HYUNDAI CARD CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

Hyundai Card Co., Ltd. and Subsidiaries
December 31, 2023 and 2022

Page(s)

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Independent Auditors' Report

(Based on a report originally issued in Korean)

To the Board of Directors and Shareholders of
Hyundai Card Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Hyundai Card Co., Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audits 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 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 controls that we identify during our audit.

KPMG Samjong Accounting Corp.

Seoul, Korea

March 8, 2024

This report is effective as of March 8, 2024, 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 Card Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2023 and 2022

(In Korean won)	Notes		2023		2022
Assets					
Cash and cash equivalents	5,30,31,32,36	₩	1,049,247,085,470	₩	2,269,390,254,066
Deposits	5,30,31,32,36		77,577,698,628		95,118,000,000
Financial assets at fair value through profit or loss	6,30,31,32		674,898,536,094		477,979,725,099
Financial assets at fair value through other comprehensive income	6,31,32		9,358,693,684		9,358,693,684
Investments in associates	6		57,733,835		688,980,677
Derivative assets	16,30,31,32,34		49,291,588,900		159,671,443,244
Financial assets at amortized cost	7,30,31,32,33,35		20,763,584,348,505		20,605,076,823,215
Property and equipment	8,35		632,325,285,378		379,890,987,673
Intangible assets	9,35		132,008,880,775		131,655,371,345
Right-of-use assets	10		26,807,734,457		254,109,583,128
Net defined benefit assets	13		10,618,805,142		26,622,526,455
Deferred tax assets	28		130,801,641,542		119,644,476,168
Other assets	11,30,31,32		380,661,892,861		573,152,713,983
Total assets		₩	23,937,239,925,271	₩	25,102,359,578,737
Liabilities					
Borrowings	12,30,31,32,33,37	₩	3,283,282,178,841	₩	3,733,888,880,000
Debentures	12,30,31,32,33,37		13,534,091,181,316		14,494,474,581,101
Derivative liabilities	16,30,31,32,34		56,563,004,126		45,682,604,813
Lease liabilities	10,30,31,32,35		25,996,342,907		251,181,629,371
Current tax liabilities	28		29,927,342,869		42,647,430,562
Net defined benefit liabilities	13		5,191,554,848		6,582,548,310
Provisions	14,37		167,228,036,741		135,190,077,394
Other liabilities	15,30,31,32,35		3,004,488,261,480		2,547,148,934,104
Total liabilities			20,106,767,903,128		21,256,796,685,655
Equity					
Share capital	1,17		802,326,430,000		802,326,430,000
Reserves	18		57,704,443,955		57,704,443,955
Capital adjustment			(760,020,000)		-
Hybrid securities	19		159,590,030,000		299,239,980,000
Accumulated other comprehensive income	21		6,054,151,814		73,135,836,962
Retained earnings	20,22		2,805,556,986,374		2,613,156,202,165
Total equity			3,830,472,022,143		3,845,562,893,082
Total liabilities and equity		₩	23,937,239,925,271	₩	25,102,359,578,737

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Hyundai Card Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

(In Korean won)	Notes		2023		2022
Operating income					
Card income	23,31,35	₩	1,631,200,322,381	₩	1,310,750,742,199
Interest income	24,31		1,249,805,776,694		1,277,224,302,499
Gain on valuation and disposal of securities	31		19,575,869,259		12,889,359,497
Dividend income	31		20,075,495		20,263
Reversal of credit loss allowance	14		-		838,703,251
Other operating income	25,31		324,213,300,769		414,511,271,735
			3,224,815,344,598		3,016,214,399,444
Operating expenses					
Card expenses	23,31,35		921,265,756,727		804,996,143,369
Interest expenses	24,31		568,179,420,231		403,679,732,067
Selling and administrative expenses	13,26,35		779,717,391,246		768,938,873,420
Securitization expenses			4,023,511,148		3,459,291,593
Provision for credit loss allowance	7,11,14,31		452,975,622,659		432,306,396,094
Loss on valuation and disposal of securities	31		1,203,899,250		7,630,092,883
Other operating expenses	25,31		147,362,309,108		279,874,179,273
			2,874,727,910,369		2,700,884,708,699
Operating profit			350,087,434,229		315,329,690,745
Non-operating income	27		3,930,165,031		16,924,479,038
Non-operating expenses	6,27		3,266,271,588		2,189,883,418
Profit before income tax expense			350,751,327,672		330,064,286,365
Income tax expense	28		85,645,202,175		76,107,521,801
Profit for the year	20	₩	265,106,125,497	₩	253,956,764,564
Other comprehensive income	21				
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit liabilities			(8,128,015,093)		231,266,505
Gain on valuation of financial assets at fair value though other comprehensive income			7,810,225		574,085,819
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges			(58,961,480,280)		66,566,722,133
			(67,081,685,148)		67,372,074,457
Total comprehensive income for the year		₩	198,024,440,349	₩	321,328,839,021
Earnings per share	29				
Basic earnings per share		₩	1,579	₩	1,495
Diluted earnings per share		₩	1,579	₩	1,495

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Hyundai Card Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2023 and 2022

(In Korean won)	Share capital	Reserves: Share premium	Reserves: Other reserves	Capital adjustment	Hybrid securities	Accumulated other comprehensive income	Retained earnings	Total
Balance at January 1, 2022	₩ 802,326,430,000	₩ 45,399,364,539	₩ 12,305,079,416	₩ -	₩ 299,239,980,000	₩ 5,763,762,505	₩ 2,463,320,463,047	₩ 3,628,355,079,507
Changes in equity								
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	253,956,764,564	253,956,764,564
Other comprehensive income								
Remeasurements of net defined benefit liabilities	-	-	-	-	-	231,266,505	-	231,266,505
Cash flow hedges	-	-	-	-	-	66,566,722,133	-	66,566,722,133
Gain on valuation of financial assets at fair value though other comprehensive income	-	-	-	-	-	574,085,819	-	574,085,819
Transactions with shareholders								
Dividends paid	-	-	-	-	-	-	(90,021,025,446)	(90,021,025,446)
Dividends on hybrid securities	-	-	-	-	-	-	(14,100,000,000)	(14,100,000,000)
Balance at December 31, 2022	₩ 802,326,430,000	₩ 45,399,364,539	₩ 12,305,079,416	₩ -	₩ 299,239,980,000	₩ 73,135,836,962	₩ 2,613,156,202,165	₩ 3,845,562,893,082
Balance at January 1, 2023	₩ 802,326,430,000	₩ 45,399,364,539	₩ 12,305,079,416	₩ -	₩ 299,239,980,000	₩ 73,135,836,962	₩ 2,613,156,202,165	₩ 3,845,562,893,082
Changes in equity								
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	265,106,125,497	265,106,125,497
Other comprehensive income								
Remeasurements of net defined benefit liabilities	-	-	-	-	-	(8,128,015,093)	-	(8,128,015,093)
Cash flow hedges	-	-	-	-	-	(58,961,480,280)	-	(58,961,480,280)
Gain on valuation of financial assets at fair value though other comprehensive income	-	-	-	-	-	7,810,225	-	7,810,225
Transactions with shareholders								
Dividends paid	-	-	-	-	-	-	(60,976,808,680)	(60,976,808,680)
Dividends on hybrid securities	-	-	-	-	-	-	(11,728,532,608)	(11,728,532,608)
Issuance of hybrid securities	-	-	-	-	159,590,030,000	-	-	159,590,030,000
Redemption of hybrid securities	-	-	-	(760,020,000)	(299,239,980,000)	-	-	(300,000,000,000)
Balance at December 31, 2023	₩ 802,326,430,000	₩ 45,399,364,539	₩ 12,305,079,416	₩ (760,020,000)	₩ 159,590,030,000	₩ 6,054,151,814	₩ 2,805,556,986,374	₩ 3,830,472,022,143

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Hyundai Card Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

(In Korean won)	Note		2023		2022
Cash flows from operating activities					
Cash generated from operating activities	36	₩	11,011,108,418	₩	(1,096,484,345,468)
Interests received			1,158,861,902,850		1,082,580,414,945
Interests paid			(464,669,840,691)		(489,993,627,232)
Dividends received			20,075,495		20,263
Income taxes paid			(87,856,889,260)		(115,008,008,801)
Net cash inflow (outflow) from operating activities			617,366,356,812		(618,905,546,293)
Cash flows from investing activities					
Disposal of financial assets at fair value through profit or loss			1,709,479,195		2,483,106,397
Disposal of property and equipment			3,005,401,732		30,262,690,680
Acquisition of financial assets at fair value through profit or loss			(4,750,080,000)		(3,130,828,000)
Acquisition of financial assets at fair value through other comprehensive income			-		(7,600,069,684)
Acquisition of investments in associates			-		(800,000,000)
Acquisition of property and equipment			(279,058,615,412)		(47,509,505,532)
Acquisition of intangible assets			(37,663,151,898)		(38,366,659,473)
Net (increase) decrease in guarantee deposits provided			7,347,078,239		(5,697,604,203)
Net cash outflow from investing activities			(309,409,888,144)		(70,358,869,815)
Cash flows from financing activities	36				
Proceeds from borrowings			2,240,000,000,000		3,265,000,000,000
Proceeds from issue of debentures			18,235,995,834,067		18,541,029,536,130
Proceeds from issue of hybrid securities			159,590,030,000		-
Repayment of borrowings			(2,596,666,680,000)		(1,858,444,440,000)
Repayment of debentures			(19,177,800,000,000)		(17,445,043,334,796)
Repayment of hybrid securities			(300,000,000,000)		-
Repayment of lease liabilities			(15,267,012,651)		(19,210,043,241)
Dividends paid			(60,976,808,680)		(90,021,025,446)
Dividends on hybrid securities			(12,975,000,000)		(14,100,000,000)
Net cash inflow (outflow) from financing activities			(1,528,099,637,264)		2,379,210,692,647
Net increase (decrease) in cash and cash equivalents			(1,220,143,168,596)		1,689,946,276,539
Cash and cash equivalents at the beginning of the year	36		2,269,390,254,066		579,443,977,527
Cash and cash equivalents at the end of the year	36	₩	1,049,247,085,470	₩	2,269,390,254,066

