565	7,991,032	18,137,210
Affiliate borrowings	5,180,528	—	—	—	5,180,528
Less unamortized debt issuance cost	29,516	14,303	10,777	17,413	72,009
Total	$ 13,998,556	7,834,009	6,871,287	12,575,549	41,279,401

(8) Transactions with Affiliates

The following table summarizes major component of Due from affiliates, net as of December 31, 2023 and 2022:

	2023	2022
Intercompany receivable attributable to tax settlement	$ 553,128	458,495
Short-term and long-term receivables from incentive programs	852,282	352,564
Other	(54,513)	(66,467)
Total	$ 1,350,897	744,592

In addition, the Company has executed finance leases with related parties captured under finance lease, net with receivables of $1,289 for the year ended December 31, 2023. The revenue recognized amounted to $31 for the year ended December 31, 2023.

(a) Incentive Programs

As an accommodation to HMA and KUS, the Company, from time to time, provides incentive programs to customers. Generally, under these programs, the Company finances or leases vehicles on favorable terms and receives subsidy amounts from HMA and KUS. Subsidy amounts are generally received for lower than market interest rates, lower than market lease rentals, greater than market estimated lease residual values, and greater than normal expected credit losses.

The amounts billed to HMA for various yield incentive programs were $671,953 and $197,313 for the years ended December 31, 2023 and 2022, respectively. The amounts billed to KUS for various yield incentive programs were $159,337 and $11,653 for the years ended December 31, 2023 and 2022,

(Continued)

respectively. These amounts are recognized in financing revenue over the terms of the related contracts.

The amounts billed to HMA for residual value and other end of term incentive programs were $3,472 and $1,882 for the years ended December 31, 2023 and 2022, respectively. The amounts billed to KUS for residual value and other end of term incentive programs were $724 and $0 for the years ended December 31, 2023 and 2022, respectively. The effect of the residual value incentive program is a reduction of depreciation over the life of the lease. Other end of term incentive programs consist of disposition fees paid on behalf of loyal customers and are recorded in Financing revenue.

In 2023, the Company executed a settlement rate true-up with HMA and KUS related to the yield incentive programs on financed and leased vehicles. The true-up resulted in an increase to Due from affiliates, net on the Consolidated Balance Sheet and an increase to Total financing revenue on the Consolidated Statement of Income. The settlement true-up for HMA was $70,115 and $19,885 for financed and leased vehicles, respectively. The settlement true-up for KUS was $63,239 and $26,761 for financed and leased vehicles, respectively. In 2022, the Company executed a settlement rate true-up with HMA and KUS related to the yield incentive programs on financed and leased vehicles. The true-up resulted in a reduction to Due from affiliates, net on the Consolidated Balance Sheet and a reduction to Total financing revenue on the Consolidated Statement of Income. The settlement true-up for HMA was $6,800 and $8,200 for financed and leased vehicles, respectively. The settlement true-up for KUS was $22,582 and $27,418 for financed and leased vehicles, respectively. These amounts have been reflected above in the various yield incentive amounts.

The outstanding receivable balance for HMA yield incentive programs were $339,533 and $85,661 as of December 31, 2023 and 2022, respectively, and are a component of Due from affiliates, net. The outstanding receivable balance for HMA residual value and other end of term incentive programs were $194,322 and $143,129 as of December 31, 2023 and 2022, respectively, and are a component of Due from affiliates, net.

The outstanding receivable balance for KUS yield incentive programs were $186,585 and $8,332 as of December 31, 2023 and 2022, respectively, and are a component of Due from affiliates, net. The outstanding receivable balance for KUS residual value and other end of term incentive programs were $131,842 and $115,442 as of December 31, 2023 and 2022, respectively, and are a component of Due from affiliates, net.

The residual value and other end of term incentive receivable balance due from HMA and KUS for each period presented consists primarily of an estimated future billing amount for units covered under the incentive program but not billable until end of lease term. The corresponding amounts are included as a reduction of the Investment in operating leases, net.

(Continued)

(Dollar amounts in thousands)

(b) *Affiliate Borrowings*

On July 1, 2003, the Company entered into the NACM agreement in which the Company manages liquidity for HMC affiliates in the United States. Such cash is available for borrowings by the affiliates. On July 6, 2022, the Company upsized the agreement by $2,000,000, increasing its limit to $4,000,000. The Company could borrow up to $4,000,000 based on the funds availability under this facility. Affiliate deposits are included as liabilities in the Debt section of the Consolidated Balance Sheets, and affiliate borrowings are included as assets in the Due from affiliates, net section. Affiliates participating in the program pay or receive a variable rate of interest, which is generally at Commercial Paper Index or Applicable Federal Rate (AFR) plus a fixed margin. The amounts included in the program as of December 31, 2023 and 2022 were as follows:

		2023	2022
Affiliate deposits (included in debt)	$	1,166,830	2,680,528
Net amount due to affiliate companies	$	1,166,830	2,680,528

In addition, the Company enters into separate, longer term, intercompany loan agreements with affiliates. Affiliate borrowings, outside of NACM agreements, include loan agreements ranging from one to two years and are generally renewed at maturity. The interest rates of these loans are generally fixed and floating which consist of a benchmark rate (such as the SOFR or Commercial Paper index rate) plus a fixed spread. The amounts included in these borrowing arrangements were as follows as of December 31, 2023 and 2022, which were included in the debt section of the Consolidated Balance Sheets:

		2023	2022
Affiliate borrowings from NACM participants	$	2,200,000	2,500,000
Total	$	2,200,000	2,500,000

For the years ended December 31, 2023 and 2022, the Company received interest income from affiliates of $297 and $272, respectively. For the years ended December 31, 2023 and 2022, the Company paid interest expense to the affiliates of $321,128 and $116,540, respectively, for all affiliate borrowings. The cash inflows and outflows of debt from these facilities are classified as a financing activity in the Consolidated Statements of Cash Flows and the cash inflows and outflows from

(Continued)

(Dollar amounts in thousands)

deposits to these facilities are classified as an investing activity. Interest revenue and expense are classified as operating activities in the Consolidated Statements of Cash Flows.

(c) *Other Related Party Expenses, net*

The following table summarizes other related party expenses for the years ended December 31, 2023 and 2022:

		2023	2022
Administrative services, net	$	2,235	2,149
Affiliate marketing support		50,000	97,050
HCS royalty		26,693	28,702
HMC credit support agreement		30,850	30,702
Total other related party expenses, net	$	109,778	158,603

Administrative Services – HCA maintains a portion of its operations in office space furnished by HMA and utilizes various administrative services common to both HCA and HMA. HCA reimburses HMA for occupancy costs and administrative services arranged for and paid by HMA on behalf of HCA. The administrative services expenses were included in Operating expenses. HMA also maintains a portion of its operations in office space furnished by HCA, and HMA reimburses HCA for occupancy costs paid by HCA on behalf of HMA. The rental income for these services were included in Other revenue, net.

Affiliate Marketing Support – HCA provides marketing support to HMA and KUS to jointly increase the brand image and grow the customer base. Typically, this support is related to costs incurred by HMA and KUS to increase vehicle sales, which directly benefits HCA and KUS through higher volumes of loans and leases. The affiliate marketing support expenses were included in Operating expenses.

HCS Royalty – HCA pays a royalty to Hyundai Capital Services (HCS), a Korean finance affiliate of HMC for the provision of business expertise and related services. The royalty expenses were included in Operating expenses, and any unpaid amounts are included in the balance sheets as a liability under Accounts payable and other liabilities. For December 31, 2023 and 2022, the total unpaid amounts including taxes payable to the Internal Revenue Service on behalf of HCS were $26,693 and $28,702, respectively.

HMC Credit Support Agreement – HCA and HMC entered into a credit support agreement under which HMC has agreed to ensure HCA maintains positive net worth and sufficient liquidity to meet its payment obligations under any debt issuance covered by the agreement. The Credit Support Agreement is not a guarantee by HMC of any obligations of HCA. The credit support fee expenses were included in Interest expense.

(Continued)

(Dollar amounts in thousands)

(9) Provision for Income Taxes

The significant components of the provision for income taxes provided for the years ended December 31, 2023 and 2022 were as follows:

		2023	2022
Current:			
Federal	$	(530,596)	(452,011)
State		35,627	57,916
		(494,969)	(394,095)
Deferred:			
Federal		601,266	590,646
State		21,675	9,992
		622,941	600,638
Income tax expense	$	127,972	206,543

The provision for income taxes differed from the amounts computed by applying the statutory federal income tax rate of 21% to pretax income for the years ended December 31, 2023 and 2022 as a result of the following:

		2023	2022
Computed “expected” income taxes	$	90,286	135,944
State income tax (net of federal tax benefit)		7,616	14,539
Change in valuation allowance		—	(70)
State income tax rate change		(1,356)	(6,375)
State tax sharing allocation true-up		34,052	46,487
Other		(2,626)	16,018
Income tax expense	$	127,972	206,543

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

There were no unrecognized income tax benefits during 2023 and 2022.

There was no interest expense recognized related to uncertain tax positions in 2023 and 2022.

(Continued)

(Dollar amounts in thousands)

The Company is routinely examined by various taxing authorities. For years before 2018, the Company is no longer subject to U.S. federal income tax examinations and state income tax examinations, respectively. There are ongoing audits in various jurisdictions the results of which the Company does not expect to be material to the Company's financial statements.

The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are as follows:

		2023	2022
Deferred tax assets:			
Allowance for credit losses	$	164,453	85,616
State taxes		2,716	2,451
Tax credits		595,945	314,314
Royalty		6,125	6,608
Net operating loss carryover		417,118	1,104,522
Unearned premium reserves		50,642	42,802
Vehicle service contracts		69,490	53,190
Other		18,674	20,887
		1,325,163	1,630,390
Deferred tax liabilities:			
Depreciation		9,882	14,495
Dealer service fees		31,785	23,574
Investment in operating leases		3,413,847	3,521,171
Mark-to-market adjustment		243,141	156,544
Deferred acquisition costs		187,008	150,973
Other		—	898
		3,885,663	3,867,655
Net deferred tax liabilities	$	2,560,500	2,237,265

As of December 31, 2023 and 2022, there were current intercompany receivables of $536,816 and $451,934 (attributed to utilization of the Company's federal net operating losses), and current intercompany receivables of $16,312 and $6,561 (attributed to state combined and consolidated tax liability allocation) were included in Due from affiliates, net, respectively. During 2023 and 2022, the Company received $445,714 and $77 of intercompany receivable settlements for utilization of capital loss carryover at the consolidated federal tax level, respectively.

Included in the Company's deferred tax assets/(liabilities) are federal and state net operating loss (NOL) carryforwards with tax benefits resulting from operating losses incurred on the federal return and in various states in which the Company files separate and combined tax returns. Based on the federal and state statutes, these NOL carryovers expire at various times through 2043 which the company is tracking separately.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowance is primarily attributable to the uncertainty regarding the realization of the state tax credit carryforward benefits. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences reverse and become deductible. The Company considers the reversal of deferred tax liabilities, projected taxable income, and tax planning strategies in making this assessment. Based upon these factors, management believes that it is more likely than not that the Company will realize substantially all of the benefits of the deductible differences.

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(Dollar amounts in thousands)

(10) Variable Interest Entities

The Company uses one or more special-purpose entities that are considered VIE to issue asset-backed securities to third-party bank-sponsored asset-backed securitization vehicles and to investors in securitization transactions. The Company is considered to be the primary beneficiary of these trusts due to (i) the power to direct the activities of the trusts that most significantly impact the trusts' economic performance through its role as a servicer and (ii) the obligation to absorb losses or the right to receive residual returns that could potentially be significant to the trusts through the subordinated certificates and residual interest retained. The debt securities issued by the trusts to third-party investors along with the assets of the trusts are included in the Company's consolidated financial statements.

The following tables show the assets and liabilities related to the VIE securitization transactions that were included in its consolidated financial statements as of December 31, 2023 and 2022.

	December 31, 2023							
	VIE assets				VIE liabilities			
		Restricted cash	Gross securitized assets	Net securitized assets	Other assets	Debt	Debt, net of unamortized issuance cost	Other liabilities
Finance receivables	$	428,404	8,932,713	8,867,246	30,251	7,556,738	7,536,662	13,348
Investment in operating leases		345,737	5,910,261	5,883,762	32	4,330,873	4,319,101	8,694
Total	$	774,141	14,842,974	14,751,008	30,283	11,887,611	11,855,763	22,042

	December 31, 2022							
	VIE assets				VIE liabilities			
		Restricted cash	Gross securitized assets	Net securitized assets	Other assets	Debt	Debt, net of unamortized issuance cost	Other liabilities
Finance receivables	$	343,371	7,511,730	7,491,241	22,898	6,560,523	6,543,025	6,749
Investment in operating leases		335,510	5,919,261	5,891,055	21	4,544,768	4,532,842	3,920
Total	$	678,881	13,430,991	13,382,296	22,919	11,105,291	11,075,867	10,669

(Continued)

(Dollar amounts in thousands)

(11) Commitments and Contingent Liabilities

(a) Lease Commitments

The Company is party to lease agreements ranging from four to twelve years for the headquarters facility in Irvine, California, as well as regional offices in Georgia, Texas, and California. In October 2023, the Company executed a sublease agreement with HMA for office space at the Plano, Texas facility.

The Company's leases contain one or more options to extend. The Company includes options that are reasonably certain to be exercised in evaluating the lease term after considering all relevant economic and financial factors. The right-of-use assets in operating lease arrangements are presented in Other assets (note 14) on the Company's Consolidated Balance Sheets.

The Company does not separate the non-lease components from the lease components to which they relate. The Company calculated the initial lease liability as the present value of fixed payments not yet paid using the incremental borrowing rate. Operating lease liabilities are reported in Accounts payable and other liabilities (note 16) on the Company's Consolidated Balance Sheets. Variable payments are included in the lease liability if they are based on a market rate or an index (e.g., CPI). Variable payments that do not meet this criterion are expensed as incurred. Lease payments associated with short-term lease contracts are expensed as incurred.

At December 31, 2023, future minimum lease payments required under operating leases that have initial or remaining noncancelable terms of more than one year with unexercised options to renew are as follows:

2024	$	15,173
2025		10,711
2026		7,687
2027		7,171
2028		6,652
2029 and thereafter		9,200
Total		56,594
Less: Present value discount		(4,361)
Less: Unpaid lease incentive		(60)
Total operating lease liabilities	$	52,173

As of December 31, 2023 and 2022, the weighted average lease term for the operating lease liabilities was 5.07 and 5.73 years, respectively and the weighted average discount rate was 3.15% and 3.13%, respectively. The straight-line operating lease costs incurred as a reduction to right-of-use assets amounted to $11,246 for both years ended December 31, 2023 and 2022. The variable lease costs incurred amounted to $2,584 and $1,885 for the years ended December 31, 2023 and 2022,

(Continued)

respectively. For the years ended December 31, 2023 and 2022, the right-of-use assets obtained in exchange for operating lease liabilities amounted to $1,828 and $2,208, respectively. The Company's income from sublease activity of its Newport Beach, California facility amounted to $987 and $1,002 for the years ended December 31, 2023 and 2022, respectively. The Company's income from sublease activity to HMA of its Plano, Texas facility amounted to $113 for the year ended December 31, 2023.

Rental expense is recognized on a straight-line basis over the lease term. For the years ended December 31, 2023 and 2022, total rental expense, including payments to affiliates for the headquarters as well as regional offices, temporary office spaces, and lease restructure costs above, was $13,069 and $12,508, respectively.

(b) Line of Credit Commitments

At December 31, 2023 and 2022, the Company had commitments to make available an additional $2,842,271 and $3,492,328, respectively, of wholesale inventory financing to dealers.

(c) Other Contingencies

(i) The Company is the subject of various claims and actions that arise in the ordinary course of its business. Management believes the ultimate outcome of such claims and actions should not have a materially adverse effect on the Company.

(ii) Effective January 1, 2019, the Company is self-funding the medical insurance coverage for its employees. The Company obtained a stop-loss insurance policy to limit the claim losses to $150 per employee per year. In addition to actual claims paid, included in Operating expenses on the Consolidated Statements of Income is a reserve expense of $191 and $21 for the years ended December 31, 2023 and 2022, respectively for claims incurred but not paid (IBNP). This IBNP is calculated based upon claim projections utilizing the Company's historical and industry data. The Company believes that the liability of $2,378 and $2,187 at December 31, 2023 and 2022, respectively, reported in accrued salaries and fringe benefits as part of Accounts payable and other liabilities (note 16) represent its best actuarial estimate of IBNP based upon the available data. While there is uncertainty in estimating this liability, the Company does not believe any additional claims incurred would have a material impact on the Company.

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(12) Fair Value of Financial Instruments

(a) Fair Value Measurement – Definition and Hierarchy

The accounting guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date taking into consideration assumptions that a market participant would use when pricing an asset or a liability. This accounting guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable ones. Fair value should be based on assumptions that market participants would use, including a consideration of nonperformance risk. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted (unadjusted) prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in active markets for similar assets and liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The use of observable and unobservable inputs is reflected in the fair value hierarchy assessment disclosed in the tables within this section. The availability of observable inputs can vary based upon the financial instrument and a variety of factors, such as instrument type, market liquidity, and other specific characteristics particular to the financial instrument. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment by management. The degree of management's judgment can result in financial instruments being classified as or transferred to the Level 3 category.

The following methods and assumptions were used by management in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents – Cash is comprised of deposits with banks and financial institutions. Cash equivalents primarily consist of short-term money market instruments and certain highly liquid investment securities with maturities of three months or less from the date of purchase. Generally, quoted prices are used to determine the fair value of cash equivalents.

Restricted Cash – Restricted cash consists of deposits held in trust for bondholders for asset-backed securitization transactions and deposits for reserves on hedged derivatives held for interest rates swaps on asset-backed conduits. Generally, quoted prices are used to determine the fair value of cash equivalents.

Available-for-Sale Investments – Available-for-sale investments consist of debt securities, which are recorded at fair value. U.S. Treasury securities are actively traded and are classified as Level 1. U.S. federal agency debt securities, corporate debt, and other debt securities are recorded at fair

(Continued)

value with quoted prices that are traded less frequently than exchange-traded instruments and classified as Level 2.

Equity Investments – Equity investments, consist of equity instruments which are recorded at fair value in the form of single stocks and shares purchased in mutual funds which are actively traded and are classified as Level 1.

Other Investments – Other investments consist of company-owned life insurance acquired on certain executives and key employees through a trust in conjunction with the deferred compensation plan. The company-owned life insurance is carried at cash surrender value, which approximates fair value, and is classified as Level 2.

Finance Receivables – Finance receivables consist of consumer retail contracts, wholesale loans and lines of credit, and finance leases to dealers. The fair value is estimated by discounting the future cash flows of the finance receivables using current rates to approximate market rates of similar instruments. The carrying values of wholesale finance receivables whose interest rates adjust on a short-term basis with applicable market indices (generally the prime rate) are assumed to approximate fair value either due to their short maturities or due to the interest rate adjustment feature. Finance receivables are not carried at fair value on a recurring basis on the Consolidated Balance Sheets. In certain instances, for finance receivables for which there is evidence of impairment, the Company may use an observable market price or the fair value of collateral if the loan is collateral dependent. The fair values of impaired finance receivables based on the collateral value or market prices where available are reported at fair value on a nonrecurring basis and classified as Level 3. Additional adjustments may be applied to reflect current market conditions in estimating fair value.

Due to/from Affiliates – Due to/from affiliates consist of trade receivables and short-term notes due from affiliated companies, net of amounts owed. The carrying amounts include floating rate instruments that reprice frequently and approximate fair value at the reporting date. Due to/from affiliates are classified as Level 2.

Derivative Financial Instruments – As part of the risk management strategy, the Company enters into derivative transactions to mitigate interest rate exposure. These derivative instruments are considered over the counter. The Company records fair value estimates using industry standard valuation models that require observable market inputs, including market prices, yield curves, credit curves, interest rate, foreign exchange rate, and the contractual terms of the derivative instrument and are classified as Level 2.

Debt – Debt consists of commercial paper, revolving lines of credit and term loans, asset-backed conduit facilities, asset-backed securitization, senior unsecured notes, and affiliate company borrowings. The carrying amount of commercial paper issued is assumed to approximate fair value due to its short duration and generally negligible credit risk. Commercial paper is classified in Level 2 of the fair value hierarchy. The carrying amount for asset-backed conduit facilities includes floating and fixed rate instruments. The floating rate instruments reprice frequently and approximate fair value at the reporting date. The fixed rate instruments fair value are estimated based on discounted amounts of future cash flows using internal assumptions. Asset-backed conduit facilities are classified

(Continued)

(Dollar amounts in thousands)

in Level 3 of the fair value hierarchy. Asset-backed securitization and senior unsecured notes are primarily valued using current market rates and credit spreads for debt with similar maturities. The Company's valuation models utilize observable inputs such as standard industry curves; therefore, the Company classifies these asset-backed securitization and senior unsecured notes in Level 2 of the fair value hierarchy. Where observable inputs are not available, the Company uses quoted market prices to estimate fair value of asset-backed securitization and senior unsecured notes. Fair value of revolving lines of credit and term loans, and affiliate company borrowings are estimated based on discounted amounts of future cash flows using internal assumptions. As these valuations utilize unobservable inputs, the Company's revolving lines of credit and term loans, and affiliated company borrowings are classified in Level 3 of the fair value hierarchy.

The following tables present a summary of carrying values and estimated fair values of certain financial instruments, classified by level, as of December 31, 2023 and 2022:

	December 31, 2023				
	Carrying value	**Total fair value**	**Quoted price in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:					
Cash and cash equivalents	$ 557,295	557,295	557,295	—	—
Restricted cash	852,229	852,229	852,229	—	—
Available-for-sale investments	469,955	469,955	20,774	449,181	—
Equity investments	38,467	38,467	38,467	—	—
Other investments	6,890	6,890	—	6,890	—
Finance receivables, net	41,974,550	40,103,725	—	—	40,103,725
Due from affiliates, net	1,350,897	1,350,897	—	1,350,897	—
Derivative assets	179	179	—	179	—
Liabilities:					
Debt, net	$ 52,222,175	51,727,869	—	38,883,562	12,844,307
Derivative liabilities	8,662	8,662	—	8,662	—

(Continued)

(Dollar amounts in thousands)

	December 31, 2022				
	Carrying value	**Total fair value**	**Quoted price in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:					
Cash and cash equivalents	$ 436,853	436,853	436,853	—	—
Restricted cash	731,424	731,424	731,424	—	—
Available-for-sale investments	376,399	376,399	20,356	356,043	—
Equity investments	26,648	26,648	26,648	—	—
Other investments	5,981	5,981	—	5,981	—
Finance receivables, net	31,888,477	29,771,960	—	—	29,771,960
Due from affiliates, net	744,592	744,592	—	744,592	—
Derivative assets	3,905	3,905	—	3,905	—
Liabilities:					
Debt, net	$ 41,279,401	39,493,176	—	32,100,311	7,392,865
Derivative liabilities	—	—	—	—	—

(Continued)

(Dollar amounts in thousands)

(b) *Fair Value Measurements on a Recurring Basis*

The Company uses fair value to measure financial instruments on a recurring basis (primarily available-for-sale investments and derivatives). These instruments are recorded at fair value at each reporting period. The following tables summarize the fair value of financial instruments measured and recorded on a recurring basis at December 31, 2023 and 2022:

	Items measured at fair value on a recurring basis			
	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2023
Assets:				
Available-for-sale investments	$ 20,774	449,181	—	469,955
Equity investments	38,467	—	—	38,467
Derivative assets	—	179	—	179
Total assets at fair value	$ 59,241	449,360	—	508,601
Liabilities:				
Derivative liabilities	$ —	8,662	—	8,662
Total liabilities at fair value	$ —	8,662	—	8,662

	Items measured at fair value on a recurring basis			
	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2022
Assets:				
Available-for-sale investments	$ 20,356	356,043	—	376,399
Equity investments	26,648	—	—	26,648
Derivative assets	—	3,905	—	3,905
Total assets at fair value	$ 47,004	359,948	—	406,952
Liabilities:				
Derivative liabilities	$ —	—	—	—
Total liabilities at fair value	$ —	—	—	—

(Continued)

(c) Fair Value Measurements on a Nonrecurring Basis

Certain financial instruments are not measured at fair value on a recurring basis, but are subject to fair value adjustments only in certain circumstances, for example, when there is evidence of impairment. The Company measures wholesale loans at fair value when the loan is judged to be impaired. To estimate fair value, the Company may use an observable market price or the fair value of collateral when the loan is collateral dependent. Additional adjustments may be applied to reflect current market conditions in estimating fair value.

As of December 31, 2023 and 2022, there were no financial instruments that were measured at fair value on a nonrecurring basis.

(13) Derivatives

(a) Derivative Financial Instruments

The Company may be exposed to interest rate fluctuations in the normal course of business. The Company enters into interest rate derivatives to mitigate interest rate risks that result from the different characteristics of its assets and liabilities to ensure its exposure remains within established risk tolerances.

The Company's interest rate derivative agreements convert the floating rate paid on debt into a fixed rate. The Company receives the floating rate and pays the fixed rate. In 2023, the Company, on average, received a floating rate of 5.10%, and paid a fixed rate of 3.77%. In 2022, the Company, on average, received a floating rate of 1.98%, and paid a fixed rate of 2.05%. The interest rate derivative agreements expire in 2026.

The Company estimates the fair value of derivative instruments using industry standard valuation models. These models project future cash flows and discount the future amounts to present value using market-based expectations for interest rates and contractual terms of the derivative instruments.

The Company includes an adjustment for nonperformance risk in the recognized measure of fair value of the derivative instruments. The adjustment reflects the full credit default spread (CDS) derivative applied to a net exposure by counterparty. The Company uses the counterparty's CDS when the derivative instrument is in an asset position and the Company's CDS when it is in a liability position. This adjustment is not applied to derivatives that are covered by collateral agreements or other legal structures that substantially mitigate nonperformance risk. As of December 31, 2023 and December 31, 2022, there was no adjustment for counterparty risk that reduced derivative assets or liabilities in both periods.

(Continued)

(Dollar amounts in thousands)

The Company has both derivatives that are not designated as hedging instruments and derivatives that are designated as hedging instruments. The fair value changes of derivatives not designated as hedging instruments are reported in Other revenue on the Consolidated Statements of Income. The derivatives designated as hedging instruments are cash flow hedges. The fair value changes of derivatives designated as hedging instruments are recorded in Accumulated other comprehensive income on the Consolidated Balance Sheets. These derivatives are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period. Any ineffectiveness identified is reclassified from Accumulated other comprehensive income as a reduction to Other revenue. As of December 31, 2023 and 2022, there was no ineffectiveness identified in the Company's hedging instruments.

(b) *Consolidated Income Statements Effect of Derivative Financial Instruments*

The following table summarizes the estimated pretax gain (loss) for each type of hedge designation for the years ended December 31, 2023 and 2022:

		Gain (loss)	
		2023	2022
Derivatives not designated as hedging instruments:			
Interest rate swaps	$	—	243
Total gain on non-hedging instruments	$	—	243
Derivatives designated as hedging instruments:			
Interest rate swaps	$	(12,388)	3,905
Total gain/(loss) on hedging instruments	$	(12,388)	3,905

(Continued)

(Dollar amounts in thousands)

(c) Consolidated Balance Sheets Effect of Derivative Financial Instruments

Derivative financial instruments are recorded at fair value. The Company elected to present the derivative financial instruments on a gross basis rather than on a net basis by counterparty for purposes of balance sheet presentation and disclosure. The Company entered into master agreements with counterparties that may allow for netting of exposures. Although contractual right of offset may exist for certain derivative transactions, as of December 31, 2023 and 2022, there are no derivative contracts that have positions which could net by counterparty, and there are no collateral or pledged asset amounts that are subject to the aforementioned contractual right of offset.

The following table summarizes the estimated fair value of derivative financial instruments:

	December 31, 2023		
	Notional	Fair value assets	Fair value liabilities
Derivatives not designated as hedging instruments			
Interest rate swap	—	—	—
Total derivative non-hedging instruments	$ —	—	—
Derivatives designated as hedging instruments			
Interest rate swap	$ 1,100,000	179	8,662
Total derivative hedging instruments	$ 1,100,000	179	8,662

	December 31, 2022		
	Notional	Fair value assets	Fair value liabilities
Derivatives not designated as hedging instruments			
Interest rate swap	—	—	—
Total derivative non-hedging instruments	$ —	—	—
Derivatives designated as hedging instruments			
Interest rate swap	$ 250,000	3,905	—
Total derivative hedging instruments	$ 250,000	3,905	—

(Continued)

(Dollar amounts in thousands)

(14) Other Assets

Other assets were as follows at December 31, 2023 and 2022:

	2023	2022
Property and equipment, net of accumulated depreciation of $47,309 and $41,694 at December 31, 2023 and 2022, respectively [1, 3]	$ 16,986	18,804
Software, net of accumulated amortization of $106,505 and $88,238 at December 31, 2023 and 2022, respectively [2, 3]	57,169	66,720
Right-of-use assets	39,573	48,991
Accrued interest receivable on finance receivables	136,224	84,775
Prepaid debt fees	3,142	5,276
Deferred origination costs on net investment in operating leases	321,998	181,683
Deferred acquisition costs on vehicle service contracts	824,696	664,452
Prepaid insurance on vehicle service contracts	85,714	70,816
Other	78,437	64,998
Total other assets	$ 1,563,939	1,206,515

1. Depreciation expense was $6,215 and $5,849 for the years ended December 31, 2023 and 2022, respectively.

2. Amortization expense was $18,621 and $17,812 for the years ended December 31, 2023 and 2022, respectively.

3. In 2023, the Company did not report any impairment loss. In 2022, the Company reported impairment loss of $103 on its leasehold improvement attributable to a lease surrender of a regional office facility at the Newport Beach, California office and computer equipment as a result of changes in planned usage.