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

1. GENERAL INFORMATION:

Hyundai Card Co., Ltd. (the "Company" or the "Parent Company"), which is a controlling company in accordance with Korean International Financial Reporting Standard ("K-IFRS") No. 1110, *Consolidated Financial Statements*, is engaged in the credit card business with its headquarters located at 3, Uisadang-daero, Yeongdeungpo-gu, Seoul. On June 15, 1995, the Company acquired the credit card business of Korea Credit Circulation Co., Ltd., and on June 16, 1995, the Korean government granted permission to the Company to engage in the credit card business. The Company operates its business under the Specialized Credit Financial Business Act and other relevant applicable regulations.

As of December 31, 2023, the Company has approximately 11.30 million card members, 3.14 million registered merchants and 16 marketing centers and branches (including 1 overseas branch).

As of December 31, 2023, the total ordinary shares of the Company are ₩802,326 million after several capital increases and retirement of treasury shares. The shareholders as of December 31, 2023 and 2022, are as follows:

	December 31, 2023		December 31, 2022	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Hyundai Motor Co., Ltd.	59,301,937	36.96%	59,301,937	36.96%
Kia Corporation	10,398,877	6.48%	10,398,877	6.48%
Hyundai Commercial Inc.	55,518,860	34.62%	55,518,860	34.62%
Taipei Fubon Commercial Bank Co., Ltd.	16,046,528	9.99%	16,046,528	9.99%
Taipei Fubon Life Insurance Co., Ltd.	16,046,528	9.99%	16,046,528	9.99%
Others	3,152,556	1.96%	3,152,556	1.96%
	160,465,286	100.00%	160,465,286	100.00%

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS PREPARATION AND MATERIAL ACCOUNTING POLICIES:

2.1 Basis of consolidated financial statements preparation

The Group has prepared the consolidated financial statements in accordance with K-IFRS.

The principal accounting policies are set out below. Except for the effect of the amendments to K-IFRS and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2023, are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2022.

The accompanying consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given.

Management has, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, management continues to adopt the going-concern basis of accounting in preparing the consolidated financial statements.

2.2 New and amended standards adopted by the Group

The Group has applied the following standards and interpretations for the first time for its annual reporting period commencing January 1, 2023:

- Amendments to K-IFRS No.1001 'Presentation of Financial Statements' – Accounting Policy Disclosure

The amendments require an entity to define and disclose their material accounting policy information. These amendments do not have a significant impact on the consolidated financial statements.

- Amendments to K-IFRS No.1008 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policy. These amendments do not have a significant impact on the consolidated financial statements.

- Amendments to K-IFRS No.1012 'Income Taxes' – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments narrow the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. These amendments do not have a significant impact on the consolidated financial statements.

- Amendments to K-IFRS No.1001 Presentation of Financial Statements— Disclosure of gains or losses on valuation of financial liabilities with exercise price adjustment conditions

The amendments require disclosures about the carrying amount and related gains or losses of financial liabilities for financial products that are classified as financial liabilities in whole or in part, where the exercise price is adjusted based on fluctuations in the issuer's share price. These amendments do not have a significant impact on the consolidated financial statements.

2.3 New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations that have been published, that are not mandatory for annual reporting period commencing January 1, 2023, and that have not been early adopted by the Group are set out below.

- Amendments to K-IFRS No.1001 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise the right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual reporting periods beginning on or after January 1, 2024, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.4 Material Accounting Policies

1) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Parent Company (and its subsidiaries). Control is achieved where the Group 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee and 3) 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.

When 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 the Group has, or does not have, the current ability to direct the relevant activities at the time decisions need to be made, including voting patterns at previous shareholders’ meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition to the effective date of disposal, as appropriate. Carrying amounts of the non-controlling interests in subsidiaries are adjusted with the changes in proportion of the equity held by non-controlling interests after initial acquisition of non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

When the Parent Company 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) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Parent Company had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS No. 1109 or when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2) Cash and cash equivalents

The Group classifies investments with a maturity of less than 3 months from the acquisition date as cash and cash equivalents.

3) Financial assets at amortized cost

Financial assets at amortized cost consists of card assets and loan receivables that are amounts due from customers for services performed in the ordinary course of business. Card assets and loan receivables are initially measured at fair value, including direct transaction cost; thereafter, they are measured at amortized cost using the effective interest rate method, except for the financial assets classified as at fair value through profit or loss.

(a) Card receivables

The Group records card receivables when its cardholders make purchases from domestic and foreign merchants and when cardholders of MasterCard International, Visa International and Diners Club International make purchases from domestic merchants. Commission from merchants for advance payments and commission from cardholders for instalment payments and cash advances are recognized as revenue on an accrual basis. Card receivables with non-interest-bearing instalment payment are initially recognized at fair value using a discounted cash flow ("DCF"). As interest rate and other factors that are considered for calculating the DCF of interest-bearing instalment payments are different than those for non-interest-bearing instalment payment, the Group independently determines the discount rates for non-interest-bearing instalment payments using objective and reasonable method.

(b) Short-term card loan

The Group provides the short-term card loan to its cardholders in accordance with the Specialized Credit Financial Business Law. Commission income is accrued on a daily basis based on a constant rate per cardholder's credit rate until repayments of short-term card loan.

(c) Long-term card loan

The Group provides the long-term card loan to its cardholders in accordance with the Specialized Credit Financial Business Law. Commission income is accrued on a daily basis based on a constant rate per cardholder's credit rate until repayments of long-term card loan.

(d) Loan receivables

The Group provides the credit loans and others in accordance with the Specialized Credit Financial Business Law. Commission income is accrued on a daily basis based on a constant rate until repayments of credit loans.

4) Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured at fair value through profit or loss (or other comprehensive income)
- Those to be measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when, its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in the fair value of investments in undesignated equity instruments are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Effective interest method interest income' using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Effective interest method interest income' using the effective interest rate method. Foreign exchange gains or losses are presented in 'gain or loss on foreign currency valuation and transactions' and impairment losses are presented in 'gain or loss on valuation and disposal of securities.'

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statements of comprehensive income, within 'gain or loss on valuation and disposal of securities,' in the year in which it arises.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continues to be recognized in profit or loss as 'dividend income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'gain or loss on valuation and disposal of securities' in the statements of comprehensive income as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income is not reported separately from other changes in fair value.

(c) 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.

(d) Expected Credit Losses

(i) Measurement of expected credit losses (loss allowances)

At the end of each reporting period, the loss allowance is recognized by assessing the expected credit losses of financial assets measured at amortized cost, excluding financial assets measured at fair value through profit or loss.

Expected credit losses of a financial instrument reflect (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Lifetime expected credit losses are recognized on financial assets that are measured at amortized cost for which there has been significant increases in credit risk since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Lifetime expected credit losses mean the expected credit losses that result from all possible default events over the expected life of a financial instrument. Meanwhile, 12-month expected credit losses mean the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group uses the information below to determine whether there is a significant increase in credit risk and considers that there has been a significant increase in credit risk if at least one of the following items is applicable.

- Thirty days or more overdue (seven days overdue for limited credit card products).
- Credit rating as of settlement date is more than a certain width drop compared to initial recognition.
- The internal credit rating is below a certain rating as of the settlement date.
- In case of other qualitative indicators defined on their own, consider the characteristics of the debtor, the loan and the market.

The Group defines default in accordance with its risk management policy, which means that at least one of the following items is applicable:

- Sixty days or more overdue.
- Written off due to credit deterioration.
- Sell credit bonds at the risk of significant economic losses due to worsening credit ratings.
- In the course of debt restructuring, the bond is reduced due to the exemption or postponement of principal, interest or related fees.
- Bankruptcy or similar lawsuit filed against the debtor.
- Bankruptcy or similar action is taken by the debtor to delay or avoid the repayment of debts to the financial institution.
- In addition to the above reasons for impairment defined by the regulator, debtors, loans and other reasons for damage defined on their own, taking into account market characteristics.

This will enable the Group to recognize loss allowances that are consistent with the risk management policies of the Group and based on best estimates.

(ii) Reflection of forward-looking information

The Group reflects forward-looking information in measuring expected credit losses.

The Group assumes that the risk components of expected credit loss have a certain correlation with economic fluctuations and calculates expected credit losses by modeling the macroeconomic variables and the measuring elements to reflect forward-looking information into the measurement elements.

(iii) Measurement of expected credit losses of financial assets measured at amortized cost

For financial assets measured at amortized cost, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive. To this end, the Group calculates the cash flows that are expected to be recovered for individually significant financial assets (individual assessment provision for impairment).

For financial assets that are not individually significant, the financial assets are included in a group of financial assets with similar credit risk characteristics and measure expected credit losses collectively (collective assessment provision for impairment).

- Individual assessment provision for impairment

The individual assessment provision for impairment is based on management's best estimate of the present value of the cash flows expected to be recovered from the bonds being assessed. When estimating such cash flows, the Group determines all available information, such as the financial situation of the other party's operating cash flows and the net realizable value of the related collateral.

- Collective assessment provision for impairment

The collective assessment provision for impairment is measured using an estimated model that further reflects forward-looking information based on historical experience loss data to measure expected losses inherent in the portfolio. The model applies the probability of default and loss-given default for each asset (or asset set), considering a variety of factors, including the type of product and debtor, credit rating, portfolio size and recovery period. In addition, certain assumptions are applied to model the measurement of expected credit losses and determine input variables based on past experiences and forward-looking information situations. The methodology and assumptions of this model are regularly reviewed to reduce the difference between the estimated loan-loss reserves and the actual losses.

The expected credit losses on financial assets measured at amortized cost are reflected using the provision for impairment account, and the book value amount and provision for impairment are reduced if the financial assets are deemed unrecoverable. In the event that a previously impaired financial asset is recovered, the provision for impairment is increased and the changes in the provision for impairment are recognized as profit and loss.

(iv) Write-off of policy

The Group writes off the related receivables if it determines that the financial receivables is non-recoverable. This decision is made in consideration of significant changes in the financial position of the debtor and the issuer, such as when the debt is no longer payable or the amount recoverable from the collateral is insufficient. Meanwhile, for standardized micro receivables, write-off decisions are generally determined by the overdue status of the receivables.

5) Property and equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment is directly attributable to its purchase or construction, which includes any costs 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. It also includes the initial estimate of the costs of dismantling and removing the item, and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset, if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measurable. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives
Buildings	40 years
Fixtures and equipment	4 years
Vehicles	4 years, 15 years

Each part of property and equipment with a cost that is significant in relation to the total cost is depreciated separately.

The Group assesses the depreciation method, the estimated useful lives and residual values of property and equipment at the end of each reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

When future economic benefits are not expected through the use or disposition of property and equipment, the Group removes the book amount of the assets from the consolidated statements of financial position. The difference between the amounts received from the disposal and the book amount of assets is recognized as profit (loss) for the period when the assets are removed.

6) Intangible assets

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

(b) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new or substantially improved products, and the Group can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in loss for the period when it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(c) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their deemed cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(d) Disposal of intangible assets

If future economic benefits are not expected through the use or disposition of the intangible assets, the Group removes the book amount of the assets from the consolidated financial statements. The difference between the amounts received from the disposal of intangible assets and the book amounts of the assets are recognized as profit (loss) for the period when the assets are removed.

7) Impairment of property and equipment and intangible assets, other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets for which recoverable amounts are not individually estimated are also allocated to individual CGUs, or otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

Recoverable amounts are the higher of fair value, less costs to sell, or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If impairment recognized in prior periods is reversed, the book amount of the individual assets (or CGU) is the smaller of the carrying amount of the recoverable amount or the book amount that the impairment would not have recognized in prior periods, and the reversal of impairment loss is recognized immediately in profit (loss) for the period at that time.

8) Lease

(a) As a lessee

The Group recognizes a right-of-use and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, and the cost include the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located.

The right-of-use asset is subsequently depreciated using a straight-line basis over the lease term from the commencement date to the end of a lease. However, if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. In addition, the lessee measures the right-of-use asset at cost, less any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. When measuring the present value, the lease payments are discounted using the interest rate implicit in the lease. If such implicit rate cannot be readily determined, the Group uses the Group’s incremental borrowing rate.

The incremental borrowing interest rate varies depending on lease term, currency and the timing of the lease commencement, and is determined based on inputs and others, including the following:

- risk-free interest rate based on treasury bond interest rate
- entity-specific risk adjustment
- credit risk adjustment based on bond yield

- entity-specific adjustment in case the risk attribute of the entity entering into the lease is different from that of the Group and the lease does not receive benefits from the guarantee provided by the Group

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments)
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is subsequently increased by the amount of interest expenses recognized on the lease liability and reduced by the lease payments made. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, 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.

When determining lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The term covered by the option to extend (or the term covered by the option to terminate) is included in the lease term only if it is reasonably certain that the lessee will exercise (or not) the option to extend. If the option is actually exercised (or not) or the Group is obligated to exercise (not exercise) the option, the lease term is reassessed. The Group reassesses the lease term only upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an option in its determination of the lease term.

Short-term lease and lease of low-value assets

The Group has elected the practical expedient, not to recognize right-of-use assets and lease liabilities for, and short-term leases with, a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices. When the Group acts as a lessor, it determines lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies K-IFRS No.1115 to allocate the consideration in the contract.

The Group applies derecognition and impairment requirements in K-IFRS No.1109 to the net investment in the lease. The Group regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

9) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and the amount of the obligation is reliably estimated.

The amounts recognized as a provision are 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

10) Financial liabilities and equity instruments

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement and the definition of financial liabilities and equity instruments.

(b) 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 as the proceeds are received, net of direct issue costs.

Treasury shares' transactions are deducted directly from equity. Profit or loss arising from purchases and sales, issuances and incinerations of treasury shares are not recognized in profit (loss) for the period.

(c) Compound instruments

The component parts of compound instruments issued by the Group are allocated into financial liabilities and equity in accordance with the definition of the financial asset and liability. Convertible option that can be settled by exchanging financial asset, such as fixed amount of cash for the fixed number of treasury shares, is equity instruments.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method, until extinguished upon conversion or at the instrument's maturity date.

The equity component is determined by deducting the amounts of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

(d) Financial liabilities

A financial liability is recognized when the Group becomes a party to the contract and at initial recognition. A financial liability, other than financial liability at fair value through profit or loss, is measured at its fair value, plus or minus transaction costs that are directly attributable to the issue of the financial liability. Otherwise, the transaction cost that is directly attributable to the issue of the financial liability at fair value through profit or loss is recognized in profit (loss) for the period immediately when it arises.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(e) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective interest rate method.

The effective interest rate method is used for calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the discounted rate used to estimate the net carrying value of future cash payment, including commission and points to be paid or received, transaction cost and other premium or discounts throughout the expected life of financial liability or where appropriate, a shorter period.

(f) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or expired. On derecognition of a financial liability in its entirety, the difference between the carrying amount and the consideration received is recognized in profit (loss) for the period.

11) Derivative instruments

The Group enters into a variety of derivative contracts, including interest rate swaps and currency swaps, to manage its exposure to interest rate and foreign exchange rate risk.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into, and are subsequently remeasured to their fair value at the end of each reporting period. Gain or loss from the change in fair value is recognized in profit (loss) for the period immediately, unless the derivative is designated and effective as a hedging instrument; in which case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset and a derivative with a negative fair value is recognized as a financial liability.

(a) Hedge accounting

The Group designates certain derivative instruments as hedging instruments for cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit (loss) for the period, and is included in the other operating revenue or expenses line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit (loss) for the period when the hedged item is recognized in profit (loss) for the period.

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 no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

12) Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share issuance costs are incremental costs directly attributable to the issue of equity instruments and are deducted on the initial recognition of the equity instruments.

Where the Parent Company or its subsidiary purchases any shares of the Parent Company or its subsidiary, the consideration paid is deducted from shareholders' equity as treasury shares until they are canceled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

13) Revenue Recognition

Under K-IFRS No.1115 *'Revenue from Contracts with Customers'*, revenue is recognized by applying the following five-step process to contracts with customers:

- Step 1 : Identify contracts with customers.
- Step 2: Identify the separate performance obligation.
- Step 3 : Determine the transaction price of the contract.
- Step 4: Allocate the transaction price to each of the separate performance obligations.
- Step 5: Recognize the revenue as each performance obligation is satisfied.

(a) Fees that are a part of the financial instruments' effective interest rate

Fees that are a part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Such fees include compensation for activities, such as evaluating the borrower's financial condition; evaluating and recording guarantees, collateral and other security arrangements; negotiating the terms of the instrument; preparing and processing documents; and closing the transaction, as well as origination fees received on issuing financial liabilities measured at amortized cost. These fees are deferred and recognized as an adjustment to the effective interest rate. However, in case the financial instrument is a financial asset at fair value through profit or loss, the relevant fee is recognized as revenue when the instrument is initially recognized.

(b) Commission from significant act performed

The recognition of revenue is postponed until the significant act is executed.

(c) Unearned revenue from point programs (customer loyalty program)

The Group operates customer loyalty program to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the Group grants the customer awards credits (often described as 'points'). The customer can redeem the award credits for awards, such as free or discounted goods or services. The award credits are accounted separately as identifiable component of the sales transaction(s) in which they are granted (the 'initial sales'). The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and other components of the sale.