(Continued)

(Dollar amounts in thousands)

(15) Vehicle Service Contracts and Vehicle Protection Products

The following table reflects operations from the Company's vehicle protection product business for the years ended December 31, 2023 and 2022, with the net amount presented in other revenue:

		2023	2022
Service contracts written, net	$	480,522	392,205
Change in unearned revenue of service contracts written, net		(235,186)	(190,335)
Total revenue from service contracts		245,336	201,870
Acquisition costs on contracts written		278,965	230,872
Change in acquisition costs on contracts written		(160,244)	(129,253)
Total acquisition costs		118,721	101,619
Claims incurred		92,065	58,811
Margin on service contracts		34,550	41,440
Other fee revenue (expense), net		(197)	(264)
Total vehicle service contracts revenue, net	$	34,353	41,176

(Continued)

(Dollar amounts in thousands)

(16) Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following at December 31, 2023 and 2022:

		2023	2022
Net deferred rate subsidies and other fees on net investment in operating leases	$	494,749	370,786
Accounts payable		430,853	274,892
Accrued interest and fees payable on debt		249,793	135,845
Accrued salaries and fringe benefits		49,642	44,578
Miscellaneous state and local taxes payable		16,085	15,667
Unearned vehicle service contract revenue		1,317,498	1,067,414
Lease liability		52,173	64,500
Reserve for unfunded finance receivable commitments		701	—
Other		50,688	54,660
Total accounts payable and other liabilities	$	2,662,182	2,028,342

(17) Employee Benefit Plans

In 2014, the Company established a profit sharing retirement plan qualified under Section 401(k) of the Internal Revenue Code, which covers all regular full-time eligible employees. For the years ended December 31, 2023 and 2022, contributions made by the Company were $6,745 and $6,590, respectively.

(18) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through February 15, 2024, the date at which the consolidated financial statements were available to be issued.

APPENDIX A

INFORMATION REGARDING HYUNDAI MOTOR COMPANY

The following financial and other information concerning Hyundai Motor Company, or HMC, has been provided by HMC and is included in view of the existence of the support agreement between HMC and us, dated as of August 22, 2012. While we believe that the information in this Appendix A is correct, it is based solely upon information made available by HMC. See "Certain Relationships and Related Transactions—Support Agreement." The support agreement is not, and nothing done by HMC pursuant to the support agreement shall be deemed to constitute, a guarantee by HMC of any of the Notes.

The following summary discussion of HMC's financial condition and results as of and for the fiscal years ended December 31, 2023 and 2022 is based on selected consolidated financial data derived from audited consolidated financial statements prepared by HMC. HMC prepares its financial statements in accordance with Korean International Financial Reporting Standards, which may differ in certain respects from International Financial Reporting Standards adopted in other countries, and from United States generally accepted accounting principles. This discussion does not purport to be a comprehensive discussion and analysis of HMC's financial condition and results of operations and, accordingly, does not address known trends, demands, commitments, events, uncertainties, liquidity, capital resources and other information that may be important to you. This discussion is qualified in its entirety by, and should read in conjunction with, HMC's consolidated financial statements and related notes thereto included elsewhere in this Offering Memorandum. All references below to "Won" or "W" are references to the currency of Korea. HMC publishes its financial statements in Won.

Incorporated in Korea in 1967, HMC has experienced rapid growth in its 57-year history. HMC is a Fortune Global 100 company and one of the fastest growing automotive brands in terms of both volume and brand value, according to Interbrand. HMC, together with KC, and their combined subsidiaries, make up the Hyundai Motor Group, which is the third largest global automaker by sales volume. HMC offers a diverse product line of 58 models of passenger cars, sports utility vehicles, and commercial vehicles, which are sold in over 200 countries in 2023, with sales principally in Asia, North America, Europe and Latin America. HMC's consolidated sales were ₩162,664 billion and ₩142,528 billion and for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the ratio of HMC's short-term borrowings, the current portion of long-term debt and debentures, debentures, and long-term debt, to total shareholders' equity was 122.5%.

HMC is the largest manufacturer of passenger and commercial vehicles in Korea, producing a full line of small- and medium-sized and luxury automobiles as well as a broad range of trucks, vans, buses and special purpose vehicles for sale in Korea and overseas. Owing in part to the significant restructuring measures that HMC undertook in response to the Asian economic crisis in the late 1990s, HMC achieved a premier position in the domestic market while improving its competitive strength against foreign competitors. Domestically, HMC believes that in 2023, it has accounted for 44.6% of vehicles sold in Korea. In 2022, 2021 and 2020, HMC's domestic market share in terms of units sold was 40.7%, 42.1% and 41.9%, respectively, based on internal data sources. HMC believes that it enjoys a premium brand name with a reputation for quality, reliability, safety and after-sales service. HMC is committed to investing in research and development ("R&D") and new product launches in order to further strengthen its leading position in Korea and to improve the quality and attractiveness of its products to its customers.

HMC sells cars in North America primarily through HMA, in Europe through local distributors and HMC's European sales subsidiaries, and in Latin America through local distributors. In the United States, one of HMC's largest markets, HMC achieved a market share of 5.6% in the year ended 2023, based on 870 thousand units sold. HMC believes that its growth and success in the U.S. market is due to its efforts to improve product quality and enhance brand recognition.

Summary Financial Results

The following information for the fiscal years ended December 31, 2023 and 2022 and as of December 31, 2023 and 2022 sets forth HMC's operating and financial condition data. HMC's results of operations for the fiscal years ended December 31, 2023 and 2022 are not a comprehensive statement of HMC's financial results for such periods, and are not necessarily indicative of results that may be expected for any future period.

		Years Ended December 31,		
		2023		2022
		(In billions of Korean Won, except ratios)		
Income Statement Data:				
Sales	₩	162,664	₩	142,151
Gross profit		33,484		28,272
Operating profit		15,127		9,825
Profit from continuing operations		12,992		8,202
Loss from discontinued operations		(720)		(219)
Profit for the year		12,272		7,984
Operating profit margin (1)		9.3%		6.9%
Net profit margin (2)		7.5%		5.6%

		December 31,		
		2023		2022
		(In billions of Korean Won, except ratios)		
Statement of Financial Position Data:				
Total current assets	₩	101,725	₩	96,389
Total assets		282,463		255,742
Total current liabilities		73,362		74,236
Total liabilities		180,654		164,846
Total shareholder's equity		101,809		90,897
Short and long-term debt (3)		124,748		112,186
Current ratio (4)		138.7%		129.8%
Debt to equity ratio (5)		122.5%		123.4%

(1) Calculated based on operating profit divided by sales.
(2) Calculated based on profit for the year divided by sales.
(3) Calculated based on the sum of short-term borrowings, the current portion of long-term debt and debentures, debentures, and long-term debt.
(4) Calculated based on total current assets divided by total current liabilities.
(5) Calculated based on short and long-term debt divided by total shareholder's equity.

Comparison of Year Ended December 31, 2023 and 2022

In the fiscal year ended December 31, 2023:

- HMC sold 4,157 thousand units worldwide, an increase of 194 thousand units, or 4.9%, compared to the fiscal year ended December 31, 2022; and
- HMC recorded consolidated operating profit of ₩15,127 billion, an increase of ₩5,302 billion, or 54.0%, compared to the fiscal year ended December 31, 2022.

In Korea, HMC sold 762 thousand units, a 10.6% increase compared to the fiscal year ended December 31, 2022. Based on internal data sources, HMC had 44.6% of market share, a 9.4% increase over the same period in the prior year. In the U.S., HMC sold 870 thousand units, a 11.5% increase compared to the fiscal year ended December 31, 2022. In Europe, HMC sold 615 thousand units, representing a 3.8% decrease compared to the same period last year. In China, HMC's sales decreased by 6.2%, selling 244 thousand units. In other regions, including India, Africa and South Asia, HMC's aggregate sales increased by 4.5%, tallying 1,665 thousand units.

HMC's consolidated sales totaled ₩162,664 billion for the fiscal year ended December 31, 2023, a 14.4% increase from the fiscal year ended December 31, 2022. HMC recorded consolidated operating profit of ₩15,127 billion for the fiscal year ended December 31, 2023, up 54.0% from the fiscal year ended December 31, 2022.

HMC recorded consolidated profit for the year of ₩12,272 billion for the fiscal year ended December 31, 2023, up 53.7% from the fiscal year ended December 31, 2022.

In the automobile segment, net sales amounted to ₩130,150 billion for the fiscal year ended December 31, 2023, a 14.8% increase from the fiscal year ended December 31, 2022. Operating profit of the automobile segment including internal transaction adjustments amounted to ₩12,677 billion for the fiscal year ended December 31, 2023, a 71.3% increase from the fiscal year ended December 31, 2022.

In the finance segment, net sales amounted to ₩22,401 billion for the fiscal year ended December 31, 2023, a 11.8% increase from the fiscal year ended December 31, 2022. Operating income of the finance segment, including internal transactions adjustments, amounted to ₩1,386 billion for the fiscal year ended December 31, 2023, a 24.9% decrease from the fiscal year ended December 31, 2022.

As of December 31, 2023, HMC had ₩26,507 billion in cash and cash equivalents and short-term financial instruments.

INDEX TO FINANCIAL STATEMENTS

HYUNDAI MOTOR COMPANY

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2023
ATTACHMENT: INDEPENDENT AUDITORS' REPORT

HYUNDAI MOTOR COMPANY
AND ITS SUBSIDIARIES

Contents

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EY 한영
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Independent auditor's report

(English Translation of a Report Originally Issued in Korean)

The Shareholders and the Board of Directors
Hyundai Motor Company

Opinion

We have audited the accompanying consolidated financial statements of Hyundai Motor Company and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2023, and the consolidated statements of income, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2023, and the notes to the financial statements, including a summary of material accounting policy 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2023, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We have audited the Group's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Design and Operation Integrated Framework in accordance with Korean Standards on Auditing ("KSA") issued by the Committee of Internal Control Operations, and our report dated March 6, 2024 expressed an unmodified opinion thereon.

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing ("KSA"). Our responsibilities under those standards are further described in the Auditor's 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1) Valuation of sales warranty provision

As described in Note 2.(20) to the consolidated financial statements, the Group provides free warranty services to customers during guaranteed period after the sale of the vehicle and also in the event of a recall or campaign due to quality issues. As of December 31, 2023, the Group has recognized a total of ₩9,121,253 million in sales warranty provision, including provision for the obligation to provide free warranty services (Note 17).

When estimating the balance of provisions for the obligation to provide free repairs, the Group uses historical data such as sales volume by vehicle type and past repair expenses that occurred from warranty services, and assumptions such as expected increase rate of unit repair price and expected free repair occurrence rate. The amount of basic data collected and aggregated in the process is vast and complex, and the applied management assumptions are highly subjective and uncertain. Therefore, we selected the valuation of the sales warranty provision as a key audit matter as it is probable that that any error in such data or assumptions might cause a material misstatement in the consolidated financial statements.

The primary audit procedures we performed to address this key audit matter included the following:

- Evaluating whether control activities to measure and recognize the sales warranty provision are properly designed and operated;
- Using IT specialists to evaluate whether general control and automatic control of the IT system that aggregates historical sales warranty data are properly designed and operated;
- Comparing the source data of management's accounting estimates with other internal and external information;
- Comparing the sources of management's main assumptions used for measurement of related liabilities with historical data;
- Recalculating the balance of sales warranty provisions independently as of the end of the reporting period;
- Evaluating by comparing the estimates by each vehicle type as of the end of the immediately preceding reporting period and the actual amount as of the end of the current reporting period; and
- Evaluating the appropriateness of other significant considerations that have affected the balance of provisions.

2) Valuation of financial services receivables

According to the accounting policies for valuation of financial services receivables described in Note 2.(8) to the consolidated financial statements, as of December 31, 2023, the Group recognized financial services receivables, net, and loss allowance of ₩110,055,651 million and ₩ 1,769,240 million, respectively (Note 14).

In accordance with KIFRS 1109 *Financial Instruments*, the Group recognizes allowance for credit loss for financial services receivables using the expected credit loss (ECL) model. The ECL model requires management judgment to assess whether the receivable has undergone a significant increase in credit risk, as well as other assumptions, such as credit rating and macroeconomic variables. In addition, the Group also considers historical transaction data, such as delinquency days, bankruptcy, and collection, to determine assumptions used in the ECL model. As errors in the assumptions applied to the ECL model could have a significant impact on the consolidated financial statements, we identified the valuation of financial services receivables as a key audit matter.

The primary audit procedures we performed to address this key audit matter included the following:

- Assessing whether the Group's accounting policies comply with the requirements in KIFRS 1109 *Financial Instruments*;.
- Understanding the process over the measurement of credit loss allowance for financial services receivables and testing relevant controls;
- On a sample basis, assessing the credit rating and classification of credit quality, including the identification of significant increase in credit risk, through inspection of related documents; and
- On a sample basis, checking the source data for probability of default and loss given default and testing appropriateness of calculation methods used for the estimation through recalculation.

Other matter

The accompanying consolidated financial statements of the Group for the year ended December 31, 2022 were audited by other auditors who expressed an unmodified opinion on those statements on March 8, 2023. Meanwhile, the consolidated financial statements for the year ended December 31, 2022, audited by other auditors, do not reflect the impact of the discontinued operations described in Note 43.

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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 KIFRS, and for such internal control as management determines is necessary to enable the preparation of the 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 auditor's 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 KSA 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 KSA 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.
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Do hun, Han.

Ernst & Young Han Young

Seoul, Korea

March 6, 2024

This audit report is effective as of March 6, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

KPMG SAMJONG

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Independent Auditors' Report

To the Board of Directors and Shareholders
Hyundai Motor Company:

Opinion

We have audited the consolidated financial statements of Hyundai Motor Company and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2022, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, before the retrospective adjustments related to presentation of discontinued operations as disclosed in Note 43, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements, before the retrospective adjustments related to presentation of discontinued operations as disclosed in Note 43, 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 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 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 Stat ements

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Jae-Yeon Kim.

Seoul, Korea
March 8, 2023

This report is effective as of March 8, 2023, 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 MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2023

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

Chang, Jae Hoon
Chief Executive Officer
HYUNDAI MOTOR COMPANY

Main Office Address: (Road Name Address) 12, Heolleung-ro, Seocho-gu, Seoul
(Phone Number) 02-3464-1114

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2022

ASSETS	NOTES	December 31, 2023	December 31, 2022
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	20	₩ 19,166,619	₩ 20,864,879
Short-term financial instruments	20	7,339,968	5,774,597
Other financial assets	5,20	2,802,611	5,934,745
Trade notes and accounts receivable	3,20	4,682,182	4,279,057
Other receivables	4,20	3,431,169	4,458,689
Inventories	6	17,400,346	14,291,216
Current tax assets		195,696	85,867
Financial services receivables	14,20	43,120,684	38,037,368
Non-current assets classified as held for sale	8,43	434,503	22,302
Other assets	7,20	3,150,939	2,640,553
Total current assets		101,724,717	96,389,273
Non-current assets:			
Long-term financial instruments	20	154,966	112,557
Other financial assets	5,20	4,423,388	3,889,776
Long-term trade notes and accounts receivable	3,20	210,979	179,781
Other receivables	4,20	855,015	821,050
Property, plant and equipment	9,40	38,920,900	36,153,190
Investment property	10,40	146,148	144,450
Intangible assets	11,40	6,218,585	6,102,377
Investments in joint ventures and associates	13	28,476,142	25,199,437
Net defined benefit assets	35	488,181	837,502
Deferred tax assets	34	3,604,977	3,237,309
Financial services receivables	14,20	64,566,977	52,326,478
Investments in operating leases	15	29,664,618	27,681,534
Right-of-use assets	12	1,037,643	1,117,293
Other assets	7,20	1,970,119	1,550,455
Total non-current assets		180,738,638	159,353,189
Total assets		₩ 282,463,355	₩ 255,742,462

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2022

LIABILITIES AND EQUITY	NOTES	December 31, 2023	December 31, 2022
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	20	₩ 10,952,046	₩ 10,797,065
Other payables	20,39	8,642,808	8,277,891
Short-term borrowings	16,20	9,035,548	11,366,480
Current portion of long-term debt and debentures	16,20	25,109,158	25,574,131
Income tax payable		1,324,720	1,008,506
Provisions	17	7,316,877	8,102,596
Other financial liabilities	18,20	56,712	99,144
Lease liabilities	12,20	224,350	405,053
Non-current liabilities classified as held for sale	8,43	122,851	5,365
Other liabilities	19,20,27	10,577,033	8,600,241
Total current liabilities		73,362,103	74,236,472
Non-current liabilities:			
Long-term other payables	20,39	616,011	726,115
Debentures	16,20	73,033,493	62,960,060
Long-term debt	16,20	17,569,760	12,285,149
Net defined benefit liabilities	35	77,268	61,861
Provisions	17	4,333,841	4,327,985
Other financial liabilities	18,20	176,399	262,518
Deferred tax liabilities	34	5,438,976	5,027,741
Lease liabilities	12,20	834,052	705,751
Other liabilities	19,20,27	5,212,012	4,252,265
Total non-current liabilities		107,291,812	90,609,445
Total liabilities		180,653,915	164,845,917
Equity:			
Capital stock	21	1,488,993	1,488,993
Capital surplus	22	4,378,489	4,241,303
Other capital items	23	(1,197,084)	(1,713,928)
Accumulated other comprehensive loss	24	(838,892)	(1,620,682)
Retained earnings	25	88,665,805	79,953,601
Equity attributable to the owners of the Company		92,497,311	82,349,287
Non-controlling interests		9,312,129	8,547,258
Total equity		101,809,440	90,896,545
Total liabilities and equity		₩ 282,463,355	₩ 255,742,462

(Concluded)

See accompanying notes to the consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	NOTES	2023		2022	
		(In millions of Korean Won, except per share amounts)			
Sales	27,40	₩	162,663,579	₩	142,151,469
Cost of sales	32		129,179,183		113,879,569
Gross profit			33,484,396		28,271,900
Selling and administrative expenses	28,32		18,357,495		18,446,972
Operating profit			15,126,901		9,824,928
Gain on investments in joint ventures and associates, net	29		2,470,933		1,557,630
Finance income	30		1,559,538		985,893
Finance expenses	30		970,700		879,638
Other income	31		1,782,333		1,930,914
Other expenses	31,32		2,350,343		2,238,256
Profit before income tax			17,618,662		11,181,471
Income tax expense	34		4,626,640		2,979,168
Profit from continuing operations		₩	12,992,022	₩	8,202,303
Discontinued operations					
Loss from discontinued operations	43	₩	(719,721)	₩	(218,689)
Profit for the year			12,272,301		7,983,614
Profit attributable to:					
Owners of the Company			11,961,717		7,364,364
Non-controlling interests			310,584		619,250
Earnings per share attributable to the owners of the Company:	33				
Basic earnings per share:					
Common stock		₩	45,703	₩	28,521
From continuing operations			47,622		29,105
From discontinued operations			(1,919)		(584)
1st preferred stock		₩	45,535	₩	28,207
From continuing operations			47,445		28,783
From discontinued operations			(1,910)		(576)
Diluted earnings per share:					
Common stock		₩	45,703	₩	28,521
1st preferred stock		₩	45,535	₩	28,207

See accompanying notes to the consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
	(In millions of Korean Won)	
Profit for the year	₩ 12,272,301	₩ 7,983,614
Other comprehensive income (loss) :		
Items that will not be reclassified subsequently to profit or loss:		
Profit (loss) on financial assets measured at FVOCI, net	79,056	(223,420)
Remeasurements of defined benefit plans	(312,128)	391,308
Changes in retained earnings of equity-accounted investees, net	(219,981)	164,475
Changes in share of OCI of equity-accounted investees, net	40,297	(175,059)
	(412,756)	157,304
Items that may be reclassified subsequently to profit or loss:		
Gain (loss) on financial assets measured at FVOCI, net	13,884	(36,545)
Gain (loss) on valuation of cash flow hedge derivatives, net	(227,671)	218,377
Changes in share of OCI of equity-accounted investees, net	328,032	10,008
Gain on foreign operations translation, net	455,051	701,718
	569,296	893,558
Total other comprehensive income	156,540	1,050,862
Total comprehensive income	₩ 12,428,841	₩ 9,034,476
Comprehensive income attributable to:		
Shareholders of the Company	12,204,426	8,234,396
Non-controlling interests	224,415	800,080
Total comprehensive income	₩ 12,428,841	₩ 9,034,476

See accompanying notes to the consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
	(In millions of Korean Won)							
Balance as oft January 1, 2022	₩ 1,488,993	₩ 4,070,260	₩ (1,968,385)	₩ (1,772,601)	₩ 73,167,855	₩ 74,986,122	₩ 7,629,667	₩ 82,615,789
Comprehensive income:								
Profit for the period	-	-	-	-	7,364,364	7,364,364	619,250	7,983,614
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	(430,012)	174,758	(255,254)	(4,711)	(259,965)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	169,796	-	169,796	48,581	218,377
Changes in valuation of equity-accounted investees, net	-	-	-	(160,325)	164,475	4,150	(4,726)	(576)
Remeasurements of defined benefit plans	-	-	-	-	378,880	378,880	12,428	391,308
Gain on foreign operations translation, net	-	-	-	572,460	-	572,460	129,258	701,718
Total comprehensive income	-	-	-	151,919	8,082,477	8,234,396	800,080	9,034,476
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,298,212)	(1,298,212)	(56,800)	(1,355,012)
Increase in paid-in capital of subsidiaries by issuing stock	-	-	-	-	-	-	560	560
Acquisition of investment of subsidiaries	-	-	-	-	-	-	273,271	273,271
Disposals of investment of subsidiaries	-	-	-	-	-	-	(83,094)	(83,094)
Purchases of treasury stocks	-	-	(193,452)	-	-	(193,452)	-	(193,452)
Disposals of treasury stocks	-	174,346	447,909	-	-	622,255	-	622,255
Others	-	(3,303)	-	-	1,481	(1,822)	(16,426)	(18,248)
Total transactions with owners, recorded directly in equity	-	171,043	254,457	-	(1,296,731)	(871,231)	117,511	(753,720)
Balance as of December 31, 2022	₩ 1,488,993	₩ 4,241,303	₩ (1,713,928)	₩ (1,620,682)	₩ 79,953,601	₩ 82,349,287	₩ 8,547,258	₩ 90,896,545

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
				(In millions of Korean Won)				
Balance as of January 1, 2023	₩ 1,488,993	₩ 4,241,303	₩ (1,713,928)	₩ (1,620,682)	₩ 79,953,601	₩ 82,349,287	₩ 8,547,258	₩ 90,896,545
Comprehensive income:								
Profit for the period	-	-	-	-	11,961,717	11,961,717	310,584	12,272,301
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	119,124	(26,118)	93,006	(66)	92,940
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(149,287)	-	(149,287)	(78,384)	(227,671)
Changes in valuation of equity-accounted investees, net	-	-	-	348,212	(219,981)	128,231	20,117	148,348
Remeasurements of defined benefit plans	-	-	-	-	(292,982)	(292,982)	(19,146)	(312,128)
Gain on foreign operations translation, net	-	-	-	463,741	-	463,741	(8,690)	455,051
Total comprehensive income	-	-	-	781,790	11,422,636	12,204,426	224,415	12,428,841
Transactions with owners, recorded directly in equity:								
Payment of cash Dividends	-	-	-	-	(2,358,316)	(2,358,316)	(140,764)	(2,499,080)
Increase in paid-in capital of subsidiaries by issuing stock	-	46,828	-	-	-	46,828	814,374	861,202
Acquisition of investment in subsidiaries	-	22,898	-	-	-	22,898	(26,341)	(3,443)
Disposals of investment in subsidiaries	-	-	-	-	-	-	20,546	20,546
Disposals of Treasury stocks	-	67,491	201,432	-	-	268,923	-	268,923
Retirement of Treasury stocks	-	-	315,412	-	(315,412)	-	-	-
Issue of hybrid bonds	-	-	-	-	-	-	159,590	159,590
Repayments of hybrid bonds	-	-	-	-	-	-	(300,000)	(300,000)
Others	-	(31)	-	-	(36,704)	(36,735)	13,051	(23,684)
Total transactions with owners, recorded directly in equity	-	137,186	516,844	-	(2,710,432)	(2,056,402)	540,456	(1,515,946)
Balance as of December 31, 2023	₩ 1,488,993	₩ 4,378,489	₩ (1,197,084)	₩ (838,892)	₩ 88,665,805	₩ 92,497,311	₩ 9,312,129	₩ 101,809,440

(Concluded)

See accompanying notes to the consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	NOTES	2023	2022
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	36		
Profit for the year		₩ 12,272,301	₩ 7,983,614
Adjustments		21,192,358	20,255,938
Changes in operating assets and liabilities		(30,365,064)	(13,922,657)
		3,099,595	14,316,895
Interest received		1,672,380	867,192
Interest paid		(4,237,818)	(2,695,029)
Dividend received		840,925	531,902
Income tax paid		(3,893,842)	(2,393,649)
Net cash provided by (used in) operating activities		(2,518,760)	10,627,311
Cash flows from investing activities:			
Changes in short-term financial instruments, net		(1,305,170)	1,082,254
Changes in other financial assets (current), net		3,703,249	5,452,691
Decrease in other financial assets (non-current)		107,256	41,521
Collection of other receivables		61,697	60,779
Disposals of long-term financial instruments		42,793	122,124
Proceeds from disposals of property, plant and equipment		144,338	136,870
Proceeds from disposals of intangible assets		2,333	7,357
Proceeds from disposals of investment in joint ventures and associates		19,650	19,115
Acquisitions of subsidiaries, net of cash acquired		-	(89,167)
Increases in other financial assets (non-current)		(862,570)	(276,728)
Increases in other receivables		(89,586)	(80,170)
Purchases of long-term financial instruments		(73,150)	(63,612)
Acquisitions of property, plant and equipment		(7,070,758)	(4,014,969)
Acquisitions of intangible assets		(1,780,423)	(1,718,733)
Acquisitions of investments in joint ventures and associates		(1,522,962)	(1,696,266)
Cash outflows from changes in consolidation		(12,787)	(197,188)
Others		(13,301)	10,627
Net cash used in investing activities		(8,649,391)	(1,203,495)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	NOTES	2023	2022
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from short-term borrowings		₩ 2,144,959	₩ 3,388,510
Proceeds from long-term debt and debentures		49,089,498	30,089,495
Proceeds from capital contribution from non-controlling interest		713,380	341,864
Acquisitions of subsidiaries		(5,501)	-
Repayment of short-term borrowings		(4,762,286)	(6,070,109)
Repayment of long-term debt and debentures		(34,942,180)	(27,086,324)
Repayment of lease liabilities		(248,888)	(195,245)
Purchases of treasury stocks		-	(193,451)
Dividends paid		(2,499,050)	(1,354,996)
Issue of hybrid bonds		159,590	-
Repayment of hybrid bonds		(300,000)	-
Others		43,849	(244,243)
Net cash provided by (used in) financing activities		9,393,371	(1,324,499)
Cash and cash equivalents included in assets held for sale		(149,673)	-
Effect of exchange rate changes on cash and cash equivalents		226,193	(29,992)
Net increase in cash and cash equivalents		(1,698,260)	8,069,325
Cash and cash equivalents, beginning of the year		20,864,879	12,795,554
Cash and cash equivalents, end of the year		₩ 19,166,619	₩ 20,864,879

(Concluded)

See accompanying notes to the consolidated financial statements.

1. **GENERAL**:

Hyundai Motor Company (the "Company" or "Parent Company") was incorporated in December 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the "Group") manufacture and distribute motor vehicles and parts, operate vehicle financing and credit card processing, and manufacture trains.

The shares of the Company have been listed on the Korea Exchange since June 1974, and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxembourg Stock Exchange.

As of December 31, 2023, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 21.64%) and Mr. Chung, Mong Koo (11,395,859 shares, 5.39%).

(1) The Group's consolidated subsidiaries as of December 31, 2023 are as follows.