The award credits, which the Group provided the card member with the customer option, and the control is performed as a principal, so the award credits are recognized as revenue when they are used, i.e., when the Group performs all of its performance obligations for the award credits. If the third-party supplies the awards, the Group shall assess whether it is collecting the consideration allocated to the award credits on its own account (as the principal in the transaction) or on behalf of the third party (as agent for the third party). The amount of revenue recognized shall be net amount retained on its own account.

14) Interest income and expense

Using the effective interest rate method, the Group recognizes interest income and expense in the consolidated statements of comprehensive income. Effective interest rate method calculates the amortized cost of financial assets or liabilities and allocates interest income or expense over the relevant period. The effective interest rate discounts the expected future cash in and out through the expected life of financial instruments, or if appropriate, through shorter period, to net carrying amount of financial assets or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual financial instruments, except the loss on future credit risk. Also, effective interest rate calculation includes redemption costs, points (part of the effective interest rate) that are paid or earned between contracting parties, transaction costs and other premiums or discounts. It is assumed that the cash flows and the expected existing period of aggregation of homogeneous financial instruments are reliably estimable. However, in the exception that cash flow of financial instruments (or aggregation of homogeneous financial instruments) or the estimated maturity is not reliably estimable, the effective interest rate is calculated using the contractual terms of cash flows for the entire contract period.

If financial instruments or aggregation of homogeneous financial instruments are impaired, the subsequent interest income is recognized based on the discount rate used in discounting future cash flows for the purpose of the measurement of impairments.

15) Dividend income

Dividend income from investments is recognized when the shareholders' right to receive the payment of dividends has been established.

16) Foreign currency translation

The individual financial statements of the consolidated entities are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the consolidated financial statements, the results of operations and financial position of each entity are expressed in Korean won, which is the functional currency of the Parent Company and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit (loss) for the period in which they arise, except for exchange differences on transactions entered into in order to hedge certain foreign currency risks. See Note 2. (4). 11) for hedging accounting policies.

17) Employee Benefits

(a) Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. The remeasurements of net defined benefit liabilities consist of actuarial profit or loss return on plan assets (excluding amounts included in net interest from net benefit obligations (assets)) and changes in the asset recognition ceiling effect, and are recognized immediately in other comprehensive income. Past service costs are recognized in the period in which the plan is revised and net interest is calculated by applying the discount rate to the net defined benefit obligation (asset) at the beginning of the period. The components of defined benefit costs consist of service costs (current and past service costs and settlements), net interest expenses (revenues) and remeasurements.

The Group recognizes service costs and net interest expense (income) in profit or loss and remeasurements in other comprehensive income. The profit or loss from plan curtailments is treated as past service cost.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available economic benefits of refunds and reductions in future contributions to the plan.

(b) Other long-term employee benefits

Other long-term employee benefits are employee benefits that are not expected to be settled before twelve months after the end of the annual reporting period in which the employees render the related service. Future benefits earned in exchange for services rendered in the current and past periods are discounted at present value for other long-term employee benefits. Changes resulting from remeasurement of other long-term employee benefits are recognized as profit or loss for the period in which they occur.

18) Taxation

Income tax consists of current tax and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the period. Taxable income differs from profit (loss) before tax expenses, as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other periods. The Group’s liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the end of the reporting period. A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Parent Company supported by previous experience in respect of such activities and in certain cases based on the judgement of independent tax specialist.

(b) 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 income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the taxable or deductible 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 income (taxable deficit) nor the accounting income.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control 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 it is probable that there will be sufficient taxable income against which the benefits of the temporary differences can be utilized and they are expected to reverse 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 it is no longer probable that sufficient taxable income 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 liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group shall offset deferred tax assets and deferred tax liabilities if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current tax liabilities and assets on a net basis or 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.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model, the objective of which is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

(c) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income, or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(d) Tax uncertainties

Uncertain tax positions arise from tax treatments applied by the Group, which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, an appeal for a refund claimed from the tax authorities related to additional assessments or a tax investigation by the tax authorities. The Group recognizes its uncertain tax positions in the consolidated financial statements in accordance with K-IFRS No.1012 and Interpretation of K-IFRS No.2123.

The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority, and the amount to be paid as a result of the tax investigation and others is recognized as the current tax payable.

19) Earnings per share

Basic earnings per share is calculated by dividing net profit for the period available to common shareholders by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated using the weighted-average number of ordinary shares outstanding, adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

20) 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 share-based payment transactions that are within the scope of K-IFRS No.1102, *Share-Based Payment*; leasing transactions that are within the scope of K-IFRS No.1116, *Leases*; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS No.1002, *Inventories*, or value in use in K-IFRS No.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 as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques, which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to measure an instrument at fair value are observable, the instrument is included in Level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Examples include unlisted equity securities.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

3.1 Significant judgments in applying accounting policies

The following are the significant judgments, apart from those involving estimations (see Note 3.2) that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

1) Judgments in applying consolidation

The Parent Company has a 0.5% ownership interest in Super Series 9th Securitization Specialty Co., Ltd., Super Series 10th Securitization Specialty Co., Ltd. and Super Series 11th Securitization Specialty Co., Ltd., Super Series 12th Securitization Specialty Co., Ltd., Super Series 13th Securitization Specialty Co., Ltd., Super Series 14th Securitization Specialty Co., Ltd and Super Series 15th Securitization Specialty Co., Ltd. The directors of the Parent Company made an assessment as to whether the Parent Company has control over Super Series 9th Securitization Specialty Co., Ltd., Super Series 10th Securitization Specialty Co., Ltd. and Super Series 11th Securitization Specialty Co., Ltd., Super Series 12th Securitization Specialty Co., Ltd., Super Series 13th Securitization Specialty Co., Ltd., Super Series 14th Securitization Specialty Co., Ltd and Super Series 15th Securitization Specialty Co., Ltd in accordance with the definition of control and the related guidance set out in K-IFRS No.1110.

3.2 Key sources of estimation uncertainty

Significant accounting judgment and key sources of estimation uncertainty at the end of reporting period having significant risk factors that can incur the material changes in the book amount of assets and liabilities of the Group for the following fiscal year are as follows:

1) Provision for impairment

The Group determines and recognizes provision for impairment through impairment testing on credit card assets, loan receivables and certain other assets. The Group also recognizes provisions for impairment of unused commitments. The accuracy of provision for impairment/provisions for credit losses is determined by the risk assessment methodology and assumptions used for estimating expected cash flows of the borrower for allowances on individual loans and collectively assessing allowances for Groups of loans and provisions for unused commitments.

2) Unearned revenue from point programs

The Group provides its customers with incentives to buy goods or services by providing awards (customer loyalty programs) and allocates the fair value of the consideration received or receivable between the award credits granted (points) and the other components of the revenue transaction. The Group supplies the awards, such as discounted payments or free gifts. The consideration allocated to the award credits is measured by reference to their fair value, i.e., the amount for which the award credits could be sold separately. The fair value of the consideration allocated to the award credits is estimated by taking into account expected redemption rates, etc., and recognized as deferred revenue, until the Group fulfills its obligations to deliver awards to customers. The amount of revenue recognized is to be based on the number of award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed.

3) Postemployment Benefits: Defined Benefit Plans

The Group operates a defined benefit pension plan (the “Plan”). The amount recognized as a defined benefit liability is the present value of the defined benefit obligation, less the fair value of Plan assets at the end of the reporting period. The present value of defined benefit obligation is calculated annually by using actuarial assumptions, such as future increases in salaries, expected returns on plan assets, discount rate and others. The Plan has the uncertainty due to the nature of long-term plan. (see Note 13).

4) Fair Value Measurement of Financial Instruments

As disclosed in Note 32, the fair value of financial instruments classified as certain level is measured using valuation techniques, where significant inputs are not based on observable market data. The Company believes that valuation methods and assumptions used for measuring the fair value of financial instruments are appropriate.

5) Income taxes

If certain portion of the taxable income is not used for investments or increase in wages and others, the Group is liable to pay additional income taxes in accordance with the related tax law. Accordingly, the Group reflects the tax effects when measuring the current and deferred income taxes. As the Group's income taxes are dependent on the investments, increase in wages and others, there is an uncertainty measuring the final tax effects.

4. CONSOLIDATED SUBSIDIARIES:

Details of the consolidated subsidiaries as of December 31, 2023 and 2022, are as follows:

			Ownership interest held by the Group (%)		
	Main business	Location	2023	2022	Closing month
Super Series 6th SPC[1]	Asset securitization	Korea	-	0.5	December
Super Series 7th SPC[1]	Asset securitization	Korea	-	0.5	December
Super Series 8th SPC[1]	Asset securitization	Korea	-	0.5	December
Super Series 9th SPC[1]	Asset securitization	Korea	0.5	0.5	December
Super Series 10th SPC[1]	Asset securitization	Korea	0.5	0.5	December
Super Series 11th SPC[1]	Asset securitization	Korea	0.5	0.5	December
Super Series 12th SPC[1]	Asset securitization	Korea	0.5	0.5	December
Super Series 13th SPC[1]	Asset securitization	Korea	0.5	0.5	December
Super Series 14th SPC[1]	Asset securitization	Korea	0.5	0.5	December
Super Series 15th SPC[1]	Asset securitization	Korea	0.5	-	December
Bluewalnut Co., Ltd.	Electronic banking	Korea	100.0	100.0	December
Money Market Trust	Trust business	Korea	100.0	100.0	-

[1] In determining power over subsidiaries, except for Bluewalnut Co., Ltd. and Money Market Trust, voting rights or similar rights are not major components; accordingly, these subsidiaries are considered as structured entities.