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
HYUNDAI CAPITAL SERVICES, INC.	Financing	Korea	59.72%	
HYUNDAI CARD CO., LTD. (*1)	″	″	36.96%	
HYUNDAI ROTEM COMPANY (*2)	Manufacturing	″	33.77%	
HYUNDAI KEFICO CORPORATION	″	″	100.00%	
HYUNDAI PARTECS	″	″	56.00%	
Hyundai NGV	Engineering	″	68.29%	
MAINtrans company	Services	″	100.00%	HYUNDAI ROTEM COMPANY 100.00%
Rotem SRS Co., Ltd.	″	″	100.00%	″
S-Trans Co., Ltd.	″	″	100.00%	″
JEONBUK HYUNDAI MOTORS FC CO., LTD	Football club	″	100.00%	
AirPlug Inc.	R&D and Sales	″	99.41%	
42dot Inc.	″	″	58.69%	
42 Air, Inc	″	USA	100.00%	42dot Inc. 100.00%
Movia Inc.	Transporting	Korea	100.00%	″
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	″	80.00%	HMA 80.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	″	100.00%	HMA 100.00%
Hyundai Motor Group Metaplant America, LLC (HMGMA)	″	″	60.00%	HMA 60.00%
Hyundai Translead (HT)	″	″	100.00%	
Hyundai America Technical Center, Inc. (HATCI)	R&D	″	100.00%	
Genesis Motor America LLC	Sales	″	100.00%	HMA 100.00%
Hyundai Rotem USA Corporation	Manufacturing	″	100.00%	HYUNDAI ROTEM COMPANY 100.00%
Hyundai Motor Investment, Inc.	Investment	″	100.00%	
HYUNDAI AUTO CANADA CORP. (HACC)	Sales	Canada	100.00%	HMA 100.00%
HYUNDAI AUTO CANADA CAPTIVE INSURANCE INC. (HACCI)	Insurance	″	100.00%	″
Hyundai Capital Canada Inc. (HCCA)	Financing	″	70.00%	HYUNDAI CAPITAL SERVICES, INC. 20.00%
Hyundai Capital Lease Inc. (HCLI)	″	″	100.00%	HCCA 100.00%
HK Lease Funding LP	″	″	100.00%	HCLI 99.99%, HCCA Funding Inc. 0.01%
HCCA Funding Inc.	″	″	100.00%	HCLI 100.00%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
HCCA Funding Two Inc.	Financing	Canada	100.00%	HCCA 100.00%
HK Retail Funding LP	〃	〃	100.00%	HCCA 99.99%, HCCA Funding Two Inc 0.01%
HYUNDAI MOTOR INDIA LIMITED (HMI)	Manufacturing	India	100.00%	
HYUNDAI MOTOR INDIA ENGINEERING PRIVATE LIMITED (HMIE)	R&D	〃	100.00%	HMI 100.00%
HYUNDAI INDIA INSURANCE BROKING PRIVATE LIMITED (HIIB)	Insurance	〃	100.00%	〃
HYUNDAI CAPITAL INDIA PRIVATE LIMITED (HCI)	Financing	〃	100.00%	HYUNDAI CAPITAL SERVICES, INC. 100.00%
Hyundai Mobility Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Mobility Japan R&D Center Co., Ltd. (HMJ R&D)	R&D	〃	100.00%	
Hyundai Motor Business Service Company (HMBSC)	Services	Saudi Arabia	100.00%	
HYUNDAI MOTOR MIDDLE EAST AND AFRICA L.L.C	〃	United Arab Emirates	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	〃	〃	100.00%	BJMSS 100.00%
Genesis Motor Sales (Shanghai) Co., LTD.	〃	〃	100.00%	
Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.	Real estate development	〃	99.00%	CMEs 99.00%
Rotem Equipments (Beijing) Co., Ltd.	Sales	〃	100.00%	HYUNDAI ROTEM COMPANY 100.00%
KEFICO Automotive Systems(Beijing) Co., Ltd.	Manufacturing	〃	100.00%	HYUNDAI KEFICO CORPORATION 100.00%
Hyundai Truck & Bus (China) Co., Ltd. (HTBC)	〃	〃	100.00%	
HYUNDAI THANH CONG VIETNAM AUTO MANUFACTURING CORPORATION (HTMV)(*1)	〃	Vietnam	50.00%	
HYUNDAI THANH CONG COMMERCIAL VEHICLE JOINT STOCK COMPANY (HTCV)(*1)	Sales	〃	50.00%	
HYUNDAI THANH CONG VIET NAM AUTO JOINT VENTURE JOINT STOCK COMPANY (HTV)(*1)	〃	〃	50.00%	
HYUNDAI KEFICO VIETNAM COMPANY LIMITED	Manufacturing	〃	100.00%	HYUNDAI KEFICO CORPORATION 100.00%
HYUNDAI MOTOR COMPANY AUSTRALIA PTY LIMITED (HMCA)	Sales	Australia	100.00%	
HYUNDAI MOTOR PHILIPPINES, INC. (HMPH)	〃	Philippines	100.00%	
HYUNDAI MOBILITY (THAILAND) CO., LTD. (HMT)	〃	Thailand	100.00%	
PT HYUNDAI MOTOR MANUFACTURING INDONESIA (HMMI)	Manufacturing	Indonesia	100.00%	
PT HYUNDAI MOTORS INDONESIA (HMID)	Sales	〃	100.00%	HMMI 0.01%
PT Hyundai Solusi Mobilitas (HSM)	〃	〃	99.99%	HMID 99.99%
PT. HYUNDAI CAPITAL INDONESIA (HCID)	Financing	〃	100.00%	HYUNDAI CAPITAL SERVICES, INC. 100.00%
Hyundai Capital Australia Pty Limited	〃	Australia	100.00%	〃
HR MECHANICAL SERVICES LIMITED	Services	New Zealand	100.00%	HYUNDAI ROTEM COMPANY 100.00%
Hyundai Motor Manufacturing Czech s.r.o. (HMMC)	Manufacturing	Czech	100.00%	

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor Czech s.r.o. (HMCZ)	Sales	Czech	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and Sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	〃	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	〃	100.00%	
Hyundai Motorsport GmbH (HMSG)	Marketing	〃	100.00%	HME 100.00%
Hyundai Capital Europe GmbH.	Financing	〃	100.00%	HYUNDAI CAPITAL SERVICES, INC. 100.00%
HMCIS B.V.	Holding company	Netherlands	100.00%	
Hyundai Motor Netherlands B.V. (HMNL)	Sales	〃	100.00%	
Hyundai Motor Sweden AB (HMS)	〃	Sweden	100.00%	
Hyundai Motor Manufacturing Rus LLC (HMMR)	Manufacturing	Russia	70.00%	
Hyundai Motor CIS Limited Liability Company (HMCIS)	Sales	〃	100.00%	HMCIS B.V. 100.00%
Hyundai Mobility Lab Limited Liability Company. (HML)	R&D	〃	100.00%	HMCIS 99.00%, HMMR 1.00%
HYUNDAI CAPITAL SERVICES LIMITED LIABILITY COMPANY	Financing	〃	100.00%	Hyundai Capital Europe 100.00%
Limited liability company Hyundai Truck & Bus Rus (HTBR)	Sales	〃	100.00%	
Hyundai Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi (HAOSVT)	Manufacturing	Turkiye	97.00%	
Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S	〃	〃	50.50%	HYUNDAI ROTEM COMPANY 50.50%
Hyundai Rotem Company – Hyundai EUROTEM Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI	Sales	〃	100.00%	HYUNDAI ROTEM COMPANY 65.00%, Hyundai EURotem A.S. 35.00%
Hyundai Rotem Company - Hyundai EUROTEM Mahmutbey Projesi ORTAK GIRISIMI	〃	〃	100.00%	HYUNDAI ROTEM COMPANY 85.00%, Hyundai EURotem A.S. 15.00%
Rotem SRS Ukraine LLC.	Services	Ukraine	100.00%	Rotem SRS Co., Ltd. 100.00%
Rotem SRS Egypt LLC.	〃	Egypt	98.00%	Rotem SRS Co., Ltd. 98.00%
HYUNDAI MOTOR UK LIMITED (HMUK)	Sales	UK	100.00%	
HYUNDAI MOTOR COMPANY ITALY S.R.L. (HMCI)	〃	Italy	100.00%	
HYUNDAI MOTOR ESPANA, S.L.U. (HMES)	〃	Spain	100.00%	
HYUNDAI MOTOR FRANCE (HMF)	〃	France	100.00%	
Hyundai Motor Poland sp. z o.o. (HMP)	〃	Poland	100.00%	
HYUNDAI ROTEM EUROPE sp. z o.o.	Services	〃	100.00%	HYUNDAI ROTEM COMPANY 100.00%
GENESIS MOTOR EUROPE GmbH (GME)	Sales	Germany	100.00%	
GENESIS MOTOR UK LIMITED (GMUK)	〃	UK	100.00%	GME 100.00%
GENESIS MOTOR SWITZERLAND AG (GMCH)	〃	Switzerland	100.00%	〃
GENESIS MOTOR DEUTSCHLAND GmbH (GMD)	〃	Germany	100.00%	〃
Hyundai Hydrogen Mobility AG (HHM)	〃	Switzerland	75.00%	
Hyundai Hydrogen Mobility Germany GmbH (HHMG)	〃	Germany	100.00%	HHM 100.00%
HYUNDAI MOTOR DE MEXICO S DE RL DE CV (HMM)	〃	Mexico	100.00%	HT 0.01%
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	〃	99.99%	HT 99.99%
HYUNDAI KEFICO MEXICO, S. DE R.L. DE C.V.	〃	〃	100.00%	HYUNDAI KEFICO CORPORATION 100.00%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Rio Vista, Inc.	Real estate development	USA	100.00%	HT 100.00%
HYUNDAI MOTOR BRASIL MONTADORA DE AUTOMOVEIS LTDA (HMB)	Manufacturing	Brazil	100.00%	
Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda.	Financing	〃	100.00%	HYUNDAI CAPITAL SERVICES, INC. 100.00%
Hyundai Rotem Brasil Industria E Comercio De Trens Ltda.	Manufacturing	〃	100.00%	HYUNDAI ROTEM COMPANY 100.00%
HMS SERVICOS DE MOBILIDADE LTDA.	Holding company	Brazil	99.99%	HMB 99.99%
China Millennium Corporations (CMEs)	〃	Cayman Islands	59.60%	
China Mobility Fund, L.P.	Investment	〃	72.00%	
ZER01NE Accelerator Investment Fund No.1	〃	Korea	99.00%	
Autopia Sixty-fifth ~ Seventy-Seventh Asset Securitization Specialty Company (*1)	Financing	〃	0.50%	HYUNDAI CAPITAL SERVICES, INC. 0.50%
Zavurov First Co., Ltd. (*1)	〃	〃	0.00%	HYUNDAI CAPITAL SERVICES, INC. 0.00%
Super Series Ninth ~ Sixteenth Securitization Specialty Co., Ltd. (*1)	〃	〃	0.50%	HYUNDAI CARD CO., LTD. 0.50%
Bluewalnut Co., Ltd.	〃	〃	100.00%	HYUNDAI CARD CO., LTD. 100.00%
Hyundai Connected Mobility GmbH	Mobility Service	Germany	100.00%	
MOCEAN Co.,Ltd	〃	Korea	73.28%	
UB1st Co., Ltd	Manufacturing	〃	67.99%	42dot Inc. 67.99%
Hyundai Cha Funding, LLC	Financing	USA	100.00%	HCA 100.00%
Hyundai Lease Titling Trust	〃	〃	100.00%	〃
Hyundai HK Funding, LLC	〃	〃	100.00%	〃
Hyundai HK Funding Two, LLC	〃	〃	100.00%	〃
Hyundai HK Funding Three, LLC	〃	〃	100.00%	〃
Hyundai HK Funding Four, LLC	〃	〃	100.00%	〃
Hyundai ABS Funding, LLC	〃	〃	100.00%	〃
HK Real Properties, LLC	〃	〃	100.00%	〃
Hyundai Auto Lease Offering, LLC	〃	〃	100.00%	〃
Hyundai HK Lease, LLC	〃	〃	100.00%	〃
Extended Term Amortizing Program, LLC	〃	〃	100.00%	〃
Hyundai Asset Backed Lease, LLC	〃	〃	100.00%	〃
HCA Exchange, LLC	〃	〃	100.00%	〃
Hyundai Protection Plan, Inc.	Insurance	〃	100.00%	〃
Hyundai Protection Plan Florida, Inc.	〃	〃	100.00%	〃
Hyundai Capital Insurance Services, LLC	〃	〃	100.00%	〃
Hyundai Capital Insurance Company	〃	〃	100.00%	〃
Power Protect Extended Services, Inc.	〃	〃	100.00%	〃
Power Protect Extended Services Florida, Inc.	〃	〃	100.00%	〃

(*1) The Group is considered to have substantive control over the entities by virtue of an agreement or relationship with other investors, or relationship with structured entities.

(*2) Even though the ownership percentage is less than half, the Group has de facto control over the entity due to the relative size of the voting rights held and the degree of share dispersion of other voting rights holders.

(2) Summarized financial position and results of operations of major consolidated subsidiaries as of and for the year ended December 31, 2023 are as follows.

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
HYUNDAI CAPITAL SERVICES, INC. (*)	₩ 39,602,030	₩ 33,565,942	₩ 4,873,315	₩ 459,888
HYUNDAI CARD CO., LTD. (*)	23,937,240	20,106,768	3,224,815	265,106
HYUNDAI ROTEM COMPANY (*)	5,241,485	3,954,509	3,587,382	156,779
HYUNDAI KEFICO CORPORATION (*)	2,135,064	1,130,238	2,519,796	41,047
HCA(*)	82,158,423	74,184,645	14,025,729	459,062
HMA	14,506,566	7,565,450	40,823,810	2,778,222
HCCA(*)	8,665,898	8,075,579	994,577	47,190
HMI(*)	5,000,466	1,922,363	10,634,619	921,119
HMMC	4,920,777	1,843,845	11,146,656	795,558
HMMA	4,893,938	3,606,681	13,275,365	236,265
HAOSVT	2,025,990	974,573	4,723,194	230,654
HACC(*)	1,994,722	1,126,555	4,870,333	139,070
HMMI	1,776,410	1,130,619	1,928,508	81,740
HMB	1,611,763	915,285	3,617,488	52,054
HME(*)	1,600,476	1,512,577	17,657,351	13,903

(*) Based on the subsidiary's consolidated financial statements

Summarized financial position and results of operations of major consolidated subsidiaries as of and for the year ended December 31, 2022 are as follows.

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
HYUNDAI CAPITAL SERVICES, INC. (*)	₩ 38,647,454	₩ 33,017,783	₩ 4,436,122	₩ 437,087
HYUNDAI CARD CO., LTD. (*)	25,102,360	21,256,797	3,015,376	253,957
HYUNDAI ROTEM COMPANY (*)	4,823,870	3,332,399	3,163,344	194,534
HYUNDAI KEFICO CORPORATION (*)	2,118,244	1,151,710	2,255,354	86,781
HCA (*)	65,174,141	57,784,155	12,392,502	416,542
HMA	13,534,367	8,484,603	33,684,033	2,549,423
HCCA (*)	6,146,352	5,611,754	819,584	82,115
HMMA	4,974,559	3,863,001	11,399,961	(807,997)
HMI (*)	4,932,560	2,071,012	9,230,238	710,908
HMMC	4,554,767	1,724,596	9,291,193	680,064
HME (*)	2,604,267	2,528,135	14,302,787	12,792
HACC (*)	1,811,550	1,003,562	4,146,159	102,258
HMB	1,801,019	1,195,946	3,314,994	97,250
HAOSVT	1,733,527	867,053	3,625,354	288,338
HMMI	1,717,566	1,169,855	1,484,674	(36,494)

(*) Based on the subsidiary's consolidated financial statements

(3) The financial statements of all subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting periods as the Company's.

(4) Summarized cash flows of non-wholly owned subsidiaries that have material non-controlling interests to the Group and subsidiaries of finance segment for the year ended December 31, 2023 are as follows.

Description	HYUNDAI CAPITAL SERVICES, INC.	HYUNDAI CARD CO., LTD.	HCA	HCCA	HYUNDAI ROTEM COMPANY
		(In millions of Korean Won)			
Provided by (used in) operating activities	₩ (1,240,514)	₩ 617,367	₩ (13,789,397)	₩ (1,888,547)	₩ 734,192
Provided by (used in) investing activities	(289,957)	(309,410)	(131,584)	(4,046)	(270,412)
Provided by (used in) financing activities	594,005	(1,528,100)	14,078,209	1,850,713	(576,282)
Effect of exchange rate changes on cash and cash equivalent	-	-	7,726	3,374	2,635
Net increase (decrease) in cash and cash equivalents	(936,466)	(1,220,143)	164,954	(38,506)	(109,867)
Beginning balance of cash and cash equivalents	1,747,627	2,269,390	553,623	87,794	506,008
Ending balance of cash and cash equivalents	₩ 811,161	₩ 1,049,247	₩ 718,577	₩ 49,288	₩ 396,141

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group and subsidiaries of finance segment for the year ended December 31, 2022 are as follows.

Description	HYUNDAI CAPITAL SERVICES, INC.	HYUNDAI CARD CO., LTD.	HCA	HCCA	HYUNDAI ROTEM COMPANY
		(In millions of Korean Won)			
Provided by (used in) operating activities	₩ (1,111,074)	₩ (618,906)	₩ (254,261)	₩ (1,257,295)	₩ 716,229
Provided by (used in) investing activities	(223,067)	(70,359)	28,172	(1,741)	(429,045)
Provided by (used in) financing activities	2,572,598	2,379,211	389,229	1,274,970	(97,120)
Effect of exchange rate changes on cash and cash equivalent	-	-	22,292	(542)	(3,784)
Net increase (decrease) in cash and cash equivalents	1,238,457	1,689,946	185,432	15,392	186,280
Beginning balance of cash and cash equivalents	509,170	579,444	368,191	72,402	319,728
Ending balance of cash and cash equivalents	₩ 1,747,627	₩ 2,269,390	₩ 553,623	₩ 87,794	₩ 506,008

(5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of and for the year ended December 31, 2023 are as follows.

Description	HYUNDAI CAPITAL SERVICES, INC.	HYUNDAI CARD CO., LTD.	HYUNDAI ROTEM COMPANY
	(In millions of Korean Won)		
Ownership percentage of non-controlling interests	40.28%	63.04%	66.23%
Accumulated non-controlling interests	₩ 2,425,670	₩ 2,490,730	₩ 942,579
Profit attributable to non-controlling interests	187,078	142,315	98,254
Dividends paid to non-controlling interests	-	38,442	-

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of and for the year ended December 31, 2022 are as follows.

Description	HYUNDAI CAPITAL SERVICES, INC.	HYUNDAI CARD CO., LTD.	HYUNDAI ROTEM COMPANY
	(In millions of Korean Won)		
Ownership percentage of non-controlling interests	40.32%	63.04%	66.23%
Accumulated non-controlling interests	₩ 2,263,283	₩ 2,511,596	₩ 845,085
Profit attributable to non-controlling interests	171,675	160,104	127,747
Dividends paid to non-controlling interests	-	56,753	-

(6) Financial support provided to consolidated structured entities

As of December 31, 2023, HYUNDAI CARD CO., LTD. and HYUNDAI CAPITAL SERVICES, INC., subsidiaries of the Company, have agreements that provide counterparties with rights of recourse in the event of default on the derivatives relating to asset-backed securities issued by consolidated structured entities, Autopia Sixty-Eighth, Sixty-Ninth and Seventy-sixth Asset Securitization Specialty Company, Super Series Ninth, Twelfth, Fourteenth and Fifteenth Securitization Specialty Co., Ltd..

(7) Nature and risks associated with interests in unconsolidated structured entities

1) Nature of interests in unconsolidated structured entities of the Group as of December 31, 2023 is as follows.

Description	Purpose	Nature of business	Method of funding	Total assets (*)
		(In millions of Korean Won)		
Asset securitization SPC	Fund raising through asset-securitization	Fund collection	Asset Backed Securities and others	₩ 847,155
Investment fund	Investment trust and others	Fund management and operation, distribution of operating profit and others	Beneficiary (Investment) certificates	7,288,926
Structured Finance	Fund raising through project financing	Project financing for construction project and ship investment	Project financing and others	34,569,749

(*) The financial information of unconsolidated structured entity includes unaudited amounts.

Nature of interests in unconsolidated structured entities of the Group as of December 31, 2022 is as follows.

Description	Purpose	Nature of business	Method of funding	Total assets (*)
		(In millions of Korean Won)		
Asset securitization SPC	Fund raising through asset-securitization	Fund collection	Asset Backed Securities and others	₩ 711,575
Investment fund	Investment trust and others	Fund management and operation, distribution of operating profit and others	Beneficiary (Investment) certificates	6,877,841
Structured Finance	Fund raising through project financing	Project financing for construction project and ship investment	Project financing and others	24,128,653

(*) The financial information of unconsolidated structured entity includes unaudited amounts.

2) Risks associated with interests in unconsolidated structured entities of the Group as of December 31, 2023 are as follows.

Description	Book value in the structured entity	Financial support provided to the structured entity		Maximum amount of exposure to loss of the structured entity
		Method	Purpose	
		(In millions of Korean Won)		
Asset securitization SPC	₩ 69,754	Loan obligations	Loan agreement (Credit line)	₩ 92,000
Investment fund	304,074	Beneficiary certificates, Investment trust	Invest agreement	304,074
Structured Finance	1,695,327	Loan obligations	Loan agreement (Credit line)	2,356,936

Risks associated with interests in unconsolidated structured entities of the Group as of December 31, 2022 are as follows.

Description	Book value in the structured entity	Financial support provided to the structured entity		Maximum amount of exposure to loss of the structured entity
		Method	Purpose	
		(In millions of Korean Won)		
Asset securitization SPC	₩ 70,208	Loan obligations	Loan agreement (Credit line)	₩ 77,000
Investment fund	238,424	Beneficiary certificates, Investment trust	Invest agreement	238,424
Structured Finance	1,585,070	Loan obligations	Loan agreement (Credit line)	2,089,900

(8) Significant restrictions on the subsidiaries

As of December 31, 2023, HYUNDAI CARD CO., LTD., a subsidiary of the Company, is subject to significant restrictions that require it to obtain consent from a nominated outside director recommended by non-controlling shareholders in the events of acquiring a company, entering into new business, providing guarantees, making investments in stocks or contracts beyond a certain amount and others.

(9) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation during the year ended December 31, 2023 are as follows.

Changes	Name of subsidiaries	Description
Included	Autopia Seventy-Sixth Asset Securitization Specialty Company	Establishment
″	Autopia Seventy-Seventh Asset Securitization Specialty Company	″
″	Super Series Fifteenth Securitization Specialty Co., Ltd.	″
″	Super Series Sixteenth Securitization Specialty Co., Ltd.	″
″	S-Trans Co., Ltd.	″
″	HYUNDAI ROTEM EUROPE sp. z o.o.	″
″	Hyundai Motor Business Service Company	″
″	Hyundai Motor Sweden AB	″
″	Hyundai Connected Mobility GmbH	″
	HYUNDAI MOTOR MIDDLE EAST AND AFRICA L.L.C	″
″	UB1st Co., Ltd	Acquisition
Excluded	Super Series Sixth Securitization Specialty Co., Ltd.	Liquidation
″	Super Series Seventh Securitization Specialty Co., Ltd.	″
″	Super Series Eighth Securitization Specialty Co., Ltd.	″
″	KEFICO Automotive Systems(Chongqing) Co., Ltd.	″
″	SMART Alabama, LLC	″
″	Stamped Metal American Research Technology, Inc.	″

2. <u>SUMMARY OF MATERIAL ACCOUNTING POLICIES</u>:

(1) Basis of consolidated financial statements preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”), as prescribed in the Act on External Audit of Stock Companies, Etc in the Republic of Korea.

The material accounting policies used for the preparation of the consolidated financial statements are summarized below. These material accounting policies are consistent with those applied to the consolidated financial statements as of and for the year ended December 31, 2022, except for the new or amended accounting standards and interpretations described below.

1) New and amended standards that have been applied from the year beginning on January 1, 2023 are as follows.

The Group applied KIFRS 1117 *Insurance Contracts*, *Definition of Accounting Estimates* (Amendments to KIFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors)*, Disclosure of Accounting Policies (Amendments to KIFRS 1001 *Presentation of Financial Statements)*, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction, International Tax Reform-Pillar Two Model Rules* (Amendments to KIFRS 1012 *Income Taxes*), *Disclosure of gains (losses) on valuation of financial liabilities in accordance with exercise price refixing* (Amendments to KIFRS 1001 *Presentation of Financial Statements)*, for the first time on January 1, 2023. These standards and other new accounting standards effective from January 1, 2023 do not have a material impact on the Group's consolidated financial statements.

2) A number of new standards are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

The Group is currently evaluating the effect of the following new or amended standards and interpretations, if any, to the consolidated financial statements, however, those standards are not expected to have a material impact on the Group’s consolidated financial statements.

- Lease liabilities arising from sale and leaseback transactions (KIFRS 1116 *Leases*)
- Classification of Liabilities as Current or Non-current (KIFRS 1001 *Presentation of Financial Statements*)
- Supplier Finance Arrangements (KIFRS 1007 *Statement of Cash Flows,* KIFRS 1107 *Financial Instruments:*

Disclosures)
- Disclosure of virtual assets (KIFRS 1001*Presentation of Financial Statements*)

The consolidated financial statements were approved by the Board of Directors on January 25, 2024 and are expected to be submitted for the Company's annual general meeting of shareholders.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as otherwise stated in the accounting policies below. Historical cost is usually measured at the fair value of the consideration given to acquire the assets.

(3) Basis of consolidations

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (or its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Even if the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Group. The carrying amount of non-controlling interests consists of the amount of those non-controlling interests at the initial recognition and the changes in shares of the non-controlling interests in equity since the date of the acquisition. Total comprehensive income is attributed to the owners of the Group and to the non-controlling interests even if the non-controlling interest has a deficit balance.

Changes in the Group's ownership interests in subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. The amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings as specified by applicable KIFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under KIFRS 1109 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(4) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration includes any asset or liability resulting from a contingent consideration arrangement and is measured at fair value.

Acquisition-related costs are recognized in profit or loss as incurred. When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Prior to the acquisition date, the amount resulting from changes in the value of its equity interest in the acquiree that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were directly disposed of.

(5) Revenue recognition

In accordance with KIFRS 1115, all types of contracts recognize revenues by the 5-step revenue recognition model (1) identification of contract → (2) identification of performance obligations → (3) calculation of transaction price → (4) allocation of transaction price to performance obligations → (5) recognition of revenue when performance obligation is satisfied.

1) Identification of performance obligations

The Group operates businesses such as the manufacture and sale of automobiles and auto parts. In the automobile sales contracts with customers, services other than automobile sales are separately identified as performance obligations.

2) Performance obligations satisfied at a point in time

Revenue is recognized when the performance obligations under the terms of a contract with the Group’s customer are satisfied, which generally occurs with the transfer of control of goods or services.

3) Performance obligations satisfied over time

In assessing whether the control over goods or services is transferred over time, the Group evaluates whether the customer simultaneously obtains and consumes the benefits provided by the Group’s performance, whether the assets are controlled by the customer, and whether the assets created by the Group have no substitute purpose, and whether the Group is entitled to reimbursement of costs incurred to date, including a reasonable margin.

4) Allocation of transaction price

The Group allocates the transaction price to each of the performance obligations identified in a single contract in proportion to its stand-alone selling price. When the stand-alone selling price is not directly observable, the Group estimates the stand-alone selling price using the adjusted market assessment approach, or the expected cost plus a margin approach.

5) Variable consideration

The Group estimates the amount of consideration it will be entitled to receive using the method (either the expected value method or the most likely amount method) that provides the most accurate prediction.

Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in future periods.

6) Significant financing element

If the period between the transfer of the goods or services promised to the customer and the payment from the customer is within one year, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, as a practical expedient.

7) Construction contracts

Where the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the end of reporting period.

The percentage of completion of a contract activity is reliably measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, by surveys of work performed or by completion of a physical proportion of the contract work. Variations in contract work, claim and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

(6) Foreign currency translation

The individual financial statements of each entity in the Group are prepared and presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions occurring in currencies other than their functional currency (foreign currencies) are recorded using the exchange rate on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated using the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences resulting from settlement of assets or liabilities and translation of monetary items denominated in foreign currencies are recognized in profit or loss in the period in which they arise except for some exceptions.

Foreign exchange gains or losses are classified as finance income (expenses) or other income (expenses) by the nature of the transaction or event.

For the purpose of presenting the consolidated financial statements, assets and liabilities in the Group's foreign operations are translated into Won, using the exchange rates at the end of reporting period. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate during the period has significantly fluctuated, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising, if any, are recognized in equity as other comprehensive income. Upon the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. 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 are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the end of reporting period.

(7) Financial Assets

The Group classifies financial assets as financial assets measured at fair value through profit or loss, financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income according to the terms and purpose of acquisition. The Group determines the classification of a financial asset at initial recognition.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVPL).
Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

1-1) Amortization cost and effective interest rate method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance. Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI.

1-2) Debt instruments classified as at FVOCI

Corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated in investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

1-3) Equity instruments designated as at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

1-4) Financial assets measured at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are measured at FVPL. Gains or losses arising from changes in the fair value of FVPL, dividends and interest income from the financial assets are recognized in profit or loss.

2) Foreign exchange gain / loss

The carrying amount of a financial asset designated as a foreign currency is determined in foreign currencies and is translated at the spot exchange rate at the end of the reporting period.
(8) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and valuation of individual assets, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of forecast on present and future conditions reflecting time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- other significant increases in credit risk.

2) Definition of default

The Group believes that, based on past experience, if the debtor violates the terms of the contract, it is considered to constitute a default event for internal credit risk management purposes.

3) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event as defined by the Group's internal policy.

4) Measurements and recognition of expected credit losses

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECLs are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECLs in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECLs are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECLs at the current reporting date, except for financial assets for which a simplified approach is used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(9) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(10) Inventory

Inventory is measured at the lower of cost or net realizable value. Inventory cost, including the fixed and variable manufacturing overhead cost, is calculated, using the moving average method, except for the cost for inventory in transit, which is determined by the specific identification method.

(11) 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 KIFRS 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 KIFRS 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 KIFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with KIFRS 1109. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis it would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture. When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies KIFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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.

(12) Property, plant and equipment

Property, plant and equipment is recognized if, and only if it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. After the initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. In addition, in case the recognition criteria are met, the subsequent costs will be added to the carrying amount of the asset or recognized as a separate asset, and the carrying amount of what was replaced is derecognized.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. The representative useful lives are as follows.

	Representative useful lives (years)
Buildings and structures	12 – 50
Machinery and equipment	6 – 15
Vehicles	6 – 15
Dies, mold and tools	4 – 6
Office equipment	3 – 15
Other	2 – 20

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

(13) Investment properties

Investment properties are property held to earn rentals or for capital appreciation or both. Investment properties are measured initially at its cost and transaction costs are included in the initial measurement. After initial recognition, the book value of investment properties is presented at the cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized as the carrying amount of the asset when, and only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably, or recognized as a separate asset if appropriate. The carrying amount of what was replaced is derecognized.
Land is not depreciated, and other investment properties are depreciated using the straight-line method over the period from 20 to 50 years. The Group reviews the depreciation method, the estimated useful lives and residual values at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

(14) Intangible assets

1) Goodwill

Goodwill arising from a business combination is recognized as an asset at the time of obtaining control (the acquisition date). Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the Group's previously held equity interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized, but tested for impairment at least annually. For purposes of impairment tests, goodwill is allocated to those cash-generating units ("CGU") of the Group expected to have synergies from the business combination. CGU that goodwill has been allocated is tested for impairment every year or when an event occurs that indicates impairment.

If the recoverable amount of a CGU is less than its carrying amount, the impairment will first decrease the goodwill allocated to that CGU and the remaining impairment will be allocated among other assets relative to its carrying value. Impairment recognized for goodwill may not be reversed. When disposing a subsidiary, related goodwill will be included in gain or loss from disposal.

2) Development costs

The expenditure on research is recognized as an expense when it is incurred. The expenditure on development is recognized as an intangible asset, and amortization is computed using the straight-line method based on the estimated useful lives of the assets since the asset is available for use or sale.

Research and development activities are conducted in phases of preceding research, development approval, product development and mass production. The Group generally recognizes intangible assets as development activities after the development approval phases which product specification, release schedule, and sales plan are established. Expenditure incurred at the previous phase is recognized as an expense as it is considered as research activities when it is incurred.

3) Intangible assets acquired separately

Intangible assets are measured initially at cost, and are subsequently measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized by the straight-line method based on estimated useful lives from the date of availability. The Group reviews the estimated useful life and amortization method at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate. Intangible assets assessed as having indefinite useful life such as club membership are subjected to impairment test at least once a year without amortization.

The representative useful lives are as follows.

	Representative useful lives (years)
Development costs	3, 7
Industrial property rights	5 – 10
Software	3 – 7
Other	5 – 40

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. If the cash inflows of an individual asset are largely independent from other assets or group of assets, the recoverable amount is measured for that individual asset; otherwise, it is measured for the cash generating unit (CGU) to which the asset belongs. An impairment loss in respect of goodwill is not reversed. For other assets, impairment loss is reversed if the recoverable amount increases in subsequent years, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are not amortized, but tested for impairment annually.

(16) Non-current assets classified as held for sale

The Group classifies a non-current asset (or disposal group) as held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, 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. The management must be committed to a plan to sell the asset (or disposal group), and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

The Group classified unit of operating division for which operating activities have been completed or classified as unit held for sale in case of major business division or sales region as discontinued income, excluding profit or loss from discontinued operations after tax from result of continued operations and represents single amounts on income statements. Other details for discontinued operation are represented on Note 8, and other Notes includes continued operating amounts unless otherwise stated. If there is a discontinued operation, the profit or loss related to the discontinued operation is classified as profit or loss from discontinued operation, and the comparative consolidated statement of income is restated by presenting profit or loss from the discontinued operation separately.

(17) Lease

At contract inception, the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. When assessing whether the contract conveys a right to control the use of an identified asset, definition of a lease under KIFRS 1116 has been applied.

1) As a lessee

At inception or effective date of change, the Group allocates the consideration in the contract to each lease on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2) As a lessor

The accounting policies applicable in the same period to the Group as a lessor are not different from those under KIFRS 1116. When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease interest income is allocated to accounting periods so as to reflect an effective interest rate on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the carrying amount of investments in operating leases and recognized as expense on a straight-line basis over the lease term.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of those assets, until they are ready for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(19) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are settled within 12 months from the end of the reporting period in which the employee provided the relevant service. They are recognized in profit or loss when the service is rendered and measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

2) Retirement benefit plans

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation, less the fair value of plan assets. Defined benefit obligations are calculated annually by an actuary using the Projected Unit Credit Method.

The present value of the defined benefit obligations is measured by discounting estimated future cash outflows by the interest rate of high-quality corporate bonds, with similar maturity as the expected retirement benefit payment date. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds are used.

The remeasurements of the net defined benefit liabilities (assets) comprising actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results, the effect of the changes to the asset ceiling and return on plan assets, excluding amounts included in net interest on the net defined benefit liabilities (assets), are recognized in other comprehensive income of the consolidated statements of comprehensive income, which is immediately recognized as retained earnings. Those recognized in retained earnings will not be reclassified in profit or loss. Past service costs are recognized in profit and loss when the plan amendment occurs, and net interest is calculated by applying the discount rate determined at the beginning of the annual reporting period to the net defined benefit liabilities (assets). Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on settlements), net interest expense (income), and remeasurements.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Contributions to defined contribution retirement benefit plans are recognized as expenses when employees provide services eligible for payment.

3) Other long-term employee benefits

Other long-term employee benefits, which are not paid within 12 months from the end of the reporting period in which the employee provided the relevant service, discounts future benefits earned in return for service provided in the current and past periods to present values. Liabilities are determined after discounting estimated future cash outflows by the interest rate of high-quality corporate bonds, with similar maturity as the expected other long-term employee benefits date. And service cost, net interest and remeasurement component are recognized as profit or loss. Also, these liabilities are evaluated annually by independent, qualified actuaries.

(20) Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) 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. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation. The increase in provision due to passage of time is recognized as interest expense.

The Group recognizes provisions for costs expected to be incurred in the future for the repair of regular parts within the warranty period based on historical experience and compensation for accidents caused by defects in the exported products or parts of the product when such amounts are probable of payment. Also, the Group recognizes provisions for the probable losses of unused loan commitment, construction contracts, pre-contract sale or service contract due to legal or constructive obligations.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(21) Taxation

Income tax expense is composed of current and deferred tax.

1) Current tax

The current tax is computed based on the taxable profit for the current year. The taxable profit differs from the profit before income tax as reported in the consolidated statements of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets shall be generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities shall not be recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except when the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that taxable profit will be available against which the temporary difference can be utilized and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority. Also, they are offset when different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3) Recognition of current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, or items arising from initial accounting treatments of a business combination. The tax effect arising from a business combination is included in the accounting for the business combination.

In addition, Pillar Two laws have been enacted or substantially enacted in some jurisdictions where the Group operates, and Pillar Two laws are scheduled to take effect during the Group's reporting period beginning on January 1, 2024.

(22) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs and net of tax effect are deducted from equity and recognized as other capital item deducted from the total equity in the consolidated statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in equity and not in current profit or loss.

(23) Financial liabilities and equity instruments

Debt instruments and equity instruments issued by the Group are recognized as financial liabilities or equity depending on the contract and the definitions of financial liability and equity instrument.

1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2) Financial guarantee liability

A financial guarantee contract is a contract that the issuer must pay a certain amount of money to compensate for losses incurred by the holder due to the failure of a specific debtor to pay the due date on the original contract or modified terms of the debt instrument. Financial guarantee liabilities are measured initially at fair value and subsequently measured at the greater of the following, unless they are designated as at fair value through profit or loss or arising from the transfer of assets.

- Loss provision calculated in accordance with KIFRS 1109
- The amount recognized less the accumulated profits recognized in accordance with KIFRS 1115

3) Financial liabilities measured at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVPL as of the date of initial recognition.

However, for financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVPL are recognized in profit or loss.

4) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVPL as of the date of initial recognition, are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

5) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(24) Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedges) and the risk of changes in cash flow of a highly probable forecast transaction and the risk of changes in foreign currency exchange rates of firm commitment (cash flow hedges).

1) Fair value hedges

The Group recognizes the changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it is no longer qualified for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the forecast transaction results in the recognition of a non-financial asset or liability, the related gain and loss recognized in other comprehensive income and accumulated in equity are transferred from equity to the initial cost of related non-financial asset or liability.

Cash flow hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for the criteria of hedging. Any gain or loss accumulated in equity at that time remains in equity, and is recognized as profit or loss when the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(25) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of KIFRS 1116 *Leases*, and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in KIFRS 1002 *Inventories* or value in use in KIFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 20.

(26) Accounting Treatment related to the Emission Rights Cap and Trade Scheme

The Group classifies the emission rights as intangible assets. The emission rights allowances received from the government free of charge are measured at zero, while purchased emission rights allowances are measured at cost. No emission liability is recognized if the expected quantity of emission for the performing period does not exceed the emission allowance in possession. If the expected emissions exceed the emission allowances held, the emission liability is measured and recognized based on the expected excess quantity of emissions and the market unit price of the emission rights at the end of the reporting period.

(27) Significant accounting estimates and key sources of estimation uncertainties

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The estimates and underlying assumptions are continually evaluated. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties at December 31, 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is as follows.

1) Impairment test for goodwill and non-financial assets

Determining whether goodwill and non-financial asset is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated and value in use of non-financial assets. The value in use calculation requires the management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

2) Warranty provision

The Group recognizes provisions for the warranties of its products as described in Note 2.(20). The amounts are recognized based on the best estimate of amounts necessary to settle the present and future warranty obligation.

3) Defined benefit plans

The Group operates defined retirement benefit plans. Defined benefit obligations are determined at the end of each reporting period using an actuarial valuation method that requires management assumptions on discount rates, rates of expected future salary increases and mortality rates. The characteristic of post-employment benefit plan that serves for the long term period causes significant uncertainties when the post-employment benefit obligation is estimated.

4) Taxation

The Group recognizes current tax and deferred tax based on the best estimates of income tax effect to be charged in the future as the result of operating activities until the end of the reporting period. However, actual final income tax to be charged in the future may differ from the relevant assets and liabilities recognized at the end of the reporting period and the difference may affect income tax charged or credited, or deferred tax assets and liabilities in the period in which the final income tax determined.

5) Fair value of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. The Group makes judgements on the choice of various valuation methods and assumptions based on the condition of the principal market at the end of the reporting period.

6) Measurement and useful lives of property, plant, equipment or intangible assets

When the Group acquires property, plant, equipment or intangible assets from a business combination, it is required to estimate the fair value of the assets at the acquisition date and determine the useful lives of such assets for depreciation and amortization.

7) Credit loss allowance

The Group sets credit loss allowance upon evaluation of impairment relating to account receivables and financial services receivables as described in Note 2.(8). The precision in loss allowance is based on the estimation of expected cash flow and assumptions and variables of risk measurement model used for the estimation.

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023 Current	December 31, 2023 Non-current	December 31, 2022 Current	December 31, 2022 Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 4,701,721	₩ 241,556	₩ 4,298,915	₩ 200,400
Loss allowance	(19,539)	(5,005)	(19,858)	(5,028)
Present value discount accounts	-	(25,572)	-	(15,591)
	₩ 4,682,182	₩ 210,979	₩ 4,279,057	₩ 179,781

(2) Aging analysis of trade notes and accounts receivable

As of December 31, 2023, aging analysis of total trade notes and accounts receivable that are past due, but not impaired is as follows.

Description	Not due	Overdue Within 90days	Overdue Within 180days More than 91days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
			(In millions of Korean Won)			
Total trade notes and accounts receivable	₩ 4,227,084	₩ 396,061	₩ 56,367	₩ 263,765	₩ 4,943,277	₩ 24,544

As of December 31, 2022 aging analysis of total trade notes and accounts receivable that are past due, but not impaired is as follows.

Description	Not due	Overdue Within 90days	Overdue Within 180days More than 91days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
			(In millions of Korean Won)			
Total trade notes and accounts receivable	₩ 4,225,436	₩ 192,913	₩ 7,766	₩ 73,200	₩ 4,499,315	₩ 24,886

(3) Transferred trade notes and accounts receivable that are not derecognized

As of December 31, 2023 and December 31, 2022, total trade notes and accounts receivable (including inter-company receivables within the Group) which the Group transferred to financial institutions but did not qualify for derecognition, amount to ₩0 and ₩2,123,379 million, respectively. Cash and cash equivalents received as consideration for the transfer are recognized as short-term borrowings due to the fact that the risks and rewards were not transferred substantially.

(4) Changes in loss allowance for the years ended December 31, 2023 and December 31, 2022 are as follows.

Description		2023		2022
		(In millions of Korean Won)		
Beginning of the year	₩	24,886	₩	43,507
Impairment loss (reversal)		14,817		(940)
Write-off		(15,208)		(20,769)
Effect of foreign exchange differences and others		49		3,088
End of the year	₩	24,544	₩	24,886

4. OTHER RECEIVABLES:

(1) Other receivables as of December 31, 2023 and December 31, 2022 are as follows.

	December 31, 2023				December 31, 2022			
Description		Current		Non-current		Current		Non-current
	(In millions of Korean Won)							
Accounts receivable – others (*)	₩	2,223,588	₩	462,064	₩	3,143,232	₩	418,541
Due from customers for contract work		1,191,078		-		1,413,886		-
Lease and rental deposits		17,104		332,215		17,471		323,362
Deposits		9,020		60,736		12,854		40,740
Others		9,237		-		5,631		38,407
Loss allowance		(18,858)		-		(134,385)		-
	₩	3,431,169	₩	855,015	₩	4,458,689	₩	821,050

(*) As of December 31, 2023 and December 31, 2022, the Group recognized the reimbursement related to the warranty provisions as a separate asset in the amount of ₩1,008,099 million and ₩1,045,159 million, respectively.

(2) Changes in other allowance for the years ended December 31, 2023 and December 31, 2022 are as follows.

Description		2023		2022
		(In millions of Korean Won)		
Beginning of the year	₩	134,385	₩	20,877
Impairment loss		5,165		130,650
Write-off		(4,104)		(971)
Effect of foreign exchange differences		(116,588)		(16,171)
End of the year	₩	18,858	₩	134,385

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of December 31, 2023 are as follows.

	December 31, 2023			
Description		Current		Non-current
	(In millions of Korean Won)			
Financial assets measured at FVPL	₩	2,374,032	₩	493,423
Financial assets measured at FVOCI		89,252		2,900,170
Financial assets measured at amortized cost		20,604		588,502
Derivative assets that are effective hedging instruments		318,723		441,293
	₩	2,802,611	₩	4,423,388

Other financial assets as of December 31, 2022 are as follows.

Description	December 31, 2022 Current	Non-current
	(In millions of Korean Won)	
Financial assets measured at FVPL	₩ 5,366,752	₩ 343,594
Financial assets measured at FVOCI	66,044	2,773,537
Financial assets measured at amortized cost	25,404	12,494
Derivative assets that are effective hedging instruments	476,545	760,151
	₩ 5,934,745	₩ 3,889,776

(2) Financial assets measured at FVOCI as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023 Acquisition cost	December 31, 2023 Book value	December 31, 2022 Book value
	(In millions of Korean Won)		
Debt instruments	₩ 627,464	₩ 611,668	₩ 499,193
Equity instruments (*)	2,649,742	2,377,754	2,340,388
	₩ 3,277,206	₩ 2,989,422	₩ 2,839,581

(*) The Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading at the date of initial recognition.

(3) Equity instruments classified into financial assets measured at FVOCI as of December 31, 2023 and December 31, 2022 are as follows.

Name of the company	Ownership percentage	December 31, 2023 Acquisition cost	December 31, 2023 Book value	December 31, 2022 Book value
	(%)	(In millions of Korean Won)		
KT Corporation (*1)	4.75	₩ 458,793	₩ 421,442	₩ 414,412
Hyundai Glovis Co., Ltd.	4.88	210,688	350,625	299,359
Hyundai Steel Company (*2)	6.87	727,028	334,836	322,546
ANI Technologies Private Limited (OLA)	3.38	278,955	282,285	278,825
Hyundai Oilbank Co., Ltd.	4.35	53,734	224,367	270,911
Grab Holdings Limited	1.10	442,922	186,356	175,010
HD Hyundai (*3)	2.20	9,018	109,811	99,055
Hyundai M Partners Co., Ltd.	9.29	9,888	14,720	17,151
NICE Information Service Co., Ltd.	2.25	3,312	12,935	16,664
Hyundai Green Food Co., Ltd. (*4)	2.36	5,203	9,187	-
NICE Holdings Co., Ltd.	1.30	3,491	6,480	6,342
Hyundai G.F. Holdings Co., Ltd. (*4)	0.97	9,801	5,487	15,531
Hyundai Asan Corporation	0.88	22,500	2,117	2,117
Others		414,409	417,106	422,465
		₩ 2,649,742	₩ 2,377,754	₩ 2,340,388

(*1) During the year ended December 31, 2022, the Group acquired 12,011,143 shares in KT Corporation by the exchange of treasury stocks for the purpose of strengthening its business partnership with KT Corporation, and the shares acquired by the Group are restricted from disposal for a certain period of time.
(*2) The Group entered into a total return swap agreement to transfer 1,367,114 shares out of total 10,540,709 shares with a third party. The Group has disposed of all of its shares during the year ended December 31, 2023.
(*3) During the year ended December 31, 2022, the name of the company has been changed from Hyundai Heavy Industries Holdings Co., Ltd. to HD Hyundai.
(*4) During the year ended December 31, 2023, Hyundai Green Food Co., Ltd. was spun off into Hyundai G.F. Holdings Co., Ltd., the surviving entity, and Hyundai Green Food Co., Ltd., the new entity.

6. INVENTORIES:

Inventories as of December 31, 2023 and December 31, 2022 are as follows.

Description		December 31, 2023		December 31, 2022
		(In millions of Korean Won)		
Finished goods	₩	10,509,361	₩	7,824,079
Merchandise		121,347		100,075
Semifinished goods		632,114		666,083
Work in progress		497,054		578,404
Raw materials		3,535,109		3,460,781
Supplies		360,031		351,994
Materials in transit		566,475		576,321
Others (*1)		1,178,855		733,479
Total (*2)	₩	17,400,346	₩	14,291,216

(*1) As of December 31, 2023 and December 31, 2022, others include inventories provided by operating lease with repurchase agreement in the amount of ₩157,442 million and ₩163,268 million, respectively.

(*2) As of December 31, 2023 and December 31, 2022, the Group recognized a valuation allowance in the amount of ₩238,834 million and ₩177,907 million, respectively.

7. OTHER ASSETS:

Other assets as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023				December 31, 2022			
	Current		Non-current		Current		Non-current	
	(In millions of Korean Won)							
Accrued income	₩	668,301	₩	379	₩	460,921	₩	531
Advanced payments		1,175,996		137,377		882,136		130,743
Prepaid expenses		713,067		1,795,515		782,749		1,332,807
Prepaid value-added tax and others		593,575		36,848		514,747		86,374
	₩	3,150,939	₩	1,970,119	₩	2,640,553	₩	1,550,455

8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE:

Non-current assets classified as held for sale and non-current liabilities classified as held for sale as of December 31, 2023 and December 31, 2022 are as follows.

Description		December 31, 2023		December 31, 2022
		(In millions of Korean Won)		
Land	₩	-	₩	6,676
Building and others		-		15,626
Subsidiaries (*)		434,503		-
Total	₩	434,503	₩	22,302
Non-current liabilities classified as held for sale (*)	₩	122,851	₩	5,365

(*) As the Group decided to sell all of its shares of Hyundai Motor Manufacturing Rus LLC, it classified assets and liabilities related to Hyundai Motor Manufacturing Rus LLC as disposal group held for sale, recognizing other comprehensive loss cumulatively in the amount of ₩321,879 million. The Group also recognized impairment loss in the amount of ₩483,992 million arising from measuring disposal group held for sale as fair value less costs to sell. Details of assets, liabilities classified as disposal group held for sale are described in Note 43.

9. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment ("PP&E") as of December 31, 2023 and 2022 are as follows.

Description	December 31, 2023 Acquisition cost	December 31, 2023 Accumulated depreciation (*)	December 31, 2023 Book value	December 31, 2022 Acquisition cost	December 31, 2022 Accumulated depreciation (*)	December 31, 2022 Book value
	(In millions of Korean Won)					
Land	₩ 12,490,298	₩ -	₩ 12,490,298	₩ 12,180,112	₩ -	₩ 12,180,112
Buildings	12,184,105	(4,799,368)	7,384,737	11,620,590	(4,489,885)	7,130,705
Structures	1,869,394	(924,658)	944,736	1,762,100	(911,214)	850,886
Machinery and equipment	18,183,078	(11,790,269)	6,392,809	18,215,786	(11,632,625)	6,583,161
Vehicles	704,453	(259,992)	444,461	615,152	(252,906)	362,246
Dies, molds and tools	16,567,090	(12,368,355)	4,198,735	15,387,346	(11,258,981)	4,128,365
Office equipment	2,223,452	(1,640,610)	582,842	2,090,753	(1,601,189)	489,564
Others	165,125	(60,664)	104,461	272,101	(114,293)	157,808
Construction in progress	6,377,821	-	6,377,821	4,270,343	-	4,270,343
	₩ 70,764,816	₩ (31,843,916)	₩ 38,920,900	₩ 66,414,283	₩ (30,261,093)	₩ 36,153,190

(*) Accumulated impairment losses are included.

(2) The changes in PP&E for the year ended December 31, 2023 are as follows.

Description	Beginning of the year	Acquisitions	Transfers within PP&E	Disposals	Depreciation	Others (*)	End of the year
	(In millions of Korean Won)						
Land	₩ 12,180,112	₩ 196,315	₩ 105,432	₩ (2,172)	₩ -	₩ 10,611	₩ 12,490,298
Buildings	7,130,705	51,594	690,587	(26,949)	(374,434)	(86,766)	7,384,737
Structures	850,886	28,225	160,215	(14,211)	(80,314)	(65)	944,736
Machinery and equipment	6,583,161	26,453	1,153,470	(117,038)	(1,074,619)	(178,618)	6,392,809
Vehicles	362,246	141,460	162,268	(116,583)	(103,785)	(1,145)	444,461
Dies, molds and tools	4,128,365	13,273	1,467,093	(77,934)	(1,443,734)	111,672	4,198,735
Office equipment	489,564	68,535	217,751	(5,018)	(185,761)	(2,229)	582,842
Others	157,808	4,867	24,041	(40)	(15,681)	(66,534)	104,461
Construction-in-progress	4,270,343	6,535,901	(3,980,857)	(4,393)	-	(443,173)	6,377,821
	₩ 36,153,190	₩ 7,066,623	₩ -	₩ (364,338)	₩ (3,278,328)	₩ (656,247)	₩ 38,920,900

(*) Others include the effect of foreign exchange differences, transfers from or to other accounts, changes in the scope of consolidation, impairment loss of ₩140,170 million for the CGU attributable to Hyundai Motor Manufacturing Rus LLC and others.

The changes in PP&E for the year ended December 31, 2022 are as follows.

Description	Beginning of the year	Acquisitions	Transfers within PP&E	Disposals	Depreciation	Others (*)	End of the year
	(In millions of Korean Won)						
Land	₩ 12,130,094	₩ -	₩ 56,663	₩ (9,874)	₩ -	₩ 3,229	₩ 12,180,112
Buildings	6,763,707	6,946	703,192	(28,181)	(357,212)	42,253	7,130,705
Structures	813,762	18,900	90,828	(5,258)	(77,357)	10,011	850,886
Machinery and equipment	6,657,350	32,604	986,035	(91,333)	(1,064,339)	62,844	6,583,161
Vehicles	253,851	109,262	137,739	(59,329)	(81,904)	2,627	362,246
Dies, molds and tools	4,411,102	19,799	1,284,698	(65,801)	(1,403,168)	(118,265)	4,128,365
Office equipment	424,549	55,507	187,658	(3,303)	(173,658)	(1,189)	489,564
Others	206,618	3,577	79,172	(288)	(17,647)	(113,624)	157,808
Construction-in-progress	3,882,050	4,110,106	(3,525,985)	(1,192)	-	(194,636)	4,270,343
	₩ 35,543,083	₩ 4,356,701	₩ -	₩ (264,559)	₩ (3,175,285)	₩ (306,750)	₩ 36,153,190

(*) Others include the effect of foreign exchange differences, transfers from or to other accounts, impairment loss of ₩172,769 million for the CGU attributable to Hyundai Motor Manufacturing Rus LLC and others. The impairment test regarding CGU attributable to Hyundai Motor Manufacturing Rus LLC was conducted due to continued suspension of production, and the recoverable amount was based on its fair value less costs to sell (net fair value).

10. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2023 and December 31, 2022 is as follows.

Description	December 31, 2023 Acquisition cost	December 31, 2023 Accumulated depreciation	December 31, 2023 Book value	December 31, 2022 Acquisition cost	December 31, 2022 Accumulated depreciation	December 31, 2022 Book value
			(In millions of Korean Won)			
Land	₩ 54,284	₩ -	₩ 54,284	₩ 47,608	₩ -	₩ 47,608
Buildings	310,646	(228,480)	82,166	310,589	(223,852)	86,737
Structures	18,629	(8,931)	9,698	18,630	(8,525)	10,105
	₩ 383,559	₩ (237,411)	₩ 146,148	₩ 376,827	₩ (232,377)	₩ 144,450

(2) The changes in investment property for the year ended December 31, 2023 are as follows:

Description	Beginning of the year	Transfers(*)	Depreciation	Effect of foreign exchange differences	End of the year
			(In millions of Korean Won)		
Land	₩ 47,608	₩ 6,676	₩ -	₩ -	₩ 54,284
Buildings	86,737	465	(4,994)	(42)	82,166
Structures	10,105	-	(408)	1	9,698
	₩ 144,450	₩ 7,141	₩ (5,402)	₩ (41)	₩ 146,148

(*) Transferred amount from Construction-in-progress and other accounts

The changes in investment properties for the year ended December 31, 2022 are as follows.

Description	Beginning of the year	Transfers(*)	Depreciation	Effect of foreign exchange differences	End of the year
			(In millions of Korean Won)		
Land	₩ 54,284	₩ (6,676)	₩ -	₩ -	₩ 47,608
Buildings	91,858	201	(4,994)	(328)	86,737
Structures	10,514	-	(408)	(1)	10,105
	₩ 156,656	₩ (6,475)	₩ (5,402)	₩ (329)	₩ 144,450

(*) Transferred amount from Construction-in-progress and other accounts

(3) The fair value of investment properties as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Land	₩ 54,284	₩ 47,608
Buildings	261,906	333,488
Structures	15,496	15,496
	₩ 331,686	₩ 396,592

The fair value measurement of the investment properties was performed by an independent third party. The Group deems the change in fair value from the fair value measurement performed at the initial recognition of the investment properties is not material.

The fair value of the investment properties is classified as Level 3, based on the inputs used in the valuation techniques. The fair value has been determined based on the cost approach and the market approach. The cost approach measures fair value as current replacement cost considering building structures and design, supplementary installation, depreciation period.

(4) Income and expenses related to investment properties for the years ended December 31, 2023 and 2022 are as follows.

Description	2023	2022
	(In millions of Korean Won)	
Rental income	₩ 43,881	₩ 43,967
Operating and maintenance expenses	13,271	13,201

11. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2023 and December 31, 2022 are as follows.

	December 31, 2023			December 31, 2022		
Description	Acquisition cost	Accumulated amortization (*)	Book value	Acquisition cost	Accumulated amortization (*)	Book value
			(In millions of Korean Won)			
Goodwill	₩ 738,791	₩ (37,972)	₩ 700,819	₩ 728,644	₩ (35,927)	₩ 692,717
Development costs	10,205,023	(6,849,151)	3,355,872	10,679,258	(7,124,833)	3,554,425
Industrial property rights	582,180	(400,272)	181,908	515,017	(366,666)	148,351
Software	2,219,784	(1,454,281)	765,503	1,935,307	(1,280,424)	654,883
Others	1,059,105	(247,173)	811,932	874,134	(216,651)	657,483
Construction in progress	434,544	(31,993)	402,551	415,983	(21,465)	394,518
	₩ 15,239,427	₩ (9,020,842)	₩ 6,218,585	₩ 15,148,343	₩ (9,045,966)	₩ 6,102,377

(*) Accumulated impairment losses are included.

(2) The changes in intangible assets for the year ended December 31, 2023 are as follows.

Description	Beginning of the year	Internal developments	External acquisition	Transfers within intangible assets	Disposals
		(In millions of Korean Won)			
Goodwill	₩ 692,717	₩ -	₩ -	₩ -	₩ -
Development Costs	3,554,425	1,318,026	21,675	46,161	(2,310)
Industrial property rights	148,351	81	998	59,963	(94)
Software	654,883	3,567	48,455	82,747	(4,146)
Others	657,483	247	10,266	178,914	(10,088)
Construction in progress	394,518	31,126	343,218	(367,785)	-
	₩ 6,102,377	₩ 1,353,047	₩ 424,612	₩ -	₩ (16,638)

Description		Amortization		Impairment loss /reversal (*1)		Others (*2)		End of the year
				(In millions of Korean Won)				
Goodwill	₩	-	₩	-	₩	8,102	₩	700,819
Development Costs		(1,408,725)		(197,229)		23,849		3,355,872
Industrial property rights		(32,167)		-		4,776		181,908
Software		(207,256)		(221)		187,474		765,503
Others		(14,617)		(19)		(10,254)		811,932
Construction in progress		-		(2,081)		3,555		402,551
	₩	(1,662,765)	₩	(199,550)	₩	217,502	₩	6,218,585

(*1) Impairment losses include impairment of development costs due to the discontinued sales and development projects and others for the year ended December 31, 2023.

(*2) Others include the effect of foreign exchange differences, transfers from or to other accounts, changes in the scope of consolidation and others.

The changes in intangible assets for the year ended December 31, 2022 are as follows.

Description		Beginning of the year		Internal developments		External acquisition		Transfers within intangible assets		Disposals
				(In millions of Korean Won)						
Goodwill	₩	373,763	₩	-	₩	-	₩	-	₩	-
Development Costs		4,042,493		1,176,423		26,653		45,890		(3,755)
Industrial property rights		139,209		93		505		33,875		(85)
Software		477,856		540		62,745		60,924		(23)
Others		631,923		-		40,277		45,521		(30,387)
Construction in progress		181,742		18,941		388,696		(186,210)		-
	₩	5,846,986	₩	1,195,997	₩	518,876	₩	-	₩	(34,250)

Description		Amortization		Impairment loss /reversal (*1)		Others (*2)		End of the year
				(In millions of Korean Won)				
Goodwill	₩	-	₩	-	₩	318,954	₩	692,717
Development Costs		(1,596,985)		(159,009)		22,715		3,554,425
Industrial property rights		(29,057)		-		3,811		148,351
Software		(188,800)		(7,426)		249,067		654,883
Others		(52,093)		(1,841)		24,083		657,483
Construction in progress		-		(502)		(8,149)		394,518
	₩	(1,866,935)	₩	(168,778)	₩	610,481	₩	6,102,377

(*1) Impairment losses include impairment of development costs due to the discontinued sales and development projects and others for the year ended December 31, 2022.