Above subsidiaries, except for Money Market Trust and Bluewalnut Co., Ltd., are special-purpose companies ("SPCs") that were established for business activities of consolidated entities. Although the above subsidiaries have less than a majority of ownership interests, they are deemed to have control in accordance with K-IFRS No.1110 because they are exposed to variable returns, or have rights to variable returns, through their involvement with the investee, as well as the ability to use the power of the parent to influence the amount of the parent's returns.

Meanwhile, when event of default occurs from derivative contracts regarding asset-backed securities issued by SPCs, the Parent Company may be liable for reimbursement of losses incurred on counterparties.

Condensed financial information of Group's subsidiaries as of December 31, 2023 and 2022, are as follows

(In millions of Korean won)	2023				
	Assets	**Liabilities**	**Operating income**	**Profit (loss) for the year**	**Comprehensive income (loss)**
Super Series 9th SPC	₩ 103,448	₩ 103,166	₩ 19,367	₩ -	₩ (11,173)
Super Series 10th SPC	430,120	430,120	5,930	-	-
Super Series 11th SPC	350,156	350,156	7,694	-	-
Super Series 12th SPC	375,184	374,052	18,271	-	(4,040)
Super Series 13th SPC	350,305	350,305	14,941	-	-
Super Series 14th SPC	550,647	562,805	39,544	-	(2,382)
Super Series 15th SPC	529,827	535,743	27,778	-	(4,538)
Bluewalnut Co., Ltd.	116,952	87,178	114,445	(421)	(545)
Money Market Trust	190,000	-	14	14	14

(In millions of Korean won)	2022				
	Assets	**Liabilities**	**Operating income**	**Profit (loss) for the year**	**Comprehensive income (loss)**
Super Series 5th SPC	₩ -	₩ -	₩ 1,782	₩ -	₩ 94
Super Series 6th SPC	-	-	83,182	-	718
Super Series 7th SPC	400,126	400,126	7,046	-	-
Super Series 8th SPC	508,846	506,971	39,133	-	35
Super Series 9th SPC	522,157	506,973	40,117	-	4,763
Super Series 10th SPC	430,105	430,105	5,924	-	-
Super Series 11th SPC	350,137	350,137	7,701	-	-
Super Series 12h SPC	374,155	367,611	10,477	-	4,909
Super Series 13h SPC	350,269	350,269	7,875	-	-
Super Series 14h SPC	550,585	559,842	40,228	-	(6,944)
Bluewalnut Co., Ltd.	94,179	83,763	100,220	(768)	(723)
Money Market Trust	1,080,000	-	121	121	121

Subsidiaries newly included from the consolidation during the year ended December 31, 2023

Name of subsidiary	**Reason**
Super Series 15h SPC	Establishment

Subsidiaries excluded from the consolidation during the year ended December 31, 2023

Name of subsidiary	Reason
Super Series 6th SPC	Liquidation
Super Series 7th SPC	Liquidation
Super Series 8th SPC	Liquidation

Non-controlling interests

Non-controlling interests of consolidated SPC do not have any right of residual income from SPC, and it is measured as amortized cost because its life term is fixed.

5. RESTRICTED CASH AND DEPOSITS:

Details of restricted cash and deposits as of December 31, 2023 and 2022 are as follows:

(In millions of Korean won)		2023	2022	Description
Cash and deposits	Kookmin Bank and others	₩ 18	₩ 18	Guarantee deposits for overdraft
	Shinhan Bank and others	23,100	23,100	Secured deposits
	Citibank and others	241,076	420,644	Deposits related to securitization
		₩ 264,194	₩ 443,762	

6. SECURITIES:

Securities as of December 31, 2023 and 2022 are as follows

(In millions of Korean won)	2023	2022
Financial assets at fair value through profit or loss		
Debt securities	₩ 668,444	₩ 473,664
Equity securities	6,455	4,315
	674,899	477,979
Financial assets at fair value through other comprehensive income		
Equity securities[1]	9,359	9,359
Investments in subsidiaries	58	689
	₩ 684,316	₩ 488,027

[1] The Group has designated equity securities held for strategic business partnerships as securities measured at fair value through other comprehensive income.

Details of the Group's investments in associates as of December 31, 2023 and 2022 are as follows:

	Location	Business Details	2023	2022
Modern Lion	Korea	NFT trading	40.00%	40.00%

Changes in the Group's investments in associates as of December 31, 2023 and 2022 are as follows:

(In millions of Korean won)	2023				
	Cost	Beginning balance	Acquisitions	Gains (losses) on equity-method accounting	Ending balance
Modern Lion	₩ 800	₩ 689	₩ -	₩ (631)	₩ 58

(In millions of Korean won)	2022									
		Cost		Beginning balance		Acquisitions		Gains (losses) on equity-method accounting		Ending balance
Modern Lion	₩	800	₩	-	₩	800	₩	(111)	₩	689

Condensed financial information of the Group's investments in associates as of December 31, 2023 and 2022 are as follows:

(In millions of Korean won)	2023									
		Assets		Liabilities		Net assets		Profit (loss) for the year		Comprehensive income (loss)
Modern Lion	₩	361	₩	217	₩	144	₩	(1,578)	₩	(1,578)

(In millions of Korean won)	2022									
		Assets		Liabilities		Net assets		Profit (loss) for the year		Comprehensive income (loss)
Modern Lion	₩	1,772	₩	50	₩	1,722	₩	(278)	₩	(278)

7. FINANCIAL ASSETS AT AMORTIZED COST:

Details of financial assets at amortized cost by customers as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				
	Principal	**Deferred origination cost and fee**	**Present value of discounts**	**Provision for impairment**	**Carrying amount**
Card receivables					
Household	₩ 14,750,276	₩ (3,768)	₩ (7,880)	₩ (215,247)	₩ 14,523,381
Corporates	1,226,753	-	-	(4,761)	1,221,992
Short-term card loan					
Household	609,081	-	-	(36,356)	572,725
Long-term card loan					
Household	4,776,183	-	(1,123)	(344,649)	4,430,411
Loan receivables					
Household	15,948	-	-	(873)	15,075
	₩ 21,378,241	₩ (3,768)	₩ (9,003)	₩ (601,886)	₩ 20,763,584

(In millions of Korean won)	2022				
	Principal	**Deferred origination cost and fee**	**Present value of discounts**	**Provision for impairment**	**Carrying amount**
Card receivables					
Household	₩ 15,068,386	₩ (8,630)	₩ (44,302)	₩ (238,867)	₩ 14,776,587
Corporates	1,108,335	-	-	(5,885)	1,102,450
Short-term card loan					
Household	463,665	-	-	(31,552)	432,113
Long-term card loan					
Household	4,583,766	-	(817)	(311,899)	4,271,050
Loan receivables					
Household	24,448	-	-	(1,571)	22,877
	₩ 21,248,600	₩ (8,630)	₩ (45,119)	₩ (589,774)	₩ 20,605,077

Changes in financial assets at amortized cost, which have significant impact on provisions for impairment for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023					
	Card receivables			Short-term card loan		
		Lifetime expected credit losses			Lifetime expected credit losses	
	12-month expected credit losses	Not impaired	Impaired	12-month expected credit losses	Not impaired	Impaired
Beginning balance	₩ 14,762,141	₩ 1,357,449	₩ 57,131	₩ 344,555	₩ 104,488	₩ 14,622
Transfer between categories						
Transfer to assets measured at 12-month expected credit losses	689,459	(689,301)	(158)	25,237	(25,234)	(3)
Transfer to assets measured at lifetime expected credit losses	(416,239)	416,286	(47)	(21,890)	21,891	(1)
Impairment	(102,409)	(65,040)	167,449	(8,299)	(7,854)	16,153
New origination and derecognition	302,053	(175,683)	(4,425)	124,871	41,830	12,638
Written-off	-	-	(158,270)	-	-	(30,999)
Disposal and repurchase	(146,201)	-	(17,166)	-	-	(2,924)
Ending balance	₩ 15,088,804	₩ 843,711	₩ 44,514	₩ 464,474	₩ 135,121	₩ 9,486

(In millions of Korean won)	2023						
	Long-term card loan			Loan receivables			
		Lifetime expected credit losses			Lifetime expected credit losses		
	12-month expected credit losses	Not impaired	Impaired	12-month expected credit losses	Not impaired	Impaired	Total
Beginning balance	₩ 3,427,753	₩ 936,085	₩ 219,928	₩ 19,604	₩ 4,512	₩ 332	₩ 21,248,600
Transfer between stages							
Transfer to assets measured at 12-month expected credit losses	297,651	(297,567)	(84)	832	(832)	-	-
Transfer to assets measured at lifetime expected credit losses	(276,796)	277,292	(496)	(1,358)	1,358	-	-
Impairment	(70,698)	(65,024)	135,722	(347)	(388)	735	-
New origination and derecognition	521,483	(270,318)	189,856	(5,514)	(2,394)	(13)	734,384
Written-off	-	-	(238,386)	-	-	(507)	(428,162)
Disposal and repurchase	-	-	(10,218)	-	-	(72)	(176,581)
Ending balance	₩ 3,899,393	₩ 580,468	₩ 296,322	₩ 13,217	₩ 2,256	₩ 475	₩ 21,378,241