(*2) Others include the effect of foreign exchange differences, transfers from or to other accounts, changes in the scope of consolidation and others.

(3) Development costs of intangible assets as of December 31, 2023 consist of as follows.

Description		Book value (In millions of Korean Won)		Remaining amortization period (*)
Automobile	Developing	₩	1,209,380	-
〃	Amortizing		1,711,268	30 months
Powertrain	Developing		103,963	-
〃	Amortizing		105,478	24 months
Others	Developing		34,748	-
〃	Amortizing		191,035	42 months
		₩	3,355,872	

(*) Since the remaining amortization period differs for each project, the weighted average remaining useful lives of the development costs at the end of reporting period are disclosed.

Development costs of intangible assets as of December 31, 2022 consist of as follows.

Description		Book value (In millions of Korean Won)		Remaining amortization period (*)
Automobile	Developing	₩	944,149	-
〃	Amortizing		2,163,052	30 months
Powertrain	Developing		106,894	-
〃	Amortizing		153,676	24 months
Others	Developing		-	-
〃	Amortizing		186,654	46 months
		₩	3,554,425	

(*) Since the remaining amortization period differs for each project, the weighted average remaining useful lives of the development costs at the end of reporting period are disclosed.

(4) Research and development expenditures for the years ended December 31, 2023 and 2022 are as follows.

Description	2023		2022	
	(In millions of Korean Won)			
Development costs (intangible assets)	₩	1,339,701	₩	1,203,076
Research and development costs (*1)		2,629,163		2,130,455
Total (*2)	₩	3,968,864	₩	3,333,531

(*1) Presented in manufacturing costs, administrative expenses.
(*2) Amortization of development costs is not included.

(5) Impairment test of goodwill

The allocation of goodwill amongst the Group's CGUs as of December 31, 2023 and December 31, 2022 is as follows.

Segment	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Vehicle	₩ 261,782	₩ 256,508
Finance	482	482
Others	438,555	435,727
	₩ 700,819	₩ 692,717

The recoverable amounts of the Group's CGUs are measured as their value-in-use calculated based on cash flow projections of financial budgets for the next five years approved by management. The pre-tax discount rate applied to the cash flow projections for the years ended December 31, 2023 and 2022 are 14.2% and 12.7%, respectively. Cash flow projections beyond the five-year period are extrapolated by using the estimated growth rate which does not exceed the long-term average growth rate of the region and industry to which the CGU belongs. No impairment loss had been recognized for the years ended December 31, 2023 and 2022.

12. LEASES (AS A LESSEE):

(1) The changes in right-of-use assets for the year ended December 31, 2023 are as follows.

Description	Beginning of the year	Acquisitions	Disposals	Depreciation	Others(*)	End of the year
			(In millions of Korean Won)			
Land	₩ 251,898	₩ 37,144	₩ (173,643)	₩ (14,159)	₩ 1,468	₩ 102,708
Buildings	819,353	383,571	(76,542)	(227,877)	(27,330)	871,175
Vehicles	26,593	12,739	(416)	(13,358)	2,378	27,936
Others	19,449	30,558	-	(13,841)	(342)	35,824
	₩ 1,117,293	₩ 464,012	₩ (250,601)	₩ (269,235)	₩ (23,826)	₩ 1,037,643

(*) Others include the effect of foreign exchange differences, changes in the scope of consolidation and others.

The changes in right-of-use assets for the year ended December 31, 2022 are as follows.

Description	Beginning of the year	Acquisitions	Disposals	Depreciation	Others(*)	End of the year
			(In millions of Korean Won)			
Land	₩ 83,604	₩ 175,406	₩ (392)	₩ (6,097)	₩ (623)	₩ 251,898
Buildings	754,149	330,661	(59,061)	(197,807)	(8,589)	819,353
Vehicles	2,370	34,238	(507)	(6,258)	(3,250)	26,593
Others	100,703	18,482	-	(6,323)	(93,413)	19,449
	₩ 940,826	₩ 558,787	₩ (59,960)	₩ (216,485)	₩ (105,875)	₩ 1,117,293

(*) Others include the effect of foreign exchange differences, changes in the scope of consolidation and others.

(2) Lease liabilities as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Undiscounted lease liabilities	₩ 1,260,621	₩ 1,303,067
Discounted lease liabilities	1,058,402	1,110,804
Current	224,350	405,053
Non-current	834,052	705,751

(3) Expenses recognized in relation to leases for the years ended December 31, 2023 and 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Interest on lease liabilities	₩ 37,635	₩ 33,993
Expenses in relation to leases of short-term and low-value assets	17,117	19,961

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of December 31, 2023 are as follows.

Name of the company	Nature of business	Location	Ownership percentage	Book value
			(%)	(In millions of Korean Won)
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	₩ 637,681
Hyundai WIA Automotive Engine (Shandong) Company (WAE) (*4)	Manufacturing	China	31.40	91,058
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	9,413
HMG Global LLC	New business Investment & management	USA	49.50	1,275,203
Motional AD LLC (*1)	R&D	USA	26.00	700,691
Boston Dynamics AI Institute, LLC	R&D	USA	47.50	246,535
supernal, LLC (*1)	R&D	USA	44.44	163,943
Hyundai Capital Bank Europe GmbH (HCBE)	Financing	Germany	49.00	671,589
Hyundai Capital France (HCF) (*1)	Financing	France	50.00	123,879
HYUNDAI MOTOR GROUP INNOVATION CENTER IN SINGAPORE PTE. LTD.(HMGICS)	Manufacturing	Singapore	40.00	117,494
Kia Corporation	Manufacturing	Korea	34.16	15,976,149
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,125,635
Hyundai Transys Inc.	Manufacturing	Korea	41.13	1,181,611
Hyundai WIA Corporation	Manufacturing	Korea	25.35	783,750
Hyundai Commercial Inc.	Financing	Korea	37.50	492,127
Hyundai Autoever Corp.	IT service	Korea	31.59	486,425
Hyundai Motor Securities Co., Ltd.	Securities Brokerage	Korea	25.43	344,646
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	321,030
Tiger Alternative Investment trust No.318 (*1)	Real Estate Investment	Korea	50.00	250,796
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	84,997
Others				1,391,490
				₩ 28,476,142

(*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions, which require consent from the director who is designated by the other investors, for certain transactions, such as payment of dividend.

(*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.

(*3) The entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, because the Group does not have control over the entity by virtue of an agreement with the other investors.

(*4) The recoverable amount was less than the carrying amount and the impairment loss amounting to ₩105,284 million was recognized during the year ended December 31, 2023. The recoverable amount is determined based on the value of use, and the discount rate applied to measure the value of use is 11.18% per annum.

Investments in joint ventures and associates as of December 31, 2022 are as follows.

Name of the company	Nature of business	Location	Ownership percentage	Book value
			(%)	(In millions of Korean Won)
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	₩ 759,766
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	525,250
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	31.40	215,786
Motional AD LLC (*1)	R&D	USA	25.92	907,061
HMG Global LLC (*4)	New business Investment & Management	USA	49.50	608,223
Boston Dynamics AI Institute, LLC	R&D	USA	47.50	266,357
supernal, LLC (*1)	R&D	USA	44.44	178,564
Hyundai Capital Bank Europe GmbH (HCBE)	Financing	Germany	49.00	508,110
Hyundai Capital France (HCF)(*1)	Financing	France	50.00	75,323
Hyundai Motor Group INNOVATION CENTER IN SINGAPORE PTE. LTD.(HMGICS)	Manufacturing	Singapore	40.00	104,556
Kia Corporation	Manufacturing	Korea	33.88	13,251,475
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,033,945
Hyundai Transys Inc.	Manufacturing	Korea	41.13	1,157,462
Hyundai WIA Corporation	Manufacturing	Korea	25.35	759,270
Hyundai Autoever Corp.	IT service	Korea	31.59	449,994
Hyundai Commercial Inc.	Financing	Korea	37.50	374,970
Hyundai Motor Securities Co., Ltd.	Securities Brokerage	Korea	25.43	332,624
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	269,261
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	96,303
Others				1,325,137
				₩ 25,199,437

(*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions, which require consent from the director who is designated by the other investors, for certain transactions, such as payment of dividend.

(*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.

(*3) The entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, because the Group does not have control over the entity by virtue of an agreement with the other investors.

(*4) During the year ended December 31, 2022, the Group completed the establishment of HMG Global LLC by contributing cash and all of the Group's interests in Boston Dynamics, Inc. to HMG Global LLC.

(2) The changes in investments in joint ventures and associates for the year ended December 31, 2023 are as follows.

Name of the company	Beginning of the year	Acquisitions (disposals)	Share of profits (losses) for the period	Dividends	Others (*)	End of the year
			(In millions of Korean Won)			
BHAF	₩ 759,766	₩ -	₩ 24,648	₩ (144,672)	₩ (2,061)	₩ 637,681
WAE	215,786	-	(19,110)	-	(105,618)	91,058
BHMC	525,250	-	(524,377)	-	8,540	9,413
HMG Global LLC	608,223	754,776	(86,091)	-	(1,705)	1,275,203
Motional AD LLC	907,061	-	(201,394)	-	(4,976)	700,691
Boston Dynamics AI Institute, LLC	266,357	-	(24,772)	-	4,950	246,535
supernal, LLC	178,564	215,887	(229,267)	-	(1,241)	163,943
HCBE	508,110	140,581	(21,188)	-	44,086	671,589
HCF	75,323	38,990	6,448	-	3,118	123,879
HMGICS	104,556	29,300	(20,315)	-	3,953	117,494
Kia Corporation	13,251,475	-	3,129,359	(480,614)	75,929	15,976,149
Hyundai Engineering & Construction Co., Ltd.	3,033,945	-	109,811	(13,996)	(4,125)	3,125,635
Hyundai Transys Inc.	1,157,462	-	33,554	-	(9,405)	1,181,611
Hyundai WIA Corporation	759,270	-	19,516	(4,826)	9,790	783,750
Hyundai Commercial Inc.	374,970	-	83,650	-	33,507	492,127
Hyundai Autoever Corp.	449,994	-	47,993	(9,877)	(1,685)	486,425
Hyundai Motor Securities Co., Ltd.	332,624	-	12,860	(4,436)	3,598	344,646
Eukor Car Carriers Inc.	269,261	-	89,015	(38,646)	1,400	321,030
Tiger Alternative Investment trust No.318	-	256,200	(5,404)	-	-	250,796
Haevichi Hotels & Resorts Co., Ltd.	96,303	-	(11,200)	-	(106)	84,997
Others	1,325,137	57,267	76,204	(79,592)	12,474	1,391,490
	₩ 25,199,437	₩ 1,493,001	₩ 2,489,940	₩ (776,659)	₩ 70,423	₩ 28,476,142

(*) Others consist of changes in accumulated other comprehensive income (loss) and others.

The changes in investments in joint ventures and associates for the year ended December 31, 2022 are as follows.

Name of the company	Beginning of the year	Acquisitions (disposals)	Share of profits (losses) for the period	Dividends	Others (*)	End of the year
			(In millions of Korean Won)			
BHAF	₩ 736,704	₩ -	₩ 44,478	₩ -	₩ (21,416)	₩ 759,766
BHMC	345,950	597,979	(394,495)	-	(24,184)	525,250
WAE	245,868	-	(25,336)	-	(4,746)	215,786
Motional AD LLC	1,025,263	-	(189,135)	-	70,933	907,061
HMG Global LLC	-	743,062	(5,483)	-	(129,356)	608,223
Boston Dynamics AI Institute, LLC	-	283,366	(2,308)	-	(14,701)	266,357
supernal, LLC	-	194,596	(87,946)	-	71,914	178,564
Boston Dynamics, Inc.	414,634	-	(37,483)	-	(377,151)	-
HCBE	498,050	-	15,337	-	(5,277)	508,110
HCF	-	75,191	924	-	(792)	75,323
HMGICS	78,316	29,528	(8,067)	-	4,779	104,556
Kia Corporation	11,620,132	-	1,907,469	(411,955)	135,829	13,251,475
Hyundai Engineering & Construction Co., Ltd.	2,935,786	-	89,636	(13,996)	22,519	3,033,945
Hyundai Transys Inc.	1,085,858	-	47,166	-	24,438	1,157,462
Hyundai WIA Corporation	729,053	-	31,789	(4,826)	3,254	759,270
Hyundai Autoever Corp.	410,935	-	39,961	(6,065)	5,163	449,994
Hyundai Commercial Inc.	339,300	-	100,212	(20,000)	(44,542)	374,970
Hyundai Motor Securities Co., Ltd.	314,532	-	22,153	(6,453)	2,392	332,624
Eukor Car Carriers Inc.	186,489	-	82,923	(7,392)	7,241	269,261
Haevichi Hotels & Resorts Co., Ltd.	98,894	-	(2,601)	-	10	96,303
Others	1,363,353	77,761	7,630	(16,349)	(107,258)	1,325,137
	₩ 22,429,117	₩ 2,001,483	₩ 1,636,824	₩ (487,036)	₩ (380,951)	₩ 25,199,437

(*) Others consist of changes in accumulated other comprehensive income (loss) and others.

(3) Summarized financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2023 is as follows.

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
		(In millions of Korean Won)		
BHAF (*)	₩ 2,787,605	₩ -	₩ 1,584,432	₩ -
WAE	328,159	378,785	116,180	5,397
BHMC	2,381,289	2,453,993	4,484,377	281,563
HMG Global LLC	255,370	3,226,650	124,210	303,525
Motional AD LLC	195,840	2,954,385	132,590	290,284
Boston Dynamics AI Institute, LLC	508,378	67,955	21,790	35,796
supernal, LLC	184,936	382,837	109,761	99,471
HCBE (*)	13,466,701	-	12,101,110	-
HCF (*)	3,572,040	-	3,325,447	-
HMGICS	66,473	678,881	196,468	262,288
Kia Corporation	37,466,302	43,161,524	25,674,105	8,395,486
Hyundai Engineering & Construction Co., Ltd.	18,613,430	5,101,065	10,356,647	2,902,333
Hyundai Transys Inc.	4,407,156	3,608,930	3,404,363	1,662,230
Hyundai WIA Corporation	3,721,639	3,092,821	1,972,463	1,075,243
Hyundai Commercial Inc. (*)	11,826,809	-	10,211,806	-
Hyundai Autoever Corp.	1,833,667	1,009,390	922,947	327,798
Hyundai Motor Securities Co., Ltd. (*)	11,585,257	-	10,307,455	-
Eukor Car Carriers Inc.	1,417,292	3,257,299	722,525	1,270,233
Tiger Alternative Investment trust No.318	9,721	372,556	288,304	29,100
Haevichi Hotels & Resorts Co., Ltd.	42,103	404,699	248,049	60,061

Name of the company	Sales	Profit (loss) for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
		(In millions of Korean Won)		
BHAF (*)	₩ 236,851	₩ 46,507	₩ -	₩ 46,507
WAE	365,973	(65,014)	-	(65,014)
BHMC	4,763,204	(994,057)	-	(994,057)
HMG Global LLC	84,398	(343,794)	5,069	(338,725)
Motional AD LLC	1,775	(803,742)	12,115	(791,627)
Boston Dynamics AI Institute, LLC	-	(51,357)	-	(51,357)
supernal, LLC	-	(526,387)	-	(526,387)
HCBE (*)	1,256,007	40,187	88,806	128,993
HCF (*)	173,068	12,777	4,581	17,358
HMGICS	79,792	(50,787)	-	(50,787)
Kia Corporation	99,808,420	8,777,817	190,203	8,968,020
Hyundai Engineering & Construction Co., Ltd.	29,651,357	654,281	(28,254)	626,027
Hyundai Transys Inc.	11,693,980	96,745	(21,456)	75,289
Hyundai WIA Corporation	8,590,316	52,548	(792)	51,756
Hyundai Commercial Inc. (*)	728,303	133,182	8,311	141,493
Hyundai Autoever Corp.	3,065,015	140,313	(5,094)	135,219
Hyundai Motor Securities Co., Ltd. (*)	1,582,197	53,511	20,033	73,544
Eukor Car Carriers Inc.	3,090,801	731,559	45,811	777,370
Tiger Alternative Investment trust No.318	6,232	(13,047)	-	(13,047)
Haevichi Hotels & Resorts Co., Ltd.	162,921	(29,323)	(207)	(29,530)

(*) The companies operate financial business and their total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

Summarized financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2022 is as follows.

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
		(In millions of Korean Won)		
BHAF (*)	₩ 4,044,066	₩ -	₩ 2,610,546	₩ -
BHMC	3,042,267	3,120,431	4,715,086	399,063
WAE	537,909	457,303	338,319	5,551
Motional AD LLC	646,160	3,187,411	142,518	89,824
HMG Global LLC	799,047	1,384,220	88,391	320,996
Boston Dynamics AI Institute, LLC	556,273	53,152	9,072	39,876
supernal, LLC	338,831	216,123	42,290	108,565
HCBE (*)	9,448,406	-	8,405,237	-
HCF (*)	1,956,470	-	1,801,224	-
HMGICS	118,876	370,889	18,593	216,915
Kia Corporation	34,147,147	39,563,818	25,377,803	8,990,081
Hyundai Engineering & Construction Co., Ltd.	15,516,745	5,394,963	8,757,397	2,230,034
Hyundai Transys Inc.	4,311,914	3,209,159	3,147,190	1,499,678
Hyundai WIA Corporation	4,267,463	3,278,988	2,410,435	1,402,365
Hyundai Autoever Corp.	1,695,856	923,580	883,698	245,358
Hyundai Commercial Inc. (*)	11,170,366	-	9,774,127	-
Hyundai Motor Securities Co., Ltd. (*)	10,233,054	-	9,008,411	-
Eukor Car Carriers Inc.	1,026,513	3,312,611	609,827	1,505,122
Haevichi Hotels & Resorts Co., Ltd.	43,919	412,477	253,312	34,862

Name of the company	Sales	Profit (loss) for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
		(In millions of Korean Won)		
BHAF (*)	₩ 362,978	₩ 83,920	₩ -	₩ 83,920
BHMC	4,900,315	(821,204)	-	(821,204)
WAE	501,436	(71,164)	-	(71,164)
Motional AD LLC	1,207	(751,726)	(6,314)	(758,040)
HMG Global LLC	21,388	(63,993)	-	(63,993)
Boston Dynamics AI Institute, LLC	-	(4,858)	-	(4,858)
supernal, LLC	-	(195,567)	-	(195,567)
HCBE (*)	971,654	32,144	16,302	48,446
HCF (*)	15,602	1,848	(1,654)	194
HMGICS	12,190	(20,168)	-	(20,168)
Kia Corporation	86,559,029	5,408,976	227,095	5,636,071
Hyundai Engineering & Construction Co., Ltd.	21,239,082	470,876	144,153	615,029
Hyundai Transys Inc.	10,256,254	123,483	64,705	188,188
Hyundai WIA Corporation	8,207,614	43,482	9,136	52,618
Hyundai Autoever Corp.	2,754,508	116,170	17,586	133,756
Hyundai Commercial Inc. (*)	588,167	266,640	(116,056)	150,584
Hyundai Motor Securities Co., Ltd. (*)	1,186,029	87,102	5,147	92,249
Eukor Car Carriers Inc.	2,865,427	668,062	43,489	711,551
Haevichi Hotels & Resorts Co., Ltd.	152,860	(5,485)	9	(5,476)

(*) The companies operate financial business and their total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

(4) Summarized additional financial information of the Group's major joint ventures as of and for the year ended December 31, 2023 is as follows.

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
	(In millions of Korean Won)						
BHAF(*)	₩ 694,653	₩ 1,199,356	₩ -	₩ 8,884	₩ 234,323	₩ 60,215	₩ 22,627
BHMC	1,323,025	623,684	61,785	669,321	23,712	48,157	37,878
Motional AD LLC	77,819	30,839	19,743	132,772	4,161	2,721	7,830
supernal, LLC	182,290	-	-	18,882	800	2,997	-
HCF (*)	153,126	3,325,447	-	-	127,608	73,896	4,489
Tiger Alternative Investment trust No.318	8,253	288,304	29,100	2,189	288	1,108	-

(*) The total amount of assets (liabilities) is included in current financial liabilities as BHAF and HCF, as a financial service business, do not distinguish current and non-current portion in their separate financial statements.

Summarized additional financial information of the Group's major joint ventures as of and for the year ended December 31, 2022 is as follows.

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
	(In millions of Korean Won)						
BHAF(*)	₩ 1,023,368	₩ 2,385,681	₩ -	₩ 13,926	₩ 341,357	₩ 128,264	₩ 32,245
BHMC	1,887,932	606,105	161,500	570,749	18,263	51,436	60,112
Motional AD LLC	71,075	16,062	62,753	87,887	5,760	-	6,027
supernal, LLC	333,184	-	-	8,305	589	5,983	-
HCF(*)	68,198	1,801,224	-	-	14,274	4,823	626

(*) The total amount of assets (liabilities) is included in current financial liabilities as BHAF and HCF, as a financial service business, do not distinguish current and non-current portion in their separate financial statements.

(5) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2023 is as follows.

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
	(In millions of Korean Won)			
BHAF	₩ 637,681	₩ -	₩ -	₩ 637,681
WAE (*)	188,495	7,809	(105,246)	91,058
BHMC	34,671	-	(25,258)	9,413
HMG Global LLC	1,275,203	-	-	1,275,203
Motional AD LLC	709,112	-	(8,421)	700,691
Boston Dynamics AI Institute, LLC	246,405	-	130	246,535
supernal, LLC	163,949	-	(6)	163,943
HCBE	660,815	9,041	1,733	671,589
HCF	123,294	585	-	123,879
HMGICS	114,640	-	2,854	117,494
Kia Corporation	15,853,616	197,089	(74,556)	15,976,149
Hyundai Engineering & Construction Co., Ltd. (*)	2,393,998	731,362	275	3,125,635
Hyundai Transys Inc.	1,167,997	-	13,614	1,181,611
Hyundai WIA Corporation	878,333	-	(94,583)	783,750
Hyundai Commercial Inc.	492,127	-	-	492,127
Hyundai Autoever Corp. (*)	427,504	58,822	99	486,425
Hyundai Motor Securities Co., Ltd.	305,343	40,052	(749)	344,646
Eukor Car Carriers Inc.	321,049	-	(19)	321,030
Tiger Alternative Investment trust No.318 (*)	194,777	56,019	-	250,796
Haevichi Hotels & Resorts Co., Ltd. (*)	81,421	3,576	-	84,997

(*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2022 is as follows.

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
	(In millions of Korean Won)			
BHAF	₩ 759,766	₩ -	₩ -	₩ 759,766
BHMC	551,378	-	(26,128)	525,250
WAE (*)	207,938	7,809	39	215,786
Motional AD LLC	922,942	-	(15,881)	907,061
HMG Global LLC	608,223	-	-	608,223
Boston Dynamics AI Institute, LLC	266,227	-	130	266,357
supernal, LLC	178,571	-	(7)	178,564
HCBE	497,892	22,341	(12,123)	508,110
HCF	77,621	-	(2,298)	75,323
HMGICS	101,702	-	2,854	104,556
Kia Corporation	13,124,472	197,089	(70,086)	13,251,475
Hyundai Engineering & Construction Co., Ltd. (*)	2,302,451	731,362	132	3,033,945
Hyundai Transys Inc.	1,142,960	-	14,502	1,157,462
Hyundai WIA Corporation	854,377	-	(95,107)	759,270
Hyundai Autoever Corp. (*)	391,073	58,822	99	449,994
Hyundai Commercial Inc.	374,970	-	-	374,970
Hyundai Motor Securities Co., Ltd.	291,823	40,052	749	332,624
Eukor Car Carriers Inc.	268,999	-	262	269,261
Haevichi Hotels & Resorts Co., Ltd. (*)	92,727	3,576	-	96,303

(*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

(6) The market price of major listed equity securities as of December 31, 2023 is as follows.

Name of the company	Price per share	Total number of shares	Market value
	(In millions of Korean Won, except price per share)		
Kia Corporation	₩ 100,000	137,318,251	₩ 13,731,825
Hyundai Autoever Corp.	211,500	8,664,334	1,832,507
Hyundai Engineering & Construction Co., Ltd.	34,900	23,327,400	814,126
Hyundai WIA Corporation	65,100	6,893,596	448,773
Hyundai Motor Securities Co., Ltd.	8,590	8,065,595	69,283

14. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of December 31, 2023 and December 31, 2022 are as follows.

Description		December 31, 2023		December 31, 2022
		(In millions of Korean Won)		
Loans	₩	86,800,272	₩	69,298,391
Card receivables		21,196,283		21,018,287
Financial lease receivables		2,052,053		2,060,971
Others		7,043		20,761
		110,055,651		92,398,410
Loss allowance		(1,769,240)		(1,726,916)
Loan origination fee		(587,895)		(261,084)
Present value discount accounts		(10,855)		(46,564)
	₩	107,687,661	₩	90,363,846

(2) Transfer of financial services receivables

As of December 31, 2023 and 2022, the Group has issued asset-backed securities with loan receivables and credit card receivables as underlying assets and related asset-backed securities have the right of recourse. As of December 31, 2023 the carrying amount of financial assets that were transferred but not derecognized (including inter-company bonds) amounted to ₩33,972,924 million and its fair value is ₩33,011,898 million. The carrying amount of related liabilities is ₩23,178,071 million and its fair value is ₩23,116,550 million. As a result, the fair value of net position is ₩9,895,348 million. As of December 31, 2022, the carrying amount of financial assets that were transferred but not derecognized (including inter-company bonds) amounted to ₩31,838,127 million and its fair value is ₩30,847,083 million. The carrying amount of related liabilities is ₩22,795,844 million and its fair value is ₩22,263,492 million. As a result, the fair value of net position is ₩8,583,591 million.

(3) The changes in loss allowance of financial services receivables for the year ended December 31, 2023 are as follows.

Description	Loan Obligations: 12-Month expected credit losses	Lifetime expected credit losses: Not Impaired	Lifetime expected credit losses: Impaired	Total loan obligations
	(In millions of Korean Won)			
Beginning of the year	₩ 345,035	₩ 501,419	₩ 234,157	₩ 1,080,611
Transfer to 12-Month expected credit losses	136,477	(132,123)	(4,354)	-
Transfer to lifetime expected credit losses	(36,319)	40,241	(3,922)	-
Transfer to credit-impaired financial assets	(3,001)	(10,807)	13,808	-
Impairment loss (reversal)	(32,630)	434,664	271,319	673,353
Collection (write-off)	(253)	(366,271)	(218,366)	(584,890)
Disposals and others	-	-	(54,462)	(54,462)
Effect of foreign exchange differences	4,710	3,965	40	8,715
End of the year	₩ 414,019	₩ 471,088	₩ 238,220	₩ 1,123,327

Description	Card receivables: 12-Month expected credit losses	Lifetime expected credit losses: Not Impaired	Lifetime expected credit losses: Impaired	Total card receivables
	(In millions of Korean Won)			
Beginning of the year	₩ 189,841	₩ 219,571	₩ 178,791	₩ 588,203
Transfer to 12-Month expected credit losses	84,210	(84,058)	(152)	-
Transfer to lifetime expected credit losses	(14,774)	15,177	(403)	-
Transfer to credit-impaired financial assets	(122,103)	(103,344)	225,447	-
Impairment loss (reversal)	92,337	125,385	205,181	422,903
Collection (write-off)	-	-	(389,551)	(389,551)
Disposals and others	(1,562)	-	(18,980)	(20,542)
Effect of foreign exchange differences	-	-	-	-
End of the year	₩ 227,949	₩ 172,731	₩ 200,333	₩ 601,013

Description	Others: 12-Month expected credit losses	Lifetime expected credit losses: Not Impaired	Lifetime expected credit losses: Impaired	Total others	Total Allowances
	(In millions of Korean Won)				
Beginning of the year	₩ 13,336	₩ 8,974	₩ 35,792	₩ 58,102	₩ 1,726,916
Transfer to 12-Month expected credit losses	4,100	(2,689)	(1,411)	-	-
Transfer to lifetime expected credit losses	(1,550)	1,948	(398)	-	-
Transfer to credit-impaired financial assets	(195)	(442)	637	-	-
Impairment loss (reversal)	(1,920)	1,993	2,152	2,225	1,098,481
Collection (write-off)	-	-	(15,424)	(15,424)	(989,865)
Disposals and others	-	-	-	-	(75,004)
Effect of foreign exchange differences	(2)	(1)	-	(3)	8,712
End of the year	₩ 13,769	₩ 9,783	₩ 21,348	₩ 44,900	₩ 1,769,240

The changes in allowance for doubtful accounts of financial services receivables for the year ended December 31, 2022 are as follows.

Description	Loan Obligations						
	12-Month expected credit losses		Lifetime expected credit losses			Total loan obligations	
			Not Impaired		Impaired		
	(In millions of Korean Won)						
Beginning of the year	₩	449,207	₩ 316,425	₩	204,034	₩	969,666
Transfer to 12-Month expected credit losses		69,360	(65,956)		(3,404)		-
Transfer to lifetime expected credit losses		(54,196)	58,198		(4,002)		-
Transfer to credit-impaired financial assets		(2,434)	(7,225)		9,659		-
Impairment loss (reversal)		(139,481)	435,731		164,836		461,086
Collection (write-off)		(169)	(241,816)		(132,234)		(374,219)
Disposals and others		(2)	-		(4,794)		(4,796)
Effect of foreign exchange differences		22,750	6,062		62		28,874
End of the year	₩	345,035	₩ 501,419	₩	234,157	₩	1,080,611

Description	Card receivables						
	12-Month expected credit losses		Lifetime expected credit losses			Total card receivables	
			Not Impaired		Impaired		
	(In millions of Korean Won)						
Beginning of the year	₩	195,709	₩ 163,391	₩	154,600	₩	513,700
Transfer to 12-Month expected credit losses		49,247	(49,118)		(129)		-
Transfer to lifetime expected credit losses		(26,980)	27,145		(165)		-
Transfer to credit-impaired financial assets		(93,623)	(70,901)		164,524		-
Impairment loss (reversal)		65,488	149,053		217,342		431,883
Collection (write-off)		-	-		(342,013)		(342,013)
Disposals and others		-	1		(15,368)		(15,367)
Effect of foreign exchange differences		-	-		-		-
End of the year	₩	189,841	₩ 219,571	₩	178,791	₩	588,203

Description	Others								
	12-Month expected credit losses		Lifetime expected credit losses					Total Allowances	
			Not Impaired		Impaired	Total others			
	(In millions of Korean Won)								
Beginning of the year	₩	14,299	₩ 8,119	₩	46,203	₩	68,621	₩	1,551,987
Transfer to 12-Month expected credit losses		4,326	(1,737)		(2,590)		(1)		(1)
Transfer to lifetime expected credit losses		(1,550)	1,974		(424)		-		-
Transfer to credit-impaired financial assets		(100)	(237)		337		-		-
Impairment loss (reversal)		(3,639)	855		8,315		5,531		898,500
Collection (write-off)		-	-		(16,049)		(16,049)		(732,281)
Disposals and others		-	-		-		-		(20,163)
Effect of foreign exchange differences		-	-		-		-		28,874
End of the year	₩	13,336	₩ 8,974	₩	35,792	₩	58,102	₩	1,726,916

(4) Gross investments in financial leases and their present value of minimum lease receipts as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023		December 31, 2022	
	Gross investments in financial leases	Present value of minimum lease payment receivable	Gross investments in financial leases	Present value of minimum lease payment receivable
	(In millions of Korean Won)			
Not later than one year	₩ 809,793	₩ 676,940	₩ 868,890	₩ 758,724
Later than one year and not later than five years	1,535,881	1,354,786	1,423,828	1,293,495
Later than five years	22,215	19,309	5,215	4,988
	₩ 2,367,889	₩ 2,051,035	₩ 2,297,933	₩ 2,057,207

(5) Unearned interest income of financial leases as of December 31, 2023 and December 31, 2022 is as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,367,889	₩ 2,297,933
Net lease investments:		
Present value of minimum lease payment receivable	2,051,035	2,057,207
Present value of unguaranteed residual value	1,018	3,764
	2,052,053	2,060,971
Unearned interest income	₩ 315,836	₩ 236,962

15. INVESTMENTS IN OPERATING LEASES (AS A LESSOR):

(1) Investments in operating leases as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Acquisition cost	₩ 37,319,651	₩ 32,090,728
Accumulated depreciation	(7,520,255)	(4,262,026)
Accumulated impairment loss	(134,778)	(147,168)
	₩ 29,664,618	₩ 27,681,534

(2) Future minimum lease payment receivable related to investments in operating leases as of December 31, 2023 and December 31, 2022 is as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Not later than one year	₩ 5,356,971	₩ 5,001,104
Later than one year and not later than five years	6,674,656	5,906,720
Later than five years	233	111
	₩ 12,031,860	₩ 10,907,935

16. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2023 and December 31, 2022 are as follows.

Description	Lender	Annual interest rate		December 31, 2023		December 31, 2022
		(%)		(In millions of Korean Won)		
Overdrafts	Citi Bank and others	1.75~6.03	₩	177,130	₩	62,101
General borrowings	Korea Development Bank and others	TIBOR+0.8~11.87		4,664,576		5,277,609
Borrowings collateralized by trade receivables	Hana Bank and others	-		-		2,123,379
Banker's Usance	Hana Bank and others	0.28~9.20		308,187		705,155
Commercial paper	Shinhan Bank and others	4.20~6.33		3,785,655		2,898,236
Credit facilities	Korea Development Bank	3.94		100,000		300,000
			₩	9,035,548	₩	11,366,480

(2) Long-term debt as of December 31, 2023 and December 31, 2022 is as follows.

Description	Lender	Annual interest rate		December 31, 2023		December 31, 2022
		(%)		(In millions of Korean Won)		
General borrowings	Hana Bank and others	0.10~7.72	₩	8,081,132	₩	8,909,156
Credit facilities	Shinhan Bank and others	4.74~9.13		40,200		40,200
Commercial paper	KIWOOM Securities and others	1.41~4.74		1,790,000		2,900,000
Asset-backed securities	HSBC and others	4.40~6.12		14,865,832		6,377,616
Others(*)	NH Investment & Securities	-		-		68,903
				24,777,164		18,295,875
Less: present value discounts				(164,297)		(77,686)
Less: current maturities				(7,043,107)		(5,933,040)
			₩	17,569,760	₩	12,285,149

(*) The Group transferred a portion of its voting shares to a third party in accordance with the total revenue swap agreement as of December 31, 2022. However, the Group still recognizes it as the financial asset because the Group still owns the majority of the risks and rewards of ownership of the transferred shares. Also, the Group recognized the amount received from disposal as borrowings.

(3) Debentures as of December 31, 2023 and December 31, 2022 are as follows.

Description	Latest maturity date	Annual interest rate		December 31, 2023		December 31, 2022
		(%)		(In millions of Korean Won)		
Non-guaranteed public debentures	March 29, 2032	1.00~6.63	₩	33,702,908	₩	33,979,495
Non-guaranteed private debentures	September 21, 2030	0.80~6.67		34,403,777		25,971,468
Asset-backed securities	December 17, 2029	0.38~6.12		23,189,001		22,801,451
				91,295,686		82,752,414
Less: discount on debentures				(196,142)		(151,263)
Less: current maturities				(18,066,051)		(19,641,091)
			₩	73,033,493	₩	62,960,060

17. PROVISIONS:

(1) Provisions as of December 31, 2023 and December 31, 2022 are as follows.

Description		December 31, 2023		December 31, 2022
		(In millions of Korean Won)		
Warranty	₩	9,121,153	₩	10,399,527
Other long-term employee benefits		637,190		598,637
Others		1,892,375		1,432,417
	₩	11,650,718	₩	12,430,581

(2) The changes in provisions for the year ended December 31, 2023 are as follows.

Description		Warranty (*)		Other long-term employee benefits		Others
				(In millions of Korean Won)		
Beginning of the year	₩	10,399,527	₩	598,637	₩	1,432,417
Charged		2,175,691		119,281		1,192,422
Utilized		(3,442,626)		(80,749)		(896,740)
Effect of foreign exchange differences and others		(11,439)		21		164,276
End of the year	₩	9,121,153	₩	637,190	₩	1,892,375

(*) During the year ended December 31, 2023, the Group updated the measurement of warranty provisions related to the recall of theta 2 and other engines to reflect new information and a longer period of historical claim data.

The changes in provisions for the year ended December 31, 2022 are as follows.

Description		Warranty (*)		Other long-term employee benefits		Others
				(In millions of Korean Won)		
Beginning of the year	₩	9,048,185	₩	676,432	₩	1,154,167
Charged		4,347,523		3,900		953,430
Utilized		(3,133,544)		(83,682)		(645,750)
Effect of foreign exchange differences and others		137,363		1,987		(29,430)
End of the year	₩	10,399,527	₩	598,637	₩	1,432,417

(*) During the year ended December 31, 2022, the Group updated the measurement of warranty provisions related to the recall of theta 2 and other engines to reflect new information and a longer period of historical claim data.

18. OTHER FINANCIAL LIABILITIES:

(1) Other financial liabilities as of December 31, 2023 are as follows.

Description		December 31, 2023		
		Current		Non-current
		(In millions of Korean Won)		
Financial liabilities measured at FVPL	₩	35,241	₩	808
Derivative liabilities that are effective hedging instruments		20,909		172,047
Financial Liabilities measured at amortized cost		562		3,544
	₩	56,712	₩	176,399

(2) Other financial liabilities as of December 31, 2022 are as follows.

Description	December 31, 2022			
	Current		Non-current	
	(In millions of Korean Won)			
Financial liabilities measured at FVPL	₩	10,053	₩	174,386
Derivative liabilities that are effective hedging instruments		88,832		86,464
Financial Liabilities measured at amortized cost		259		1,668
	₩	99,144	₩	262,518

19. OTHER LIABILITIES:

Other liabilities as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023				December 31, 2022			
	Current		Non-current		Current		Non-current	
	(In millions of Korean Won)							
Advances received	₩	1,154,776	₩	105,755	₩	1,464,339	₩	67,776
Withholdings		1,232,665		271,117		1,056,483		223,568
Accrued expenses		4,481,203		-		3,351,822		-
Unearned income		1,248,837		4,026,192		1,090,242		3,150,126
Due to customers for contract work		1,636,127		-		1,217,052		-
Others		823,425		808,948		420,303		810,795
	₩	10,577,033	₩	5,212,012	₩	8,600,241	₩	4,252,265

20. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of December 31, 2023 are as follows.

Description	Financial assets measured at FVPL		Financial assets measured at amortized cost		Financial assets measured at FVOCI		Derivative assets that are effective hedging instruments		Book value		Fair value	
	(In millions of Korean Won)											
Cash and cash equivalents	₩	-	₩	19,166,619	₩	-	₩	-	₩	19,166,619	₩	19,166,619
Short-term and long-term financial instruments		-		7,494,934		-		-		7,494,934		7,494,934
Trade notes and accounts receivable		-		4,893,161		-		-		4,893,161		4,893,161
Other receivables		-		1,605,675		-		-		1,605,675		1,605,675
Other financial assets		2,867,455		609,106		2,989,422		760,016		7,225,999		7,225,999
Other assets		1,086		668,668		-		-		669,754		669,754
Financial services receivables		-		107,687,661		-		-		107,687,661		105,443,151
	₩	2,868,541	₩	142,125,824	₩	2,989,422	₩	760,016	₩	148,743,803	₩	146,499,293

Financial assets by categories as of December 31, 2022 are as follows

Description	Financial assets measured at FVPL	Financial assets measured at amortized cost	Financial assets measured at FVOCI	Derivative assets that are effective hedging instruments	Book value	Fair value
	(In millions of Korean Won)					
Cash and cash equivalents	₩ -	₩ 20,864,879	₩ -	₩ -	₩ 20,864,879	₩ 20,864,879
Short-term and long-term financial instruments	-	5,887,154	-	-	5,887,154	5,887,154
Trade notes and accounts receivable	-	4,458,838	-	-	4,458,838	4,458,838
Other receivables	-	2,378,968	-	-	2,378,968	2,378,968
Other financial assets	5,710,346	37,898	2,839,581	1,236,696	9,824,521	9,824,521
Other assets	27,960	434,829	-	-	462,789	462,789
Financial services receivables	-	90,363,846	-	-	90,363,846	86,705,579
	₩ 5,738,306	₩ 124,426,412	₩ 2,839,581	₩ 1,236,696	₩ 134,240,995	₩ 130,582,728

(2) Financial liabilities by categories as of December 31, 2023 are as follows.

Description	Financial liabilities measured at FVPL	Financial liabilities measured at amortized cost	Derivative liabilities that are effective hedging instruments	Book value	Fair value
	(In millions of Korean Won)				
Trade notes and accounts payable	₩ -	₩ 10,952,046	₩ -	₩ 10,952,046	₩ 10,952,046
Other payables	-	7,560,541	-	7,560,541	7,560,541
Borrowings and debentures	29,705	124,718,254	-	124,747,959	124,403,404
Other financial liabilities	36,049	4,106	192,956	233,111	233,111
Lease liabilities	-	1,058,402	-	1,058,402	1,058,402
Other liabilities	-	4,267,077	-	4,267,077	4,267,077
	₩ 65,754	₩ 148,560,426	₩ 192,956	₩ 148,819,136	₩ 148,474,581

Financial liabilities by categories as of December 31, 2022 are as follows.

Description	Financial liabilities measured at FVPL	Financial liabilities measured at amortized cost	Derivative liabilities that are effective hedging instruments	Book value	Fair value
	(In millions of Korean Won)				
Trade notes and accounts payable	₩ -	₩ 10,797,065	₩ -	₩ 10,797,065	₩ 10,797,065
Other payables	-	7,292,508	-	7,292,508	7,292,508
Borrowings and debentures	27,239	112,158,581	-	112,185,820	108,603,134
Other financial liabilities	184,439	1,927	175,296	361,662	361,662
Lease liabilities	-	1,110,804	-	1,110,804	1,110,804
Other liabilities	-	2,960,053	-	2,960,053	2,960,053
	₩ 211,678	₩ 134,320,938	₩ 175,296	₩ 134,707,912	₩ 131,125,226

(3) Fair value estimation

The Group categorizes the assets and liabilities measured at fair value into the following three-level fair value hierarchy in accordance with the inputs used for fair value measurement.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within 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)

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2023 are as follows.

Description	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets measured at FVPL	₩ 54,853	₩ 2,401,437	₩ 412,251	₩ 2,868,541
Derivative assets that are effective hedging instruments	-	760,016	-	760,016
Financial assets measured at FVOCI	1,599,823	580,478	809,121	2,989,422
	₩ 1,654,676	₩ 3,741,931	₩ 1,221,372	₩ 6,617,979
Financial liabilities:				
Financial liabilities measured at FVPL	₩ -	₩ 5,318	₩ 60,436	₩ 65,754
Derivative liabilities that are effective hedging instruments	-	191,803	1,153	192,956
	₩ -	₩ 197,121	₩ 61,589	₩ 258,710

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2022 are as follows.

Description	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets measured at FVPL	₩ 57,556	₩ 5,412,130	₩ 268,620	₩ 5,738,306
Derivative assets that are effective hedging instruments	-	1,236,696	-	1,236,696
Financial assets measured at FVOCI	1,493,627	451,990	893,964	2,839,581
	₩ 1,551,183	₩ 7,100,816	₩ 1,162,584	₩ 9,814,583
Financial liabilities:				
Financial liabilities measured at FVPL	₩ -	₩ 11,451	₩ 200,227	₩ 211,678
Derivative liabilities that are effective hedging instruments	-	173,361	1,935	175,296
	₩ -	₩ 184,812	₩ 202,162	₩ 386,974

The changes in financial instruments classified as Level 3 for the year ended December 31, 2023 are as follows.

Description	Beginning of the period	Purchases	Disposals	Valuation	Others	End of the period
	(In millions of Korean Won)					
Financial assets measured at FVPL	₩ 268,620	₩ 136,235	₩ (13,487)	₩ 14,398	₩ 6,485	₩ 412,251
Financial assets measured at FVOCI	893,964	725	(27,995)	(54,502)	(3,071)	809,121
Financial liabilities measured at FVPL	200,227	-	-	11,833	(151,624)	60,436
Derivative liabilities that are effective hedging instruments	1,935	-	-	(782)	-	1,153

The changes in financial instruments classified as Level 3 for the year ended December 31, 2022 are as follows.

Description	Beginning of the period	Purchases	Disposals	Valuation	Others	End of the period
	(In millions of Korean Won)					
Financial assets measured at FVPL	₩ 162,330	₩ 92,328	₩ (6,107)	₩ 8,529	₩ 11,540	₩ 268,620
Financial assets measured at FVOCI	913,767	12,373	(874)	79,143	(110,445)	893,964
Financial liabilities measured at FVPL	53,139	29,884	-	2,169	115,035	200,227
Derivative liabilities that are effective hedging instruments	-	1,935	-	-	-	1,935

(4) Financial assets and liabilities subject to offsetting, and financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2023 are as follows.

Description	Gross amounts of recognized financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position	Net amounts of financial assets and liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position - financial instruments	Related amounts not set off in the statement of financial position - collateral received (pledged)	Net amounts
			(In millions of Korean Won)			
Financial assets:						
Trade notes and accounts receivable	₩ 5,192,922	₩ 299,761	₩ 4,893,161	₩ -	₩ -	₩ 4,893,161
Other receivables	2,786,530	1,180,855	1,605,675	-	-	1,605,675
Financial assets measured at FVPL	33,107	-	33,107	14	-	33,093
Derivative assets that are effective hedging instruments (*)	760,016	-	760,016	100,723	-	659,293
	₩ 8,772,575	₩ 1,480,616	₩ 7,291,959	₩ 100,737	₩ -	₩ 7,191,222
Financial liabilities:						
Trade notes and accounts payable	₩ 12,130,201	₩ 1,178,155	₩ 10,952,046	₩ -	₩ -	₩ 10,952,046
Other payables	7,863,002	302,461	7,560,541	-	-	7,560,541
Financial liabilities measured at FVPL	65,754	-	65,754	14	-	65,740
Derivative liabilities that are effective hedging instruments (*)	192,956	-	192,956	100,723	-	92,233
	₩ 20,251,913	₩ 1,480,616	₩ 18,771,297	₩ 100,737	₩ -	₩ 18,670,560

(*) These are derivative assets and liabilities that the Group may have the right to offset in the event of default, insolvency or bankruptcy of the counterparty although these do not meet the criteria of offsetting under KIFRS 1032.

Financial assets and liabilities, subject to offsetting, and financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2022 are as follows.

Description		Gross amounts of recognized financial assets and liabilities		Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position		Net amounts of financial assets and liabilities presented in the consolidated statement of financial position		Related amounts not set off in the consolidated statement of financial position - financial instruments		Related amounts not set off in the statement of financial position - collateral received (pledged)		Net amounts
						(In millions of Korean Won)						
Financial assets:												
Trade notes and accounts receivable	₩	4,731,300	₩	272,462	₩	4,458,838	₩	-	₩	-	₩	4,458,838
Other receivables		3,005,009		626,041		2,378,968		-		-		2,378,968
Financial assets measured at FVPL		47,256		-		47,256		-		-		47,256
Derivative assets that are effective hedging instruments (*)		1,236,696		-		1,236,696		93,233		-		1,143,463
	₩	9,020,261	₩	898,503	₩	8,121,758	₩	93,233	₩	-	₩	8,028,525
Financial liabilities:												
Trade notes and accounts payable	₩	11,418,549	₩	621,484	₩	10,797,065	₩	-	₩	-	₩	10,797,065
Other payables		7,569,527		277,019		7,292,508		-		-		7,292,508
Financial liabilities measured at FVPL		211,678		-		211,678		-		-		211,678
Derivative liabilities that are effective hedging instruments (*)		175,296		-		175,296		93,233		-		82,063
	₩	19,375,050	₩	898,503	₩	18,476,547	₩	93,233	₩	-	₩	18,383,314

(*) These are derivative assets and liabilities that the Group may have the right to offset in the event of default, insolvency or bankruptcy of the counterparty although these do not meet the criteria of offsetting under KIFRS 1032.

(5) Interest income, dividend income and interest expenses by categories of financial instruments for the year ended December 31, 2023 are as follows.

Description	2023					
		Interest income		Dividend income		Interest expenses
			(In millions of Korean Won)			
Non-financial services:						
Financial assets measured at amortized cost	₩	937,276	₩	-	₩	-
Financial assets measured at FVPL		60,379		-		-
Financial assets measured at FVOCI		-		79,127		-
Financial liabilities measured at amortized cost		-		-		542,172
	₩	997,655	₩	79,127	₩	542,172
Financial services:						
Financial assets measured at amortized cost	₩	4,676,007	₩	-	₩	-
Financial assets measured at FVPL		100,025		707		-
Financial assets measured at FVOCI		557		-		-
Financial liabilities measured at amortized cost		-		-		3,971,993
	₩	4,776,589	₩	707	₩	3,971,993

Interest income, dividend income and interest expenses by categories of financial instruments for the year ended December 31, 2022 are as follows.

Description	2022 Interest income	2022 Dividend income	2022 Interest expenses
	(In millions of Korean Won)		
Non-financial services:			
Financial assets measured at amortized cost	₩ 443,993	₩ -	₩ -
Financial assets measured at FVPL	150,084	-	-
Financial assets measured at FVOCI	-	44,533	-
Financial liabilities measured at amortized cost	-	-	426,731
	₩ 594,077	₩ 44,533	₩ 426,731
Financial services:			
Financial assets measured at amortized cost	₩ 3,466,000	₩ -	₩ -
Financial assets measured at FVPL	5,825	1,300	-
Financial assets measured at FVOCI	899	-	-
Financial liabilities measured at amortized cost	-	-	2,277,906
	₩ 3,472,724	₩ 1,300	₩ 2,277,906

(6) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities measured at FVPL for the years ended December 31, 2023 and 2022 are ₩1,263,422 million and ₩1,011,152 million, respectively. In addition, the fee expenses (cost of sales from financial services) related to financial assets or liabilities other than financial assets or liabilities measured at FVPL for the years ended December 31, 2023 and 2022 are ₩489,309 million and ₩427,606 million, respectively.

(7) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the year ended December 31, 2023.

(8) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy are as follows.

- Currency forwards, options and swap

Fair value of currency forwards, options and swap is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same remaining period of derivatives to be measured. If the forward exchange rate, which has the same remaining period of currency forwards, options and swap, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates.

As the inputs used to measure fair value of currency forwards, options and swap are supported by observable market data, such as forward exchange rates, the Group classifies the estimates of fair value measurements of the currency forwards, options and swap as Level 2 of the fair value hierarchy.

- Interest rate swap

The discount rate and forward interest rate used to measure the fair value of interest rate swap are determined based on an applicable yield curve derived from interest quoted in the current market at the end of the reporting period. The fair value of interest rate swap was measured as a discount on the estimated future cash flows of interest rate swap based on forward interest rates derived from the above method at an appropriate discount rate.

As the inputs used to measure fair value of interest rate swap are supported by observable market data, such as yield curves, the Group classifies the estimates of fair value measurements of the interest rate swap as Level 2 of the fair value hierarchy.

- Debt instruments including corporate bonds

Fair value of debt instruments including corporate bonds is measured applying discounted cash flow method. The rate used to discount cash flows is determined based on swap rate and credit spreads of debt instruments, which have the similar credit rating and period quoted in the current market with those of debt instruments including corporate bonds that should be measured. The Group classifies fair value measurements of debt instruments including corporate bonds as Level 2 of the fair-value hierarchy since the rate, which has significant effects on fair value of debt instruments including corporate bonds, is based on observable market data.

- Unlisted equity securities

Fair value of unlisted equity securities is measured using discounted cash flow projection and market approach, and as for discounted cash flow projections, certain assumptions not based on observable market prices or rate, such as sales growth rate, pre-tax operating income ratio and discount rate based on business plan and circumstance of industry, are used to estimate the future cash flow. The discount rate used to discount the future cash flows, is calculated by applying the Capital Asset Pricing Model, using the data of similar listed companies. The Group determines that the effect of estimation and assumptions referred above affecting fair value of unlisted equity securities is significant and classifies fair value measurements of unlisted securities as Level 3 of the fair value hierarchy.

- Redeemable convertible preference share

Fair value of redeemable convertible preference share is measured based on the fair value, exercise price, maturity, and the stock price volatility up to the maturity of the underlying asset, using the binomial option pricing model. The discount rate used in the binomial option pricing model is applied by converting the rate of return on corporate bonds with equivalent credit rating corresponding to the remaining maturity into a continuously compounding discount rate, and the stock price volatility up to maturity uses historical volatility of proxy companies in similar industries in response to the remaining maturity. The fair value of the underlying asset is assumed to be maintained until the end of the current period after estimating the underlying asset value on the contracted date by inverting the underlying asset value inherent in the terms of the transaction on the premise that the acquisition of related shares is an orderly transaction and traded at fair value. The Group classifies the fair value measurement of redeemable convertible preference share as Level 3 in the fair value hierarchy based on the conclusion that the effect of the above assumptions and estimates on the fair value of redeemable convertible preference share is significant.

(9) The quantitative information about significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy and the description of relationships of significant unobservable inputs to the fair value are as follows:

Description	Fair value at December 31, 2023	Valuation techniques	Unobservable inputs	Range	Description of relationship
	(In millions of Korean Won)				
Unlisted equity securities and others	₩ 1,221,372	Discounted cash flow and others	Sales growth rate Pre-tax operating profit margin ratio Discount rate	-3.1% ~ 6.5% 3.3% ~ 3.5% 8.3%	If the sales growth rate and the pre-tax operating profit margin ratio increase, and the discount rate declines, the fair value increases

Description	Fair value at December 31, 2023	Valuation techniques	Unobservable inputs	Range	Description of relationship
	(In millions of Korean Won)				
Redeemable convertible preference share and others	₩ 61,589	Binomial option pricing model and others	Risk discount rate Risk free discount rate Stock price volatility	28.3% 3.7% 73.9%	If the discount rate declines and stock price volatility increases, the fair value increases

The Group does not expect changes in significant unobservable inputs would have a significant impact on the fair value, taking into account reasonable alternative assumptions.

21. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of December 31, 2023 and December 31, 2022 are as follows.

(1) Common stock

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won, except par value)	
Issued	211,531,506 shares	213,668,187 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982

The Company completed stock retirement of 10,000,000, 1,320,000, 6,608,292 and 2,136,681 common shares as of March 5, 2001, May 4, 2004, July 27, 2018 and February 3, 2023, respectively. Due to these stock retirements, the total face value of outstanding stock differs from the capital stock amount as of December 31, 2023 and December 31, 2022.

(2) Preferred stock

Description	Par value	Issued	Korean Won	Dividend rate
			(In millions of Korean Won)	
1st preferred stock	₩ 5,000	24,113,119 shares	₩ 125,550	Dividend rate of common stock + 1%
2nd preferred stock	″	36,120,597 shares	193,069	The lowest stimulated dividend rate: 2%
3rd preferred stock	″	2,404,448 shares	12,392	The lowest stimulated dividend rate: 1%
		62,638,164 shares	₩ 331,011	

As of March 5, 2001, the Company retired 1,000,000 second preferred shares and as of July 27, 2018, the Company retired 753,297 first preferred shares, 1,128,414 second preferred shares and 49,564 third preferred shares and as of February 3, 2023, the Company retired 243,566 first preferred shares, 364,854 second preferred shares and 24,287 third preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount.

22. CAPITAL SURPLUS:

Capital surplus as of December 31, 2023 and December 31, 2022 is as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others (*)	1,057,155	919,969
	₩ 4,378,489	₩ 4,241,303

(*) During the year ended December 31, 2022, the Group disposed of 2,216,983 treasury stocks and recognized ₩118,686 million gains on disposition of treasury stock.

23. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. The number of treasury stocks as of December 31, 2023 and December 31, 2022 is as follows.

Description	December 31, 2023	December 31, 2022
	(Number of shares)	
Common stock	7,700,625	11,408,711
1st preferred stock	2,186,993	2,430,559
2nd preferred stock	1,353,570	1,718,424
3rd preferred stock	48,574	72,861

24. ACCUMULATED OTHER COMPREHENSIVE LOSS:

(1) Accumulated other comprehensive loss as of December 31, 2023 is as follows.

Description		December 31, 2023
		(In millions of Korean Won)
Gain on valuation of financial assets measured at FVOCI	₩	366,933
Loss on valuation of financial assets measured at FVOCI		(596,940)
Gain on valuation of cash flow hedge derivatives		96,683
Loss on valuation of cash flow hedge derivatives		(62,194)
Gain on share of the other comprehensive income of equity-accounted investees		239,708
Loss on share of the other comprehensive income of equity-accounted investees		(411,142)
Loss on foreign operations translation, net		(471,940)
	₩	(838,892)

(2) Accumulated other comprehensive loss as of December 31, 2022 is as follows.

Description		December 31, 2022
		(In millions of Korean Won)
Gain on valuation of financial assets measured at FVOCI	₩	418,986
Loss on valuation of financial assets measured at FVOCI		(768,117)
Gain on valuation of cash flow hedge derivatives		276,938
Loss on valuation of cash flow hedge derivatives		(93,162)
Gain on share of the other comprehensive income of equity-accounted investees		195,912
Loss on share of the other comprehensive income of equity-accounted investees		(715,558)
Loss on foreign operations translation, net		(935,681)
	₩	(1,620,682)

25. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2023 and December 31, 2022 are as follows.

Description		December 31, 2023		December 31,2022
		(In millions of Korean Won)		
Legal reserve (*)	₩	744,836	₩	744,836
Discretionary reserve		49,710,496		47,307,996
Unappropriated		38,210,473		31,900,769
	₩	88,665,805	₩	79,953,601

(*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. 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.

Appraisal gains, amounting to ₩1,852,871 million, derived from asset revaluation pursuant to the Asset Revaluation Law of Korea are included in retained earnings. It may be only transferred to capital stock or used to reduce accumulated deficit, if any.

(2) The computation of the interim dividends for the year ended December 31, 2023 is as follows.

Description	Common stock	1st Preferred stock	2nd Preferred stock	3rd Preferred stock
	(In millions of Korean Won, except per share amounts)			
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Shares, net of treasury stocks	202,875,846	21,926,126	34,767,027	2,355,874
Dividends per share	₩ 3,000	₩ 3,000	₩ 3,000	₩ 3,000
Dividend rate	60%	60%	60%	60%
Dividends declared	608,628	65,778	104,301	7,068

The computation of the interim dividends for the year ended December 31, 2022 is as follows.

Description	Common stock	1st Preferred stock	2nd Preferred stock	3rd Preferred stock
	(In millions of Korean Won, except per share amounts)			
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Shares, net of treasury stocks	198,765,273	21,926,126	34,767,027	2,355,874
Dividends per share	₩ 1,000	₩ 1,000	₩ 1,000	₩ 1,000
Dividend rate	20%	20%	20%	20%
Dividends declared	198,764	21,926	34,767	2,356

(3) The computation of the proposed dividends for the year ended December 31, 2023 is as follows.