(In millions of Korean won)	2022					
	Card receivables			Short-term card loan		
		Lifetime expected credit losses			Lifetime expected credit losses	
	12-month expected credit losses	Not impaired	Impaired	12-month expected credit losses	Not impaired	Impaired
Beginning balance	₩ 12,373,091	₩ 1,146,571	₩ 52,298	₩ 462,793	₩ 154,455	₩ 16,371
Transfer between categories						
Transfer to assets measured at 12-month expected credit losses	534,421	(534,268)	(153)	29,664	(29,657)	(7)
Transfer to assets measured at lifetime expected credit losses	(652,856)	652,951	(95)	(35,996)	36,001	(5)
Impairment	(73,539)	(45,924)	119,463	(8,944)	(8,805)	17,749
New origination and derecognition	2,581,024	138,119	16,892	(102,962)	(47,506)	14,394
Written-off	-	-	(129,941)	-	-	(33,380)
Disposal and repurchase	-	-	(1,333)	-	-	(500)
Ending balance	₩ 14,762,141	₩ 1,357,449	₩ 57,131	₩ 344,555	₩ 104,488	₩ 14,622

(In millions of Korean won)	2022						
	Long-term card loan			Loan receivables			
		Lifetime expected credit losses			Lifetime expected credit losses		
	12-month expected credit losses	Not impaired	Impaired	12-month expected credit losses	Not impaired	Impaired	Total
Beginning balance	₩ 3,754,038	₩ 699,214	₩ 191,458	₩ 6,235	₩ 120	₩ 295	₩ 18,856,939
Transfer between categories							
Transfer to assets measured at 12-month expected credit losses	138,823	(138,762)	(61)	14	(14)	-	-
Transfer to assets measured at lifetime expected credit losses	(374,113)	374,257	(144)	(2,001)	2,008	(7)	-
Impairment	(73,154)	(42,290)	115,444	(277)	(46)	323	-
New origination and derecognition	(17,841)	43,666	145,056	15,633	2,444	(18)	2,788,901
Written-off	-	-	(210,506)	-	-	(207)	(374,034)
Disposal and repurchase	-	-	(21,319)	-	-	(54)	(23,206)
Ending balance	₩ 3,427,753	₩ 936,085	₩ 219,928	₩ 19,604	₩ 4,512	₩ 332	₩ 21,248,600

Changes in provisions for impairment of financial assets at amortized cost for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023					
	Card receivables			Short-term card loan		
		Lifetime expected credit losses			Lifetime expected credit losses	
	12-month expected credit losses	Not impaired	Impaired	12-month expected credit losses	Not impaired	Impaired
Beginning balance	₩ 88,033	₩ 113,496	₩ 43,223	₩ 9,116	₩ 11,261	₩ 11,175
Transfer between categories						
Transfer to assets measured at 12-month expected credit losses	53,634	(53,544)	(90)	2,432	(2,431)	(1)
Transfer to assets measured at lifetime expected credit losses	(5,413)	5,441	(28)	(557)	558	(1)
Impairment	(71,276)	(48,316)	119,592	(6,173)	(6,441)	12,614
Written-off	-	-	(158,270)	-	-	(30,999)
Recovered	-	-	12,551	-	-	4,281
Disposal and repurchase	(1,562)	-	(10,434)	-	-	(1,840)
Additional provisions	40,592	65,458	26,921	9,295	12,189	11,878
Ending balance	₩ 104,008	₩ 82,535	₩ 33,465	₩ 14,113	₩ 15,136	₩ 7,107

(In millions of Korean won)	2023						
	Long-term card loan			Loan receivables			
		Lifetime expected credit losses			Lifetime expected credit losses		
	12-month expected credit losses	Not impaired	Impaired	12-month expected credit losses	Not impaired	Impaired	Total
Beginning balance	₩ 92,692	₩ 94,814	₩ 124,393	₩ 489	₩ 814	₩ 268	₩ 589,774
Transfer between categories							
Transfer to assets measured at 12-month expected credit losses	28,144	(28,083)	(61)	76	(76)	-	-
Transfer to assets measured at lifetime expected credit losses	(8,804)	9,179	(375)	(37)	37	-	-
Impairment	(44,654)	(48,587)	93,241	(163)	(207)	370	-
Written-off	-	-	(238,386)	-	-	(507)	(428,162)
Recovered	-	-	21,274	-	-	54	38,160
Disposal and repurchase	-	-	(6,707)	-	-	(46)	(20,589)
Additional (reversal of) provisions	42,450	47,738	166,381	(74)	(341)	216	422,703
Ending balance	₩ 109,828	₩ 75,061	₩ 159,760	₩ 291	₩ 227	₩ 355	₩ 601,886

(In millions of Korean won)	2022					
	Card receivables			Short-term card loan		
		Lifetime expected credit losses			Lifetime expected credit losses	
	12-month expected credit losses	Not impaired	Impaired	12-month expected credit losses	Not impaired	Impaired
Beginning balance	₩ 71,929	₩ 82,838	₩ 36,624	₩ 12,200	₩ 15,081	₩ 11,202
Transfer between categories						
Transfer to assets measured at 12-month expected credit losses	32,379	(32,302)	(77)	2,656	(2,652)	(4)
Transfer to assets measured at lifetime expected credit losses	(12,929)	12,982	(53)	(1,130)	1,133	(3)
Impairment	(47,159)	(33,574)	80,733	(5,635)	(6,701)	12,336
Written-off	-	-	(129,941)	-	-	(33,380)
Recovered	-	-	10,761	-	-	4,080
Disposal and repurchase	-	-	(1,186)	-	-	(474)
Additional provisions	43,813	83,552	46,362	1,025	4,400	17,418
Ending balance	₩ 88,033	₩ 113,496	₩ 43,223	₩ 9,116	₩ 11,261	₩ 11,175

(In millions of Korean won)	2022						
	Long-term card loan			Loan receivables			
		Lifetime expected credit losses			Lifetime expected credit losses		
	12-month expected credit losses	Not impaired	Impaired	12-month expected credit losses	Not impaired	Impaired	Total
Beginning balance	₩ 111,584	₩ 65,471	₩ 106,772	₩ 242	₩ 40	₩ 246	₩ 514,229
Transfer between categories							
Transfer to assets measured at 12-month expected credit losses	14,211	(14,165)	(46)	3	(3)	-	-
Transfer to assets measured at lifetime expected credit losses	(12,921)	13,030	(109)	(72)	79	(7)	-
Impairment	(40,830)	(30,625)	71,455	(89)	(25)	114	-
Written-off	-	-	(210,506)	-	-	(207)	(374,034)
Recovered	-	-	16,975	-	-	12	31,828
Disposal and repurchase	-	-	(13,709)	-	-	(54)	(15,423)
Additional provisions	20,648	61,103	153,561	405	723	164	433,174
Ending balance	₩ 92,692	₩ 94,814	₩ 124,393	₩ 489	₩ 814	₩ 268	₩ 589,774

8. PROPERTY AND EQUIPMENT:

Details of property and equipment as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023			2022		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 392,554	₩ -	₩ 392,554	₩ 197,870	₩ -	₩ 197,870
Buildings	204,872	(35,909)	168,963	135,665	(31,577)	104,088
Vehicles	2,587	(1,591)	996	2,575	(1,389)	1,186
Fixtures and equipment	272,147	(211,300)	60,847	265,274	(217,453)	47,821
Construction in progress	8,965	-	8,965	28,926	-	28,926
	₩ 881,125	₩ (248,800)	₩ 632,325	₩ 630,310	₩ (250,419)	₩ 379,891

Changes in property and equipment for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023					
	Land	Buildings	Vehicles	Fixtures and equipment	Construction in progress	Total
Beginning balance	₩ 197,870	₩ 104,088	₩ 1,186	₩ 47,821	₩ 28,926	₩ 379,891
Acquisitions	196,270	43,803	12	31,147	7,704	278,936
Reclassification						
Reclassification within account	-	27,101	-	543	(27,644)	-
Reclassification into selling and administrative expenses	-	-	-	-	(21)	(21)
Reclassification into intangible assets	-	-	-	400	-	400
Disposal	(1,586)	(1,364)	-	(128)	-	(3,078)
Depreciation	-	(4,665)	(202)	(18,936)	-	(23,803)
Ending balance	₩ 392,554	₩ 168,963	₩ 996	₩ 60,847	₩ 8,965	₩ 632,325

(In millions of Korean won)	2022											
		Land		Buildings		Vehicles		Fixtures and equipment		Construction in progress		Total
Beginning balance	₩	207,400	₩	117,741	₩	1,479	₩	45,192	₩	3,578	₩	375,390
Acquisitions		-		-		-		18,538		28,926		47,464
Reclassification												
Reclassification within account		-		-		-		3,390		(3,390)		-
Reclassification into selling and administrative expenses		-		-		-		(323)		(188)		(511)
Disposal		(9,530)		(10,026)		(78)		(47)		-		(19,681)
Depreciation		-		(3,627)		(215)		(18,929)		-		(22,771)
Ending balance	₩	197,870	₩	104,088	₩	1,186	₩	47,821	₩	28,926	₩	379,891