Description	Common stock	1st Preferred stock	2nd Preferred stock	3rd Preferred stock
	(In millions of Korean Won, except per share amounts)			
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Shares, net of treasury stocks	203,830,881	21,926,126	34,767,027	2,355,874
Dividends per share	₩ 8,400	₩ 8,450	₩ 8,500	₩ 8,450
Dividend rate	168%	169%	170%	169%
Dividends declared	1,712,179	185,276	295,520	19,907

The computation of the dividends for the year ended December 31, 2022 is as follows.

Description	Common stock	1st Preferred stock	2nd Preferred stock	3rd Preferred stock
	(In millions of Korean Won, except per share amounts)			
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Shares, net of treasury stocks	202,259,476	21,926,126	34,767,027	2,355,874
Dividends per share	₩ 6,000	₩ 6,050	₩ 6,100	₩ 6,050
Dividend rate	120%	121%	122%	121%
Dividends declared	1,213,557	132,653	212,079	14,253

26. HYBRID BOND:

(1) HYUNDAI CARD CO., LTD., a subsidiary of the Company, issued hybrid bond and the Group classified it as equity (non-controlling interests). As of December 31, 2023, hybrid bond is as follows.

Description	Issue date	Maturity date	Annual interest rate	December 31, 2023
			(%)	(In millions of Korean Won)
The 876th Hybrid Tier 1 (Private)	July 12, 2023	July 12, 2053	6.00	₩ 160,000
Issue cost				(410)
				₩ 159,590

(2) As of December 31, 2023, the conditions of hybrid bond that HYUNDAI CARD CO., LTD., a subsidiary of the Company issued are as follows.

	Description
Maturity	Thirty years (Maturity extension is possible according to the issuer's decision upon maturity)
Interest rate	Issue date ~ July 12, 2028 : An annual fixed interest rate 6% Increase of 2% after five years which is limited to one time only in accordance with Step-up clause
Interest payment condition	Three months, optional postponement of payment
Others	Repayment before maturity by issuer is available after five years from issue date

27. SALES:

(1) Sales for the years ended December 31, 2023 and 2022 are as follows.

Description		2023		2022
		(In millions of Korean Won)		
Sales of goods	₩	138,208,356	₩	120,760,624
Rendering of services		4,389,945		3,562,531
Royalties		226,785		260,034
Financial services revenue		15,610,287		13,764,122
Revenue related to construction contracts		3,455,105		3,099,326
Others		773,101		704,832
	₩	162,663,579	₩	142,151,469

(2) As of December 31, 2023, the aggregate transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligation that is expected to be recognized as revenue in future periods is as follows.

Description		Within a year		After a year
		(In millions of Korean Won)		
Deferred revenue and others	₩	2,356,687	₩	3,956,403

28. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2023 and 2022 are as follows.

Description		2023		2022
		(In millions of Korean Won)		
Selling expenses:				
Export expenses	₩	89,186	₩	78,807
Overseas market expenses		415,139		443,923
Advertisements and sales promotion		3,419,523		3,102,640
Sales commissions		1,047,374		909,093
Expenses for warranties		2,303,658		4,345,078
Transportation expenses		110,129		101,995
		7,385,009		8,981,536
Administrative expenses:				
Payroll		3,770,106		3,259,693
Post-employment benefits		144,828		173,367
Welfare expenses		622,375		544,626
Service charges		2,014,392		1,662,880
Research		2,163,445		1,759,707
Others		2,257,340		2,065,163
		10,972,486		9,465,436
	₩	18,357,495	₩	18,446,972

29. GAIN (LOSS) ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain (loss) on investments in joint ventures and associates for the years ended December 31, 2023 and 2022 is as follows.

Description		2023		2022
		(In millions of Korean Won)		
Gain on share of earnings of equity-accounted investees, net	₩	2,489,940	₩	1,636,824
Gain on disposals of investments in associates		90,664		63,992
Impairment loss on investments in associates		(109,671)		(143,186)
	₩	2,470,933	₩	1,557,630

30. FINANCE INCOME AND EXPENSES:

(1) Finance income for the years ended December 31, 2023 and 2022 is as follows.

Description		2023		2022
		(In millions of Korean Won)		
Interest income	₩	997,655	₩	594,077
Gain on foreign exchange transactions		166,513		146,066
Gain on foreign currency translation		275,411		146,247
Dividend income		79,127		44,533
Gain on derivatives		33,769		18,511
Others		7,063		36,459
	₩	1,559,538	₩	985,893

(2) Finance expenses for the years ended December 31, 2023 and 2022 are as follows.

Description		2023		2022
		(In millions of Korean Won)		
Interest expenses	₩	557,532	₩	523,407
Loss on foreign exchange transactions		152,264		77,214
Loss on foreign currency translation		204,700		255,973
Loss on derivatives and others		56,204		23,044
	₩	970,700	₩	879,638

31. OTHER INCOME AND EXPENSES:

(1) Other income for the years ended December 31, 2023 and 2022 is as follows.

Description		2023		2022
		(In millions of Korean Won)		
Gain on foreign exchange transactions	₩	686,182	₩	756,417
Gain on foreign currency translation		476,230		437,298
Gain on disposals of PP&E		42,185		49,280
Commission income		15,957		18,335
Rental income		104,676		97,905
Others		457,103		571,679
	₩	1,782,333	₩	1,930,914

(2) Other expenses for the years ended December 31, 2023 and 2022 are as follows.

Description	2023	2022
	(In millions of Korean Won)	
Loss on foreign exchange transactions	₩ 614,114	₩ 700,908
Loss on foreign currency translation	483,390	556,152
Loss on disposals of PP&E	262,940	176,146
Donations	178,367	89,421
Others	811,532	715,629
	₩ 2,350,343	₩ 2,238,256

32. EXPENSES BY NATURE:

Expenses by nature for the years ended December 31, 2023 and 2022 are as follows.

Description	2023	2022
	(In millions of Korean Won)	
Changes in inventories	₩ (2,569,963)	₩ (1,677,346)
Raw materials and merchandise used	93,205,106	80,682,374
Employee benefits	12,078,050	10,637,811
Depreciation	3,283,730	3,180,687
Amortization	1,662,765	1,866,935
Others	42,227,333	39,874,336
Total (*)	₩ 149,887,021	₩ 134,564,797

(*) Sum of cost of sales, selling and administrative expenses and other expenses in the consolidated statements of income.

33. EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

Basic earnings per common stock and preferred stock are computed by dividing profit available to common stock and preferred stock by the weighted-average number of common stock and preferred stock outstanding during the year. The Group does not compute diluted earnings per common stock for the years ended December 31, 2023 and 2022, since there are no dilutive items during the years.

Basic earnings per common stock and preferred stock for the years ended December 31, 2023 and 2022 are computed as follows.

(1) Basic earnings per common stock and preferred stock attributable to the owners of the Company.

	For the year ended December 31, 2023			For the year ended December 31, 2022		
Description	Profit attributable to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit attributable to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 9,271,196	202,857,418	₩ 45,703	₩ 5,696,576	199,735,258	₩ 28,521
1st Preferred stock (*2)	998,401	21,926,126	45,535	618,639	21,932,141	28,207
2nd Preferred stock	1,584,846	34,767,027	45,585	982,679	34,775,916	28,257
3rd Preferred stock	107,274	2,355,874	45,535	66,470	2,356,491	28,207

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 'Earnings per Share'.

(2) Basic earnings per common stock and preferred stock from continuing operations attributable to the owners of the Company.

Description	For the year ended December 31, 2023 Profit attributable to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	For the year ended December 31, 2022 Profit attributable to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 9,660,450	202,857,418	₩ 47,622	₩ 5,813,175	199,735,258	₩ 29,105
1st Preferred stock (*2)	1,040,273	21,926,126	47,445	631,279	21,932,141	28,783
2nd Preferred stock	1,651,240	34,767,027	47,495	1,002,722	34,775,916	28,833
3rd Preferred stock	111,773	2,355,874	47,445	67,828	2,356,491	28,783

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 'Earnings per Share'.

(3) Basic earnings per common stock and preferred stock from discontinued operations attributable to the owners of the Company.

Description	For the year ended December 31, 2023 Profit attributable to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	For the year ended December 31, 2022 Profit attributable to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ (389,254)	202,857,418	₩ (1,919)	₩ (116,599)	199,735,258	₩ (584)
1st Preferred stock (*2)	(41,872)	21,926,126	(1,910)	(12,640)	21,932,141	(576)
2nd Preferred stock	(66,394)	34,767,027	(1,910)	(20,043)	34,775,916	(576)
3rd Preferred stock	(4,499)	2,355,874	(1,910)	(1,358)	2,356,491	(576)

(*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.
(*2) 1st preferred stock meets the definition of 'ordinary shares' as defined in KIFRS 1033 *Earnings per Share*.

34. INCOME TAX EXPENSE:

(1) The components of income tax expense for the years ended December 31, 2023 and 2022 are as follows.

Description	2023	2022
	(In millions of Korean Won)	
Current tax expense	₩ 3,696,557	₩ 2,705,459
Adjustments recognized in the current year in relation to the prior years	326,989	66,052
Changes in deferred taxes relating to		
Temporary differences	(541,666)	(623,348)
Tax losses and tax credits	585,233	949,285
Items that are charged or credited directly to equity	95,778	(186,176)
Effect of foreign exchange differences and others	442,093	53,057
Income tax expense	₩ 4,604,984	₩ 2,964,329
Income tax expense on continuing operations	4,626,640	2,979,168
Income tax expense (benefit) on discontinued operations	(21,656)	(14,839)

(*) The Group has identified potential exposures in a limited number of countries where transitional Safe Harbor regulations are not applied and the Pillar Two effective tax rate is expected to be less than 15% for reasons such as currently receiving corporate tax reductions as investment incentives. The Group expects to be subject to additional income tax after 2024 due to the impact of Pillar Two Model Rules, and its impact analysis is underway.

(2) The reconciliation from profit before income tax to income tax expense for the years ended December 31, 2023 and 2022 are as follows.

Description	2023	2022
	(In millions of Korean Won)	
Profit before income tax from continuing operations	₩ 17,618,662	₩ 11,181,471
Profit before income tax from discontinued operations	(741,376)	(233,528)
Profit before income tax	16,877,286	10,947,943
Income tax expense calculated at the applicable tax rates of 28.1% in 2023 and 27.2% in 2022	4,739,431	2,973,667
Adjustments:		
Non-taxable income	(1,026,127)	(91,601)
Non-deductible expenses	127,372	399,296
Tax credits	(366,809)	(528,986)
Others	1,131,117	211,953
	(134,447)	(9,338)
Income tax expense	₩ 4,604,984	₩ 2,964,329
Income tax expense on continuing operation	4,626,640	2,979,168
Income tax expense (benefit) on discontinued operation	(21,656)	(14,839)
Effective tax rate	27.3%	27.1%

(3) The changes in deferred tax assets (liabilities) for the year ended December 31, 2023 are as follows.

Description	Beginning of the year	Changes	End of the year
	(In millions of Korean Won)		
Provisions	₩ 3,275,658	₩ (357,380)	₩ 2,918,278
Financial assets measured at FVPL	1,539	(11,361)	(9,822)
Financial assets measured at FVOCI	(7,990)	(25,329)	(33,319)
Investment of subsidiaries, associates and joint ventures	(1,996,502)	97,850	(1,898,652)
Derivatives	(95,052)	53,186	(41,866)
PP&E	(5,801,434)	489,881	(5,311,553)
Accrued income	(18,767)	1,728	(17,039)
Gain (loss) on foreign currency translation, net	(333)	(7,127)	(7,460)
Others	470,172	300,218	770,390
	(4,172,709)	541,666	(3,631,043)
Carryforward of tax losses and tax credits	2,382,277	(585,233)	1,797,044
	₩ (1,790,432)	₩ (43,567)	₩ (1,833,999)

The changes in deferred tax assets (liabilities) for the year ended December 31, 2022 are as follows.

Description	Beginning of the year	Changes	End of the year
	(In millions of Korean Won)		
Provisions	₩ 2,824,209	₩ 451,449	₩ 3,275,658
Financial assets measured at FVPL	1,231	308	1,539
Financial assets measured at FVOCI	(121,184)	113,194	(7,990)
Investment of subsidiaries, associates and joint ventures	(1,578,133)	(418,369)	(1,996,502)
Derivatives	(1,516)	(93,536)	(95,052)
PP&E	(5,861,743)	60,309	(5,801,434)
Accrued income	(15,840)	(2,927)	(18,767)
Gain (loss) on foreign currency translation, net	(136)	(197)	(333)
Others	(42,945)	513,117	470,172
	(4,796,057)	623,348	(4,172,709)
Carryforward of tax losses and tax credits	3,331,562	(949,285)	2,382,277
	₩ (1,464,495)	₩ (325,937)	₩ (1,790,432)

(4) Income taxes relating to items that are charged or credited directly to equity for the years ended December 31, 2023 and 2022 are as follows.

Description	2023	2022
	(In millions of Korean Won)	
Gain on disposal of treasury stocks	₩ (26,580)	₩ (66,131)
Loss (gain) on financial assets measured at FVOCI, net	(28,371)	97,671
Loss (gain) on valuation of cash flow hedge derivatives, net	76,307	(78,505)
Remeasurements of defined benefit plans	98,464	(152,166)
Changes in retained earnings of equity-accounted investees, net	(24,042)	12,955
	₩ 95,778	₩ (186,176)

(5) The amount of temporary differences associated with investments in subsidiaries, joint ventures and associates, for which deferred tax liabilities are not recognized, are ₩ 8,439,636 million and ₩ 8,948,716 million as of December 31, 2023 and 2022, respectively.

35. RETIREMENT BENEFIT PLAN:

(1) Expenses recognized in relation to defined contribution plans for the years ended December 31, 2023 and 2022 are as follows.

Description		2023		2022
		(In millions of Korean Won)		
Paid-in cash	₩	16,783	₩	14,377
Recognized liability		4,215		4,754
	₩	20,998	₩	19,131

(2) The significant actuarial assumptions used by the Group as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
Discount rate (*)	5.77%	5.29%
Rate of expected future salary increase	4.88%	4.05%

(*) The Group applied the market yields of high-quality corporate bonds (AA+) and others as of December 31, 2023 as the discount rate to discount the defined benefit obligation to the present value, and the same discount rate was applied as the expected return rate when calculating interest income on plan assets.

Employee turnover and mortality assumptions used for actuarial valuation are based on the economic conditions and statistical data of each country where entities within the Group are located.

(3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of December 31, 2023 and December 31, 2022 are as follows.

Description		December 31, 2023		December 31, 2022
		(In millions of Korean Won)		
Present value of defined benefit obligations	₩	6,538,236	₩	6,033,698
Fair value of plan assets		(6,949,149)		(6,809,339)
	₩	(410,913)	₩	(775,641)
Net defined benefit liabilities		77,268		61,861
Net defined benefit assets		(488,181)		(837,502)

(4) Changes in net defined benefit assets and liabilities for the year ended December 31, 2023 are as follows.

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the year	₩ 6,033,698	₩ (6,809,339)	₩ (775,641)
Current service cost	510,688	-	510,688
Interest expenses (income)	275,326	(332,475)	(57,149)
Past service cost	(223)	-	(223)
	6,819,489	(7,141,814)	(322,325)
Remeasurements:			
Return on plan assets	-	41,324	41,324
Actuarial gains and losses arising from changes in demographic assumptions	2,855	-	2,855
Actuarial gains and losses arising from changes in financial assumptions	220,043	-	220,043
Actuarial gains and losses arising from experience adjustments and others	146,370	-	146,370
	369,268	41,324	410,592
Contributions	-	(351,255)	(351,255)
Benefits paid	(694,707)	586,934	(107,773)
Transfers in (out)	2,852	(2,686)	166
Effect of foreign exchange differences and others	41,334	(81,652)	(40,318)
End of the year	₩ 6,538,236	₩ (6,949,149)	₩ (410,913)

Changes in net defined benefit assets and liabilities for the year ended December 31, 2022 are as follows.

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the year	₩ 6,580,593	₩ (6,721,149)	₩ (140,556)
Current service cost	575,608	-	575,608
Interest expenses (income)	173,934	(185,313)	(11,379)
Past service cost	(33)	-	(33)
	7,330,102	(6,906,462)	423,640
Remeasurements:			
Return on plan assets	-	168,474	168,474
Actuarial gains and losses arising from changes in demographic assumptions	255,197	-	255,197
Actuarial gains and losses arising from changes in financial assumptions	(1,002,183)	-	(1,002,183)
Actuarial gains and losses arising from experience adjustments and others	35,038	-	35,038
	(711,948)	168,474	(543,474)
Contributions	-	(584,701)	(584,701)
Benefits paid	(583,748)	483,747	(100,001)
Transfers in (out)	1,946	(1,454)	492
Effect of foreign exchange differences and others	(2,654)	31,057	28,403
End of the year	₩ 6,033,698	₩ (6,809,339)	₩ (775,641)

(5) The sensitivity analysis based on reasonably possible changes of the significant assumptions as of December 31, 2023 and December 31, 2022, while all the other assumptions are retained, is as follows.

Description	Effect on the net defined benefit liabilities			
	December 31, 2023		December 31, 2022	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)		(In millions of Korean Won)	
Discount rate	₩ (566,791)	₩ 291,717	₩ (367,700)	₩ 419,353
Rate of expected future salary increase	265,995	(554,161)	400,804	(360,074)

(6) The fair value of the plan assets as of December 31, 2023 and December 31, 2022 is as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Insurance instruments	₩ 6,946,600	₩ 6,806,690
Others	2,549	2,649
	₩ 6,949,149	₩ 6,809,339

(7) The Group expects to pay contribution of approximately ₩ 600,102 million to the plan in 2024 and the weighted average duration of the defined benefit obligation as of December 31, 2023 is 7.9 years.

36. CASH GENERATED FROM OPERATIONS:

(1) Cash generated from operations for the years ended December 31, 2023 and 2022 is as follows.

Description	2023	2022
	(In millions of Korean Won)	
Profit for the year	₩ 12,272,301	₩ 7,983,614
Adjustments:		
Retirement benefit costs	457,531	568,950
Depreciation	3,283,730	3,180,687
Amortization of intangible assets	1,662,765	1,866,935
Provision for warranties	1,926,790	4,005,842
Income tax expense	4,626,640	2,979,168
Gain(loss) on foreign currency translation, net	(63,551)	228,580
Loss on disposals of PP&E, net	220,755	126,866
Interest income, net	(440,123)	(70,670)
Gain on share of earnings of equity-accounted investees, net	(2,489,940)	(1,636,824)
Cost of sales from financial services, net	9,399,599	7,439,938
Others	2,608,162	1,566,466
	21,192,358	20,255,938
Changes in operating assets and liabilities:		
Increase in trade notes and accounts receivable	(99,422)	(1,325,728)
Decrease in other receivables	488,118	622,992
Decrease (increase) in other financial assets	(546,587)	1,423,023
Increase in inventories	(3,249,884)	(2,721,100)
Increase in other assets	(1,152,521)	(83,879)
Increase(decrease) in trade notes and accounts payable	(8,816)	1,146,082
Increase in other payables	992,329	2,186,971
Increase in other liabilities	2,577,771	2,086,192
Decrease in other financial liabilities	(12,623)	(1,597)
Decrease in net defined benefit assets(liabilities)	(340,839)	(573,780)
Payment of severance benefits	(107,773)	(100,001)
Decrease in provisions	(4,388,292)	(3,796,018)
Changes in financial services receivables	(17,743,124)	(8,457,539)
Investment in operating leases	(6,571,935)	(4,689,798)
Others	(201,466)	361,523
	(30,365,064)	(13,922,657)
Cash generated from operations	₩ 3,099,595	₩ 14,316,895

(2) Major non-cash transactions not stated on the consolidated statements of cash flows from investing and financing activities for the years ended December 31, 2023 and 2022 are as follows.

Description	2023	2022
	(In millions of Korean Won)	
Reclassification of the current portion of long-term debt and debentures	₩ 27,152,167	₩ 24,891,478
Reclassification of construction-in-progress to PP&E	3,980,857	3,525,985
Reclassification of construction-in-progress to intangible assets	367,785	186,210

(3) Changes in liabilities arising from financial activities for the year ended December 31, 2023 are as follows.

Description	Beginning of the year	Cash flows from financing activities	Changes from non-cash transactions: Reclassified to current portion	Effect of exchange rate changes	Present value discounts	Others(*)	End of the year
			(In millions of Korean Won)				
Short-term borrowings (including current portion)	₩ 36,940,611	₩ (29,949,836)	₩ 27,152,167	₩ 473,380	₩ (24,521)	₩ (447,095)	₩ 34,144,706
Long-term debts	12,285,149	12,901,677	(7,954,787)	202,221	118,791	16,709	17,569,760
Debentures	62,960,060	28,578,150	(19,197,380)	613,213	44,328	35,122	73,033,493

(*) Others include transfers from or to other accounts and others.

Changes in liabilities arising from financial activities for the year ended December 31, 2022 are as follows.

Description	Beginning of the year	Cash flows from financing activities	Changes from non-cash transactions: Reclassified to current portion	Effect of exchange rate changes	Present value discounts	Others(*)	End of the year
			(In millions of Korean Won)				
Short-term borrowings (including current portion)	₩ 33,666,738	₩ (22,985,947)	₩ 24,891,478	₩ 684,515	₩ 56,738	₩ 627,089	₩ 36,940,611
Long-term debts	10,667,731	6,925,739	(5,432,473)	115,999	7,656	497	12,285,149
Debentures	63,458,809	16,381,780	(19,459,005)	2,524,323	18,593	35,560	62,960,060

(*) Others include transfers from or to other accounts and others.

37. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period.

Debt to equity ratios as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Total liabilities	₩ 180,653,915	₩ 164,845,917
Total equity	101,809,440	90,896,545
Debt-to-equity ratio	177.4%	181.4%

(2) Financial risk management

The Group is exposed to various financial risks such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to its financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and avoid those risks to an acceptable level of risks to the Group. Overall, the Group's financial risk management policy is consistent with the prior period policy.

1) Market risk

The Group is mainly exposed to financial risks arising from changes in foreign exchange rates and interest rates. Accordingly, the Group uses financial derivative contracts to hedge and manage its interest rate risk and foreign currency risk.

a) Foreign exchange risk management

The Group is exposed to various foreign exchange risks by making transactions in foreign currencies. The Group is mainly exposed to foreign exchange risk in USD, EUR, JPY and others.

The Group manages foreign exchange risk by matching the inflow and the outflow of foreign currencies according to each currency and maturity, and by adjusting the foreign currency settlement date based on its exchange rate forecast. The Group uses foreign exchange derivatives, such as currency forward, currency swap, and currency option, as hedging instruments. However, speculative foreign exchange trade on derivative financial instruments is prohibited.

Sensitivity analysis for a 5% change in exchange rate of the functional currency against each foreign currency on profit before income tax as of December 31, 2023 is as follows.

	Foreign Exchange Rate Sensitivity	
Foreign Currency	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ 102,337	₩ (102,337)
EUR	13,707	(13,707)
JPY	(959)	959

b) Interest rate risk management

The Group has borrowings with fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates for short-term borrowings and has a policy to borrow funds with fixed interest rates to avoid the future cash flow fluctuation risk for long-term debt if possible. The Group manages its interest rate risk through regular assessments of the change in market conditions and the adjustments in nature of its interest rates.

Sensitivity analysis for a 1% change in interest rates on profit before income tax as of December 31, 2023 is as follows.

	Interest Rate Sensitivity	
Accounts	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 33,650	₩ (33,650)
Short-term and long-term financial instruments	22,948	(22,948)
Borrowings and debentures	(134,529)	134,529

The Company's subsidiaries, HYUNDAI CARD CO., LTD. and HYUNDAI CAPITAL SERVICES, INC. that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of December 31, 2023 and December 31, 2022, the amounts of interest rate risk measured at VaR are ₩146,303 million and ₩135,241 million, respectively.

c) Price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of December 31, 2023, the amounts of financial assets measured at FVPL and financial assets measured at FVOCI are ₩54,853 million and ₩2,377,754 million, respectively.

2) Credit risk

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in a financial loss for the Group. The Group operates a policy to transact with counterparties who only meet a certain level of credit rating which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for the guarantee of indebtedness discussed in Note 39, the book value of financial assets in the consolidated financial statements represents the maximum amounts of exposure to credit risk.

In addition, the Company's subsidiaries, HYUNDAI CARD CO., LTD. and HYUNDAI CAPITAL SERVICES, INC., that operate financial business, assess their credit stability according to their internal credit ratings and manage credit risk concentrations by debtor. These subsidiaries provide loan agreements with a limit to a large number of customers, and as of December 31, 2023, the unused limit is ₩746,970 million for HYUNDAI CAPITAL SERVICES, INC. and ₩86,275,519 million for HYUNDAI CARD CO., LTD. and as of December 31, 2023, credit risk concentration relates to 86% for households and 14% for companies.

3) Liquidity risk

The Group manages liquidity risk based on maturity profile of its funding. The Group analyses and reviews actual cash outflow and its budget to match the maturity of its financial liabilities to that of its financial assets.

The Group retains an appropriate level of deposit to cope with uncertainty caused by the inherent nature of the industry which is sensitive to economic fluctuation and to invest in R&D constantly. In addition, the Group has agreements with financial institutions related to trade financing and overdraft to mitigate any significant unexpected market deterioration. Also, the Group continues to strengthen its credit rates to secure a stable financing capability.

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before maturity as of December 31, 2023 is as follows.

	Remaining contract period			
Description	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	(In millions of Korean Won)			
Non-interest-bearing liabilities	₩ 22,674,125	₩ 664,726	₩ -	₩ 23,338,851
Interest-bearing liabilities	38,896,754	90,865,948	6,960,759	136,723,461
Lease liabilities	262,251	647,038	351,332	1,260,621
Financial guarantee	314,471	63,421	79,205	457,097

The maturity analysis is based on the non-discounted cash flows and the earliest maturity date at which payments, i.e. both principal and interest, should be made.

(3) Derivative instruments

The Group enters into derivative instrument contracts such as currency forwards, currency options, currency swaps and interest swaps to hedge its exposure to changes in foreign exchange rate or interest rate.

As of December 31, 2023 and December 31, 2022, the Group recognized an accumulative net profit of ₩34,489 million and ₩183,776 million, respectively, in accumulated other comprehensive income or loss, for effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 99 months as of December 31, 2023.

For the years ended December 31, 2023 and 2022, the Group recognized a net profit of ₩133,719 million and ₩391,801 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments and others.

In addition, the Company's subsidiaries, HYUNDAI CARD CO., LTD. and HYUNDAI CAPITAL SERVICES, INC., that are engaged in financial services business, use interest rate swaps and currency swaps to hedge the risks of future cash flows, which related to borrowings, debentures and others, due to market interest rate fluctuations and exchange rate fluctuations. As of December 31, 2023, the average hedge ratio is 100%.

38. RELATED-PARTY AND OTHER TRANSACTIONS:

The transactions and balances of receivables and payables within the Group are wholly eliminated in the preparation of consolidated financial statements of the Group.

(1) For the year ended December 31, 2023, significant transactions arising from operations between the Group and related parties or affiliates as designated by the Monopoly Regulation and Fair Trade Act of the Republic of Korea ("the Act") are as follows.

Description		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
		(In millions of Korean Won)			
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 590,173	₩ 16,134	₩ 14,813,812	₩ 118,239
	Mobis Alabama, LLC	253,907	-	2,387,097	30,426
	Mobis Automotive Czech s.r.o.	12	2,008	2,962,398	18,684
	Mobis India, Ltd.	18,278	2,854	1,433,394	27,999
	Mobis Parts America, LLC	191,160	4,299	1,604,058	1,278
	Mobis Module CIS, LLC.	67	273	2,015	-
	Mobis Parts Europe N.V.	19,131	2,426	646,881	2,420
	Others	85,447	1,784	1,548,323	12,200
Joint ventures and associates	Kia Corporation	1,685,353	968,903	648,536	719,547
	Kia Russia & CIS, LLC	220	32	-	-
	Kia Slovakia s.r.o..	92,908	16	759,649	-
	Kia Georgia, Inc.	842,050	3,550	154	-
	BHMC	193,257	-	33,075	-
	HMGC	33,571	818	93,268	63,293
	Hyundai WIA Corporation	286,611	1,349	919,024	9,264
	Others	958,681	77,363	5,892,019	3,541,756
Other related parties		56,893	4,028	1,976	9
Affiliates by the Act		981,812	104,267	11,608,499	1,460,116

For the year ended December 31, 2022, significant transactions arising from operations between the Group and related parties or affiliates by the Act are as follows.

	Description	Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
		(In millions of Korean Won)			
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 617,886	₩ 15,569	₩ 12,246,389	₩ 74,457
	Mobis Alabama, LLC	175,677	152	1,952,641	6,392
	Mobis Automotive Czech s.r.o.	88	745	2,441,059	24,371
	Mobis India, Ltd.	15,783	3,237	1,310,317	3,340
	Mobis Parts America, LLC	173,649	4,140	1,528,014	825
	Mobis Module CIS, LLC.	67	376	88,339	2,791
	Mobis Parts Europe N.V.	18,037	1,993	622,583	1,064
	Others	68,863	1,480	1,499,679	9,582
Joint ventures and associates	Kia Corporation	1,344,334	781,710	576,677	749,322
	Kia Russia & CIS, LLC	236,563	7	29	-
	Kia Slovakia s.r.o..	106,675	338	706,944	1,751
	Kia Georgia, Inc.	850,880	1,017	42	-
	BHMC	243,336	-	28,184	-
	HMGC	27,747	1,773	44,864	52,023
	Hyundai WIA Corporation	119,339	913	1,039,973	10,837
	Others	838,127	65,143	5,922,155	2,079,207
Other related parties		21,567	3,755	2,531	7
Affiliates by the Act		838,319	121,880	10,962,515	1,152,633

(2) As of December 31, 2023, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows.

	Description	Receivables (*1,2)		Payables	
		Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
		(In millions of Korean Won)			
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 142,677	₩ 150,906	₩ 2,248,687	₩ 459,196
	Mobis Alabama, LLC	31,106	-	157,597	-
	Mobis Automotive Czech s.r.o.	1,253	830	210,894	511
	Mobis India, Ltd.	-	-	160,011	-
	Mobis Parts America, LLC	29,790	26,986	123,415	-
	Mobis Module CIS, LLC	5	85	7	-
	Mobis Parts Europe N.V.	819	149	52,525	44
	Others	90,363	2,250	72,019	18,361
Joint ventures and associates	Kia Corporation	541,374	422,304	78,946	145,081
	Kia Russia & CIS, LLC	-	50	-	141
	Kia Slovakia s.r.o.	7,481	138	55,158	246
	Kia Georgia, Inc.	65,196	51,650	-	34,214
	Kia America, Inc.	-	240,582	-	16,877
	BHMC	302,632	14,681	24	27
	HMGC	16,089	23,602	373	27,900
	Hyundai WIA Corporation	118,669	13,229	144,310	25,746
	Others	259,635	181,298	718,951	994,901
Other related parties		137	-	20	326
Affiliates by the Act		201,220	65,233	1,173,602	484,603

(*1) The Group has recognized the loss allowance for the related parties' receivables in the amount of ₩608 million as of December 31, 2023 and the reversal of impairment loss is recognized in the amount of ₩349 million for the year ended December 31, 2023.

(*2) As of December 31, 2023, outstanding payment of ₩18,080 million pursuant to corporate purchase card agreement provided by HYUNDAI CARD CO., LTD. is included. For the year ended December 31, 2023, the amounts spent and repaid are ₩420,695 million and ₩426,207 million, respectively.

As of December 31, 2022, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows.

Description		Receivables (*1,2) Trade notes and accounts receivable	Receivables (*1,2) Other receivables and others	Payables Trade notes and accounts payable	Payables Other payables and others
		(In millions of Korean Won)			
Entity with significant influence over the Company and its subsidiaries	Hyundai MOBIS Co., Ltd.	₩ 112,072	₩ 186,427	₩ 2,631,460	₩ 453,605
	Mobis Alabama, LLC	22,829	-	148,988	411
	Mobis Automotive Czech s.r.o.	-	9,924	240,666	-
	Mobis India, Ltd.	-	1,462	176,609	22
	Mobis Parts America, LLC	19,635	95	113,577	-
	Mobis Module CIS, LLC	-	71	804	-
	Mobis Parts Europe N.V.	359	1,328	49,254	-
	Others	21,772	949	115,791	6,847
Joint ventures and associates	Kia Corporation	483,663	383,401	103,109	111,663
	Kia Russia & CIS, LLC	4	24	-	-
	Kia Slovakia s.r.o.	6,018	163	55,100	319
	Kia Georgia, Inc.	59,925	33,682	-	30,404
	Kia America, Inc.	-	10,568	-	19,943
	BHMC	272,134	14,411	-	57
	HMGC	7,738	23,734	5,133	23,306
	Hyundai WIA Corporation	33,157	7,449	171,098	28,850
	Others	169,169	125,220	699,974	1,058,827
Other related parties		1,742	44	13	344
Affiliates by the Act		181,415	68,799	1,242,171	423,944

(*1) The Group has recognized the loss allowance for the related parties' receivables in the amount of ₩958 million as of December 31, 2022 and the impairment loss is recognized in the amount of ₩749 million for the year ended December 31, 2022.

(*2) As of December 31, 2022, outstanding payment of ₩23,592 million pursuant to corporate purchase card agreement provided by Hyundai Card Co., Ltd. is included. For the year ended December 31, 2022, the amounts spent and repaid are ₩426,510 million and ₩425,013 million, respectively.

(3) Significant fund transactions and equity contribution transactions for the year ended December 31, 2023 between the Group and related parties are as follows.

Description	Loans Lending	Loans Collection	Borrowings Borrowing	Borrowings Repayment	Equity contribution
	(In thousands of USD Dollar and EUR Euro, In millions of Korean won)				
Joint ventures and associates	€ 68,600	-	$ 562,000	$ 565,000	₩ 1,490,366
			₩ -	₩ 3,425	

Significant fund transactions and equity contribution transactions for the year ended December 31, 2022 between the Group and related parties are as follows.

Description	Loans Lending	Loans Collection	Borrowings Borrowing	Borrowings Repayment	Equity contribution
	(In thousands of USD Dollar and Chinese Yuan, In millions of Korean won)				
Joint ventures and associates	¥ 15,000	-	$ 612,000	$ 600,000	₩ 2,002,648
			₩ 520	₩ 4,252	

For the years ended December 31, 2023 and 2022, the Group received dividends of ₩796,678 million and ₩503,634 million from related parties and affiliates by the Act, respectively and paid dividends of ₩590,131 million and ₩349,958 million to related parties, respectively. During 2023, the Group traded in other financial assets and others of ₩2,580,000 million with HYUNDAI MOTOR SECURITIES Co., Ltd., an associate of the Group. The Group has other financial assets of ₩310,000 million in the consolidated statement of financial position as of December 31, 2023.

For the year ended December 31, 2023, HYUNDAI MOTOR SECURITIES CO., Ltd., an associate of the Group, acquired bonds issued by the consolidated entities, HYUNDAI KEFICO CORPORATION and HYUNDAI ROTEM COMPANY in amount of ₩15,000 million and ₩5,000 million, respectively, and there are no acquired bonds for the year ended December 31, 2022.

(4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the years ended December 31, 2023 and 2022 is as follows.

Description		2023		2022
		(In millions of Korean Won)		
Short-term employee salaries	₩	374,972	₩	347,185
Retirement benefit costs		50,004		53,146
Other long-term benefits		1,518		1,289
Share-based payment		155		-
	₩	426,649	₩	401,620

(5) For the year ended December 31, 2023, the Group offers payment guarantee to related parties and affiliates by the Act.

39. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2023, the payment guarantees provided to related parties by the Group, excluding the ones provided to the Company's subsidiaries, are as follows.

Description		Domestic		Overseas (*)
		(In millions of Korean Won)		
To associates	₩	28,910	₩	216,119
To others		734		229,651
	₩	29,644	₩	445,770

(*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of December 31, 2023.

(2) As of December 31, 2023, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurance for potential losses which may result from product liabilities and other lawsuits. In addition, as of December 31, 2023, the Group is under investigation by related authorities in relation to the Theta 2 engine recall, and its results and impacts are unpredictable. The Group is unable to estimate the outcome of the lawsuits and the amount and timing of outflows of resources are uncertain. The Group expects that the impact on the consolidated financial statements will not be material.

(3) As of December 31, 2023, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩797,185 million. In addition, the Group pledged certain bank deposits, checks and promissory notes, including 213,466 shares of Kia Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables, are pledged as collateral for their borrowings.

(4) As of December 31, 2023, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank, with a combined limit of up to USD 33,700 million, and ₩5,756,500 million.

(5) As of December 31, 2023, HYUNDAI CAPITAL SERVICES, INC. and HYUNDAI CARD CO., LTD., subsidiaries of the Company, have entered into agreements for certain borrowings including trigger clauses for the purpose of credit enhancement. If the credit rating of HYUNDAI CAPITAL SERVICES, INC. and HYUNDAI CARD CO., LTD. falls below a certain level, this may result in early repayment of the borrowings or termination of the agreements.

(6) As of December 31, 2023, the Company has a shareholder agreement with the third party investors regarding shares of Hyundai Card Co., Ltd. and Hyundai Commercial Inc. This includes the call options that allow the Company to buy shares from the investors and the put options that allow the investors to dispose of the shares to the Company.

(7) As of December 31, 2023, the Company has an agreement to dispose of its shares of Hyundai Motor Manufacturing Rus LLC, which includes the call options clause that allow the Company to repurchase its shares. The call option can be terminated under an uncontrollable situation, but can be maintained through efforts by both parties to address such situation.

(8) In December 2019, the Company entered into an agreement to invest ₩1,408,220 million in the construction of new Global Business Centre (GBC). As of December 31, 2023, the Company has recognized relevant liability in the amount of ₩872,867 million in accordance with the agreement with the Seoul government to implement public contributions relating to the new construction project.

(9) Financial instruments with restricted use for the years ended December 31, 2023 and 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Short-term and long-term financial instruments	₩ 1,674,550	₩ 1,464,888
Cash and cash equivalents	537,734	631,954
Other financial assets	2	2
	₩ 2,212,286	₩ 2,096,844

40. SEGMENT INFORMATION:

(1) The Group's operating segments include vehicle segment, finance segment and others segment. The vehicle segment is engaged in the manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Others segment includes the R&D, train manufacturing and other activities.

(2) Sales and operating profit by operating segment for the year ended December 31, 2023 are as follows

Description	Vehicle	Finance	Others	Consolidation adjustments	Total
	For the year ended December 31, 2023 (In millions of Korean Won)				
Net sales (*1)	₩ 130,149,921	₩ 22,401,156	₩ 10,112,502	₩ -	₩ 162,663,579
Total sales (*2)	212,367,654	22,688,779	11,985,990	(84,378,844)	162,663,579
Operating profit	12,969,227	1,385,538	1,064,063	(291,927)	15,126,901

(*1) Net sales represent sales from external customers.
(*2) Total sales include inter-company sales within the Group.

Assets and liabilities by operating segment as of December 31, 2023 are as follows.

Description	Vehicle	Finance	Others	Consolidation adjustments	Total
	December 31, 2023 (In millions of Korean Won)				
Total assets	₩ 136,896,274	₩ 154,437,674	₩ 11,166,625	₩ (20,037,218)	₩ 282,463,355
Total liabilities	52,192,746	135,929,495	5,797,213	(13,265,539)	180,653,915

Sales and operating profit by operating segment for the year ended December 31, 2022 are as follows.

Description	For the year ended December 31, 2022 Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Net sales (*1)	₩ 113,341,992	₩ 20,037,912	₩ 8,771,565	₩ -	₩ 142,151,469
Total sales (*2)	180,440,977	20,306,157	10,438,311	(69,033,976)	142,151,469
Operating profit	7,910,469	1,844,571	581,718	(511,830)	9,824,928

(*1) Net sales represent sales from external customers.
(*2) Total sales include inter-company sales within the Group.

Assets and liabilities by operating segment as of December 31, 2022 are as follows.

Description	December 31, 2022 Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 133,885,205	₩ 135,124,336	₩ 9,793,550	₩ (23,060,629)	₩ 255,742,462
Total liabilities	58,838,578	117,649,362	5,910,506	(17,552,529)	164,845,917

(3) Sales and operating profit by operating segment for the years ended December 31, 2023 and 2022 are as follows.

Description	For the year ended December 31, 2023	2022
	(In millions of Korean Won)	
Vehicle (*)		
Sales	₩ 212,367,654	₩ 180,440,977
Cost of sales	183,498,370	156,494,938
Gross profit	28,869,284	23,946,039
Selling and administrative expenses	15,900,057	16,035,570
Operating profit	12,969,227	7,910,469
Loss on investments in joint ventures and associates, net	(155,986)	(193,709)
Finance income and expenses	4,649,392	1,931,640
Other income and expenses	(694,538)	(361,770)
Profit before income tax	16,768,095	9,286,630
Income tax expense	4,112,864	1,788,790
Profit for the period	12,655,231	7,497,840
Finance (*)		
Sales	22,688,779	20,306,157
Cost of sales	18,936,621	16,158,877
Gross profit	3,752,158	4,147,280
Selling and administrative expenses	2,366,620	2,302,709
Operating profit	1,385,538	1,844,571
Gain on investments in joint ventures and associates, net	49,618	88,737
Finance income and expenses	1,474	8
Other income and expenses	11,907	47,026
Profit before income tax	1,448,537	1,980,342
Income tax expense	215,121	801,286
Profit for the period	1,233,416	1,179,056
Others (*)		
Sales	11,985,990	10,438,311
Cost of sales	10,248,626	9,362,208
Gross profit	1,737,364	1,076,103

Selling and administrative expenses	673,301	494,385
Operating profit	1,064,063	581,718
Gain (loss) on investments in joint ventures and associates, net	601	(147)
Finance income and expenses	(3,418)	(36,465)
Other income and expenses	(57,041)	(3,627)
Profit before income tax	1,004,205	541,479
Income tax expense	252,008	(4,988)
Profit for the period	752,197	546,467
Consolidation adjustments	(1,648,822)	(1,021,060)
Profit for the period from continuing operations	12,992,022	8,202,303
Profit attributable to:		
Owners of the Company	12,463,736	7,515,003
Non-controlling interests	528,286	687,300
Loss for the period from discontinued operations	₩ (719,721)	₩ (218,689)
Loss attributable to:		
Owners of the Company	(502,020)	(150,639)
Non-controlling interests	(217,701)	(68,050)

(*) The amounts are aggregates of entities belonging to each segment, unadjusted for elimination of intercompany transactions.

(4) Assets by operating segment as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Vehicle (*)		
Current assets:		
Cash and cash equivalents	₩ 15,633,984	₩ 15,122,640
Financial instruments	10,016,084	14,778,819
Inventories	18,149,965	14,066,352
Trade notes and accounts receivable	9,568,659	12,839,194
Other assets	3,876,820	3,929,828
Total current assets	57,245,512	60,736,833
Non-current assets:		
Financial assets	3,496,251	3,256,063
Property, plant and equipment	35,662,209	32,941,558
Intangible assets	4,717,443	4,579,341
Investments in joint ventures and associates	29,724,875	26,611,995
Other assets	6,049,984	5,759,415
Total non-current assets	79,650,762	73,148,372
Total assets	136,896,274	133,885,205
Finance (*)		
Current assets:		
Cash and cash equivalents	2,632,288	4,659,822
Financial instruments	3,874,879	3,046,070
Inventories	316,540	190,877
Financial services receivables	43,425,548	38,400,027
Other assets	2,907,748	2,163,985
Total current assets	53,157,003	48,460,781
Non-current assets:		
Financial assets	1,382,273	1,431,179
Property, plant and equipment	850,165	613,529
Intangible assets	336,904	331,798
Investments in joint ventures and associates	1,677,486	1,557,709
Financial services receivables	64,809,911	52,576,986
Investments in operating leases	30,266,083	28,355,783
Other assets	1,957,849	1,796,571
Total non-current assets	101,280,671	86,663,555
Total assets	154,437,674	135,124,336
Others (*)		
Current assets:		
Cash and cash equivalents	1,040,150	954,871
Financial instruments	1,467,699	866,684
Inventories	1,607,765	1,465,788
Trade notes and accounts receivable	1,428,134	1,283,400
Other assets	2,272,612	2,027,818
Total current assets	7,816,360	6,598,561
Non-current assets:		
Financial assets	61,200	48,104
Property, plant and equipment	2,528,297	2,462,917
Intangible assets	237,022	195,282
Investments in joint ventures and associates	469	9,854
Other assets	523,277	478,832
Total non-current assets	3,350,265	3,194,989
Total assets	11,166,625	9,793,550
Consolidation adjustments	(20,037,218)	(23,060,629)
Total assets	₩ 282,463,355	₩ 255,742,462

Liabilities by operating segment as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Vehicle (*)		
Current liabilities:		
Trade notes and accounts payable	₩ 15,991,327	₩ 19,560,146
Other payables	6,613,077	6,284,763
Borrowings and debentures	3,225,872	6,169,978
Provisions	7,306,099	8,102,910
Other liabilities	8,418,082	6,929,017
Total current liabilities	41,554,457	47,046,814
Non-current liabilities:		
Borrowings and debentures	2,057,140	3,813,212
Net defined benefit liabilities	44,953	41,513
Provisions	4,605,057	4,533,879
Other liabilities	3,931,139	3,403,160
Total non-current liabilities	10,638,289	11,791,764
Total liabilities	52,192,746	58,838,578
Finance (*)		
Current liabilities:		
Other payables	3,310,026	2,623,663
Borrowings and debentures	35,489,760	36,297,818
Provisions	271,574	218,721
Other liabilities	1,998,487	1,907,826
Total current liabilities	41,069,847	41,048,028
Non-current liabilities:		
Borrowings and debentures	88,296,175	71,030,315
Provisions	28,309	28,849
Other liabilities	6,535,164	5,542,170
Total non-current liabilities	94,859,648	76,601,334
Total liabilities	135,929,495	117,649,362
Others (*)		
Current liabilities:		
Trade notes and accounts payable	1,065,212	960,691
Other payables	222,056	167,427
Borrowings and debentures	805,496	1,283,660
Provisions	147,511	99,811
Other liabilities	2,605,152	1,676,220
Total current liabilities	4,845,427	4,187,809
Non-current liabilities:		
Borrowings and debentures	610,861	941,734
Net defined benefit liabilities	32,315	20,348
Provisions	158,811	168,107
Other liabilities	149,799	592,508
Total non-current liabilities	951,786	1,722,697
Total liabilities	5,797,213	5,910,506
Consolidation adjustments	(13,265,539)	(17,552,529)
Total liabilities	₩ 180,653,915	₩ 164,845,917

Equity by operating segment as of December 31, 2023 and December 31, 2022 is as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Vehicle (*)		
Capital stock	₩ 13,814,222	₩ 11,476,313
Capital surplus	4,457,140	4,380,670
Other capital items	(1,197,161)	(1,714,005)
Accumulated other comprehensive income (loss)	(1,351,352)	(1,680,138)
Retained earnings	68,980,668	62,583,774
Equity attributable to the owners of the Company	84,703,517	75,046,614
Non-controlling interests	11	13
Total equity	84,703,528	75,046,627
Finance (*)		
Capital stock	3,483,947	3,479,326
Capital surplus	446,317	446,317
Other capital items	158,830	299,240
Accumulated other comprehensive income (loss)	979,767	947,192
Retained earnings	13,439,318	12,302,899
Equity attributable to the owners of the Company	18,508,179	17,474,974
Non-controlling interests	-	-
Total equity	18,508,179	17,474,974
Others (*)		
Capital stock	1,021,187	1,023,526
Capital surplus	1,411,438	576,152
Other capital items	(5,713)	-
Accumulated other comprehensive income (loss)	253,353	207,417
Retained earnings	2,720,065	2,103,887
Equity attributable to the owners of the Company	5,400,330	3,910,982
Non-controlling interests	(30,918)	(27,938)
Total equity	5,369,412	3,883,044
Consolidation adjustments	(6,771,679)	(5,508,100)
Total equity	₩ 101,809,440	₩ 90,896,545

(*) The amounts are aggregates of entities belonging to each segment, unadjusted for elimination of intercompany transactions.

(5) Cash flows by operating segment for the years ended December 31, 2023 and 2022 are as follows.

Description	For the year ended December 31, 2023	2022
	(In millions of Korean Won)	
Vehicle (*)		
Cash flows from operating activities:		
Profit for the period	₩ 12,413,564	₩ 7,267,737
Adjustments	9,281,038	11,189,692
Changes in operating assets and liabilities	(7,571,558)	(4,982,787)
Interest received (paid)	1,002,974	425,270
Dividend received	3,652,323	1,678,864
Income tax paid	(3,408,455)	(2,047,422)
Net cash provided by operating activities	15,369,886	13,531,354
Cash flows from investing activities:		
Changes in financial instruments	(989,805)	1,604,166
Changes in investment in joint ventures and associates	(1,322,033)	(1,165,862)
Changes in property, plant and equipment intangible assets	(7,991,770)	(5,184,167)
Others	3,154,743	335,666
Net cash used in investing activities	(7,148,865)	(4,410,197)
Cash flows from financing activities:		
Changes in short-term borrowings	(2,347,941)	(1,842,721)
Changes in long-term debt and debentures	(2,478,999)	(1,343,537)
Proceeds from capital contribution from non-controlling interest	2,321,964	1,568,678
Purchases of treasury stocks	-	(193,451)
Dividends paid	(5,241,389)	(2,441,105)
Others	(143,711)	(112,334)
Net cash used in financing activities	(7,890,076)	(4,364,470)
Effect of exchange rate changes on cash and cash equivalents	180,399	(46,913)
Net increase in cash and cash equivalents	511,344	4,709,774
Finance (*)		
Cash flows from operating activities:		
Profit for the period	1,233,415	1,179,056
Adjustments	7,342,101	8,662,786
Changes in operating assets and liabilities	(21,288,494)	(10,198,949)
Interest received (paid)	(3,567,110)	(2,214,260)
Dividend received	175,598	1,303
Income tax paid	(196,822)	(248,038)
Net cash used in operating activities	(16,301,312)	(2,818,102)
Cash flows from investing activities:		
Changes in financial instruments	-	-
Changes in investment in joint ventures and associates	(179,571)	(75,991)
Changes in property, plant and equipment intangible assets	(399,324)	(119,633)
Others	(157,850)	(73,749)
Net cash used in investing activities	(736,745)	(269,373)
Cash flows from financing activities:		
Changes in short-term borrowings	(1,752,921)	1,972,663
Changes in long-term debt and debentures	16,965,023	4,880,932
Proceeds from capital contribution from non-controlling interest	4,626	2,153
Purchases of treasury stocks	(3,685)	-
Dividends paid	(60,977)	(91,752)
Others	(152,612)	(580,042)
Net cash provided by financing activities	14,999,454	6,183,954

Description	For the year ended December 31, 2023	2022
Effect of exchange rate changes on cash and cash equivalents	11,069	22,023
Net increase (decrease) in cash and cash equivalents	(2,027,534)	3,118,502
Others (*)		
Cash flows from operating activities:		
Profit for the period	752,197	546,411
Adjustments	757,274	439,872
Changes in operating assets and liabilities	294,593	439,871
Interest received (paid)	2,381	(39,984)
Dividend received	484	108
Income tax paid	(288,565)	(98,142)
Net cash provided by operating activities	1,518,364	1,288,136
Cash flows from investing activities:		
Changes in financial instruments	(346,989)	(463,400)
Changes in investment in joint ventures and associates	(440)	(110)
Changes in property, plant and equipment intangible assets	(429,153)	(279,034)
Others	(240,543)	263,808
Net cash used in investing activities	(1,017,125)	(478,736)
Cash flows from financing activities:		
Changes in short-term borrowings	(136,018)	(158,936)
Changes in long-term debt and debentures	(571,389)	(237,446)
Proceeds from capital contribution from non-controlling interest	466,535	-
Purchases of treasury stocks	-	-
Dividends paid	(130,644)	(103)
Others	(52,331)	(46,613)
Net cash used in financing activities	(423,847)	(443,098)
Effect of exchange rate changes on cash and cash equivalents	7,887	(6,384)
Net increase in cash and cash equivalents	85,279	359,918
Consolidation adjustments	(267,349)	(118,869)
Net increase (decrease) in cash and cash equivalents	(1,698,260)	8,069,325
Cash and cash equivalents, beginning of the period	20,864,879	12,795,554
Cash and cash equivalents, end of the period	₩ 19,166,619	₩ 20,864,879

(*) The amounts are aggregates of entities belonging to each segment, unadjusted for elimination of intercompany transactions.

(6) Sales by region based on where the Group's entities are located for the years ended December 31, 2023 and 2022 are as follows.

Description	Korea	North America	Asia	Europe	Others	Total
	For the year ended December 31, 2023					
	(In millions of Korean Won)					
Net sales	₩ 50,145,518	₩ 66,423,274	₩ 17,498,807	₩ 23,809,444	₩ 4,786,536	₩ 162,663,579

Description	Korea	North America	Asia	Europe	Others	Total
	For the year ended December 31, 2022					
	(In millions of Korean Won)					
Net sales	₩ 44,725,966	₩ 55,941,024	₩ 15,594,336	₩ 21,741,766	₩ 4,148,377	₩ 142,151,469

(7) Non-current assets by region where the Group's entities are located as of December 31, 2023 and 2022 are as follows.

Description	December 31, 2023	December 31 2022
	(In millions of Korean Won)	
Korea	₩ 35,311,711	₩ 33,935,698
North America	4,751,419	3,211,607
Asia	3,021,481	2,835,528
Europe	1,806,587	2,012,856
Others	656,502	623,992
	45,547,700	42,619,681
Consolidation adjustments	(262,067)	(219,664)
Total (*)	₩ 45,285,633	₩ 42,400,017

(*) Total amount is the same as summation of PP&E, intangible assets and investment properties.

(8) There is no single external customer who represents 10% or more of the Group's sales for years ended December 31, 2023 and 2022.

41. CONSTRUCTION CONTRACTS:

(1) Cost, income and loss and claimed construction from construction in progress as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Accumulated cost	₩ 14,689,631	₩ 14,866,771
Accumulated income	937,245	336,083
Accumulated construction in process	15,626,876	15,202,854
Progress billing	16,071,925	15,006,020
Due from customers	1,191,078	1,413,886
Due to customers	1,636,127	1,217,052
Reserve (*)	62,197	77,915

(*) Reserve is recognized as long-term trade notes and accounts receivable in the consolidated financial statements.

(2) Effects on profit or loss of current and future periods, due from customers related to changes in accounting estimates of total contract revenue and total contract costs of ongoing contracts of Hyundai Rotem, a subsidiary of the Company, as of December 31, 2023 are as follows.

Description	December 31, 2023	
	(In millions of Korean Won)	
Changes in accounting estimates of total contract revenue	₩	535,107
Changes in accounting estimates of total contract costs		229,894
Effects on profit or loss of current period		(25,738)
Effects on profit or loss of future periods		330,951
Changes in due from customers		(62,835)
Provision for construction loss		39,470

Effects on profit or loss of current and future periods were calculated with estimated total contract costs and estimated total contract revenue based on factors that are considered to be relevant from commencement of the contract to December 31, 2023. Total contract revenue and costs may change in future periods.

(3) There is no contract as of December 31, 2023, in which contract revenue is recognized using the percentage of completion method based on the input method, that accounted for more than 5% of the Group's revenue in the prior period.

42. BUSINESS COMBINATIONS:

The Group acquired 54.35% of shares in UB1st Co., Ltd. during the year ended December 31, 2023.

The accounting for the business combination at the acquisition date is as follows.

Description	Amount	
	(In millions of Korean Won)	
Total considerations transferred	₩	3,000
Non-controlling interests		363
Assets and liabilities acquired:		
Current assets		4,103
Non-current assets		2,871
Current liabilities		4,599
Non-current liabilities		1,579
Fair value of identifiable net assets		796
Goodwill		2,567

The amounts of sales and net loss of the acquiree since the acquisition date included in the consolidated statement of income for the year ended December 31, 2023 are ₩6,089 million and ₩777 million, respectively.

43. DISCONTINUED OPERATIONS:

The sale of Hyundai Motor Manufacturing Rus LLC (HMMR) was approved by the Board of Directors on December 19, 2023. The sale is expected to be completed within one year from December 31, 2023. As of December 31, 2023, Hyundai Motor Manufacturing Rus LLC (HMMR) is classified as disposal group and discontinued operation.

Operating results of Hyundai Motor Manufacturing Rus LLC (HMMR) for the years ended December 31, 2023 and 2022 are as follows.

Description	For the year ended December 31, 2023	2022
	(In millions of Korean Won)	
Sales	₩ 41,244	₩ 376,066
Cost of sales	106,235	329,914
Gross profit	(64,991)	46,152
Selling and administrative expenses	(8,401)	51,311
Operating profit	(56,590)	(5,159)
Gain on investments in joint ventures and associates, net	1,297	(1,047)
Finance income	32,638	232,920
Finance expenses	128,420	174,590
Other income	105,750	326,199
Other expenses	65,920	432,741
Impairment loss remeasured at fair value	630,131	179,110
Profit before income tax	(741,376)	(233,528)
Income tax expense	(21,655)	(14,839)
Loss for the period from discontinued operations	₩ (719,721)	₩ (218,689)

Assets and liabilities classified as held for sale due to discontinued operations as of December 31, 2023 and December 31, 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Assets:		
Current assets:		
Cash and cash equivalents	₩ 70,804	₩ -
Other receivables	4,445	-
Inventories	268,071	-
Other assets	11,773	-
Others	2,730	-
Total current assets	357,823	-
Non-current assets:		
Other assets	8,927	-
Property, plant and equipment	54,761	-
Deferred tax assets	12,295	-
Others	697	-
Total non-current assets	76,680	-
Liabilities:		
Current liabilities:		
Trade notes and accounts payable	3,061	-
Current portion of long-term debts	88,462	-
Provisions	8,682	-
Other liabilities	13,631	-
Total current liabilities:	113,836	-
Non-current liabilities:		
Provisions	9,015	-
Total non-current liabilities:	9,015	-

Net cash flows generated from Hyundai Motor Manufacturing Rus LLC (HMMR) for the years ended December 31, 2023 and 2022 are as follows.

Description	December 31, 2023	December 31, 2022
	(In millions of Korean Won)	
Cash flows from operating activities	₩ (276,116)	₩ (62,608)
Cash flows from investing activities	(65,282)	(91,056)
Cash flows from financing activities	(228,892)	585

44. SUBSEQUENT EVENTS:

The Group declared acquisition of hydrogen fuel cell business based on the resolution of the Board of Directors on February 16, 2024. The details are as follow:

Description	Contents
Seller	Hyundai MOBIS Co., Ltd.
Date of acquisition	May 31, 2024
Object of acquisition	Domestic hydrogen fuel cell business
Price for acquisition	₩217,800 million

$60,000,000,000

Hyundai Capital America

Medium-Term Notes, Series A

OFFERING MEMORANDUM
March 12, 2024

Barclays
BNP PARIBAS
BNY Mellon Capital Markets, LLC
BofA Securities
Citigroup
COMMERZBANK
Credit Agricole CIB
HSBC
J.P. Morgan
Lloyds Securities
Mizuho
MUFG
RBC Capital Markets
Santander
SMBC Nikko
SOCIETE GENERALE
TD Securities
US Bancorp
Wells Fargo Securities