9. INTANGIBLE ASSETS:

Details of intangible assets as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023							
		Acquisition cost		Accumulated amortization		Accumulated impairment		Book amount
Development cost	₩	382,553	₩	(301,034)	₩	-	₩	81,519
Software		89,916		(72,546)		-		17,370
Others		18,735		(18,733)		-		2
Construction in progress		12,499		-		-		12,499
Membership		20,653		-		(34)		20,619
	₩	524,356	₩	(392,313)	₩	(34)	₩	132,009

(In millions of Korean won)	2022							
		Acquisition cost		Accumulated amortization		Accumulated impairment		Book amount
Development cost	₩	355,295	₩	(272,196)	₩	-	₩	83,099
Software		84,819		(65,953)		-		18,866
Others		18,735		(18,733)		-		2
Construction in progress		9,069		-		-		9,069
Membership		20,653		-		(34)		20,619
	₩	488,571	₩	(356,882)	₩	(34)	₩	131,655

Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023					
	Developm-ent cost	**Software**	**Others**	**Construction in progress**	**Member-ship**	**Total**
Beginning balance	₩ 83,099	₩ 18,866	₩ 2	₩ 9,069	₩ 20,619	₩ 131,655
Acquisitions	21,163	4,932	-	10,377	-	36,472
Reclassification						
Reclassification within account	6,255	165	-	(6,420)	-	-
Reclassification into selling and administrative expenses	(347)	-	-	(127)	-	(474)
Reclassification into property and equipment	-	-	-	(400)	-	(400)
Disposal	(159)	-	-	-	-	(159)
Amortization	(28,492)	(6,593)	-	-	-	(35,085)
Ending balance	₩ 81,519	₩ 17,370	₩ 2	₩ 12,499	₩ 20,619	₩ 132,009

(In millions of Korean won)	2022					
	Developm-ent cost	**Software**	**Others**	**Construction in progress**	**Member-ship**	**Total**
Beginning balance	₩ 70,497	₩ 21,592	₩ 2	₩ 19,057	₩ 18,253	₩ 129,401
Acquisitions	25,930	2,931	-	6,934	2,366	38,161
Reclassification						
Reclassification within account	13,963	1,207	-	(15,170)	-	-
Reclassification into selling and administrative expenses	(298)	-	-	(1,752)	-	(2,050)
Disposal	(22)	-	-	-	-	(22)
Amortization	(26,971)	(6,864)	-	-	-	(33,835)
Ending balance	₩ 83,099	₩ 18,866	₩ 2	₩ 9,069	₩ 20,619	₩ 131,655

10. LEASE:

The Group as a lessee

Changes in right-of-use assets for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023			
	Buildings	**Vehicles**	**Others**	**Total**
Beginning balance	₩ 253,284	₩ 758	₩ 68	₩ 254,110
Acquisitions	25,917	341	295	26,553
Disposal	(236,649)	(8)	-	(236,657)
Amortization	(17,119)	(287)	(363)	(17,769)
Other	571	-	-	571
Ending balance	₩ 26,004	₩ 804	₩ -	₩ 26,808

(In millions of Korean won)	2022			
	Buildings	**Vihicles**	**Others**	**Total**
Beginning balance	₩ 69,168	₩ 495	₩ 202	₩ 69,865
Acquisitions	246,992	746	181	247,919
Disposal	(11,699)	(243)	-	(11,942)
Amortization	(20,102)	(240)	(315)	(20,657)
Other	(31,075)	-	-	(31,075)
Ending balance	₩ 253,284	₩ 758	₩ 68	₩ 254,110

The analysis of maturity of lease liabilities before discount recognized in the consolidated statements of financial position as of December 31, 2023 and 2022, is as follows:

(In millions of Korean won)	**2023**	**2022**
Less than one year	₩ 9,958	₩ 240,030
Between one year and five years	18,108	16,889
More than five years	-	-
Lease liabilities before discount	₩ 28,066	₩ 256,919

The consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022, show the following amounts relating to leases:

(In millions of Korean won)		**2023**		**2022**
Interest expense relating to lease liabilities	₩	4,005	₩	3,306
Expense relating to leases of low-value assets (included in selling and administrative expenses)		83		52

The total cash outflow for leases for the years ended December 31, 2023 and 2022, was as follows:

(In millions of Korean won)		**2023**		**2022**
Total cash outflow for leases	₩	15,350	₩	19,262

Operating lease – The Group as a lessor

The Group provides some of the properties it owns as operating leases, and the expected maximum lease period is 2028. The Busan office building operation lease includes the option of the lessee to extend the lease period by five years, and the market review clause is included when the lease renewal option is exercised. The lessee does not have a purchase option to purchase the leased asset at the expiration of the lease term.

The analysis of maturity of operating leases recognized in the consolidated statements of financial position as of December 31, 2023 and 2022, is as follows:

(In millions of Korean won)		**2023**		**2022**
Within one year	₩	1,816	₩	506
One year to five years		4,973		1,802
More than five years		-		312
	₩	6,789	₩	2,620

The amount recognized as profit the years ended December 31, 2023 and 2022, was as follows:

(In millions of Korean won)		**2023**		**2022**
The amount recognized as profit	₩	1,023	₩	2,989

11. **OTHER ASSETS:**

Details of other assets as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		
	Other assets	**Provision for impairment**	**Book amount**
Other receivables	₩ 118,024	₩ (1,651)	₩ 116,373
Accrued revenue	84,614	(2,535)	82,079
Guarantee deposits provided	7,112	-	7,112
Prepayments	85,232	(207)	85,025
Prepaid expenses	76,944	-	76,944
Other assets	13,129	-	13,129
	₩ 385,055	₩ (4,393)	₩ 380,662

(In millions of Korean won)	2022		
	Other assets	**Provision for impairment**	**Book amount**
Other receivables	₩ 88,988	₩ (493)	₩ 88,495
Accrued revenue	70,187	(2,559)	67,628
Guarantee deposits provided	14,181	-	14,181
Prepayments	150,792	(97)	150,695
Prepaid expenses	237,868	-	237,868
Other assets	14,286	-	14,286
	₩ 576,302	₩ (3,149)	₩ 573,153

Changes in provisions of other assets for the years ended December 31, 2023 and 2022, are as follows

(In millions of Korean won)	2023					
	Other receivables		Accrued revenue		Prepayments	
Beginning balance	₩	493	₩	2,559	₩	97
Additional (reversal of) provisions		1,158		(24)		110
Ending balance	₩	1,651	₩	2,535	₩	207

(In millions of Korean won)	2022					
	Other receivables		Accrued revenue		Prepayments	
Beginning balance	₩	1,714	₩	2,084	₩	223
Additional (reversal of) provisions		(1,221)		475		(126)
Ending balance	₩	493	₩	2,559	₩	97

12. BORROWINGS:

Details of borrowings as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		Annual interest rate (%)	2023	
Short-term borrowings				
Commercial paper	KEB Hana Bank and others	4.20 ~ 6.33	₩	267,166
Borrowings[1]	KOOKMIN Bank and others	4.42 ~ 5.34		180,000
				447,166
Current portion of long-term borrowings				
Commercial paper	BNK Securities and others	1.41 ~ 4.69		287,330
Borrowings[1]	KDB Bank and others	2.37 ~ 6.45		521,667
				808,997
Long-term borrowings				
Commercial paper	Kiwoom Securities and others	1.73 ~ 4.74		1,391,563
Borrowings[1]	KDB Bank and others	3.51 ~ 6.18		635,556
				2,027,119
			₩	3,283,282

[1] Interest rate after considering swaps

(In millions of Korean won)		Annual interest rate (%)	2022
Short-term borrowings			
Commercial paper	KEB Hana Bank and others	4.55 ~ 6.47	₩ 210,000
Borrowings[1]	China Bank of communications and others	2.40 ~ 6.12	130,000
			340,000
Current portion of long-term borrowings			
Commercial paper	BNK Securities and others	1.19 ~ 3.48	580,000
Borrowings[1]	Nonghyup Bank and others	2.31 ~ 4.29	266,667
			846,667
Long-term borrowings			
Commercial paper	Kiwoom Securities and others	1.41 ~ 4.74	1,770,000
Borrowings[1]	KDB Bank and others	2.37 ~ 6.45	777,222
			2,547,222
			₩ 3,733,889

[1] Interest rate after considering swaps

Details of debentures as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	Maturity	Annual interest rate (%)	2023
Short-term debentures	2024.01 – 2024.08	4.21 ~ 5.63	₩ 265,000
Current portion of debentures[1]	2024.01 – 2024.12	1.22 ~ 6.60	2,793,152
Long-term debentures[1]	2025.01 – 2032.03	1.64 ~ 6.63	10,487,966
			13,546,118
Discounts on debenture			(12,027)
			₩ 13,534,091

[1] Interest rate after considering swaps

(In millions of Korean won)	Maturity	Annual interest rate (%)	2022
Short-term debentures	2023.01 – 2023.08	1.91 ~ 5.82	₩ 485,000
Current portion of debentures[1]	2023.01 – 2023.12	1.16 ~ 4.42	4,767,456
Long-term debentures[1]	2024.01 – 2032.03	1.22 ~ 6.63	9,250,509
			14,502,965
Discounts on debenture			(8,490)
			₩ 14,494,475

[1] Interest rate after considering swaps

The outstanding debentures are non-guaranteed corporate bonds, with their principals to be redeemed either by installment or at maturity. Bond issuance costs are recorded as discounts on debenture and amortized using the effective interest rate method.

13. POSTEMPLOYMENT BENEFITS:

13.1 Defined Contribution Plan

The expense recognized in the consolidated statements of comprehensive income related to postemployment benefit under the defined contribution plan for the years ended December 31, 2023 and 2022, is as follows:

(In millions of Korean won)		2023		2022
Defined contribution plan	₩	1,618	₩	1,362

13.2 Defined Benefit Plan

General

The Group operates a defined benefit plan for qualified employees by applying average salary over the past three months and length of service, etc. Plan assets mainly consist of deposits and are exposed to risk of lower interest rate.

The amounts recognized in the consolidated statements of financial position related to defined benefit plan as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Present value of defined benefit obligation	₩	(109,663)	₩	(91,211)
Fair value of plan assets		120,272		117,823
Transferred to National Pension Fund		10		10
Net defined benefit assets	₩	10,619	₩	26,622

Adjustment details of net defined benefit liabilities(assets)

Changes in present value of net defined benefit liabilities(assets) for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023			
	Present value of the defined benefit obligation	**Plan assets**	**National pension fund**	**Net defined benefit liabilities (assets)**
Beginning balance	₩ 91,211	₩ (117,823)	₩ (10)	₩ (26,622)
Contributions from the employer	-	(4,855)	-	(4,855)
Current service cost	11,464	-	-	11,464
Interest expense (income)	4,808	(5,880)	-	(1,072)
Return on plan assets (excluding amounts included in interest income)	-	650	-	650
Actuarial gain/loss from change in demographic assumptions	(215)	-	-	(215)
Actuarial gain/loss from change in financial assumptions	7,007	-	-	7,007
Actuarial gain/loss from experience adjustments	3,063	-	-	3,063
Transfer of employees between the Group and its related companies	405	(343)	-	62
Benefits paid	(8,080)	7,979	-	(101)
Ending balance	₩ 109,663	₩ (120,272)	₩ (10)	₩ (10,619)

(In millions of Korean won)	2022			
	Present value of the defined benefit obligation	**Plan assets**	**National pension fund**	**Net defined benefit liabilities (assets)**
Beginning balance	₩ 89,173	₩ (98,986)	₩ (11)	₩ (9,824)
Contributions from the employer	-	(28,128)	-	(28,128)
Current service cost	11,789	-	-	11,789
Interest expense (income)	3,347	(3,426)	-	(79)
Return on plan assets (excluding amounts included in interest income)	-	1,514	-	1,514
Actuarial gain/loss from change in demographic assumptions	-	-	-	-
Actuarial gain/loss from change in financial assumptions	(19,398)	-	-	(19,398)
Actuarial gain/loss from experience adjustments	17,524	-	-	17,524
Transfer of employees between the Group and its related companies	(652)	677	-	25
Benefits paid	(10,572)	10,526	1	(45)
Ending balance	₩ 91,211	₩ (117,823)	₩ (10)	₩ (26,622)

Details of fair values of plan assets as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
	Amount	**Ratio (%)**	**Amount**	**Ratio (%)**
Time deposits and others	₩ 120,272	100.00	₩ 117,823	100.00
	₩ 120,272	100.00	₩ 117,823	100.00

Actuarial assumptions as of December 31, 2023 and 2022, are as follows:

(In percentage, %)	2023	2022
Discount rate	4.35	5.32
Expected rate of salary increase (executive)	3.00	3.00
Expected rate of salary increase (employee)	3.77	3.87

When all the other assumptions are maintained, if the significant actuarial assumptions change within possible and reasonable ranges, the impacts on defined benefit obligations, as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023	
	Increase	**Decrease**
100 basis point (bp) change in discount rate	₩ (6,098)	₩ 6,778
1% change in future wage growth rate	6,875	(6,291)

(In millions of Korean won)	2022	
	Increase	**Decrease**
100 basis-point change in discount rate	₩ (6,444)	₩ 7,302
1% change in future wage growth rate	7,478	(6,701)

The above sensitivity analysis does not represent actual changes of defined benefit obligations as the actuarial assumptions do not change independently; this is because there are correlations between the actuarial assumptions. The present value of defined benefit obligations is determined by the same method as the projected unit credit method used in calculating defined benefit obligations in the consolidated statements of financial position.

The expected weighted-average duration of the defined benefit obligation as of December 31, 2023, is 6.1 years. Expected contributions to postemployment benefit plans for the year ending December 31, 2024, are ₩12,103 million. Due to uncertainty, expected contributions may differ from actual results.

The expected maturity analysis of defined benefit obligation As of December 31, 2023 and 2022, are as follows:

	2023				
(In millions of Korean won)	**Less than 1 year**	**Between 1 year-5 years**	**Between 5-10 years**	**More than 10 years**	**Total**
Defined benefit obligations	₩ 11,204	₩ 44,137	₩ 32,054	₩ 22,268	₩ 109,663

	2022				
(In millions of Korean won)	**Less than 1 year**	**Between 1 year-5 years**	**Between 5-10 years**	**More than 10 years**	**Total**
Defined benefit obligations	₩ 6,339	₩ 33,650	₩ 25,779	₩ 25,443	₩ 91,211

13.3 Long-term employee benefits:

Changes in present value of long-term employee benefit liabilities for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Beginning balance	₩	6,583	₩	6,264
Current service cost		532		552
Interest expense		315		221
Actuarial gain (loss)		(840)		42
Benefits paid		(1,398)		(496)
Ending balance	₩	5,192	₩	6,583

When all the other assumptions are maintained, if the significant actuarial assumptions change within possible and reasonable ranges, the impacts on long-term employee benefits as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023			
		Increase		Decrease
100 basis-point change in discount rate	₩	(263)	₩	290
1% change in future wage growth rate		294		(271)

(In millions of Korean won)	2022			
		Increase		Decrease
100 basis-point change in discount rate	₩	(392)	₩	442
1% change in future wage growth rate		449		(408)

14. PROVISIONS:

Details of provision as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
Provision for unused commitment	₩	127,027	₩	97,998
Provision for point programs		38,202		33,122
Provision for restoration		1,999		4,070
	₩	167,228	₩	135,190

Changes in provision for unused commitment for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023			
		Lifetime expected credit losses		
	12-month expected credit losses	Not impaired	Impaired	Total
Beginning balance	₩ 77,835	₩ 20,163	₩ -	₩ 97,998
Transfer between categories				
Transfer to assets measured at 12-month expected credit losses	11,760	(11,760)	-	-
Transfer to assets measured at lifetime expected credit losses	(2,741)	2,741	-	-
Impairment	(4)	(5)	9	-
Provision (reversal)	9,203	19,835	(9)	29,029
Ending balance	₩ 96,053	₩ 30,974	₩ -	₩ 127,027

(In millions of Korean won)	2022			
		Lifetime expected credit losses		
	12-month expected credit losses	Not impaired	Impaired	Total
Beginning balance	₩ 62,674	₩ 36,163	₩ -	₩ 98,837
Transfer between categories				
Transfer to assets measured at 12-month expected credit losses	23,331	(23,331)	-	-
Transfer to assets measured at lifetime expected credit losses	(2,473)	2,473	-	-
Impairment	(8)	(13)	21	-
Provision (reversal)	(5,689)	4,871	(21)	(839)
Ending balance	₩ 77,835	₩ 20,163	₩ -	₩ 97,998

Changes in provisions for point programs for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
	Point	Customer loyalty	Point	Customer loyalty
Beginning balance	₩ 27,904	₩ 5,218	₩ 23,233	₩ 7,821
Provision (reversal)	3,421	1,659	4,671	(2,603)
Ending balance	₩ 31,325	₩ 6,877	₩ 27,904	₩ 5,218

Changes in provisions for restoration for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023	2022
Beginning balance	₩ 4,070	₩ 3,001
Reversal	(3,905)	(7,095)
Others	1,834	8,164
Ending balance	₩ 1,999	₩ 4,070

Provision for restoration is the present value of the best estimate of the expected future restoration cost of the leased stores As of December 31, 2023. The retirement obligation will be incurred at the end of the lease term. Average of four years of past experience rate and inflation rate are used to estimate the retirement obligation.

15. OTHER LIABILITES:

Details of other liabilities as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023	2022
Accounts payable	₩ 2,163,249	₩ 1,787,910
Accrued expenses	212,329	202,826
Withholdings	127,085	93,439
Guarantee deposit received	11,968	10,072
Unearned revenue	489,857	452,901
	₩ 3,004,488	₩ 2,547,148

Details of unearned revenue as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Point programs (point deferred revenue)	₩	348,752	₩	329,286
Annual subscription		140,894		123,597
Others		211		18
	₩	489,857	₩	452,901

Changes in point deferred revenue for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Beginning balance	₩	329,286	₩	304,821
Deferred revenue		378,622		342,318
Revenue recognition		(359,156)		(317,853)
Ending balance	₩	348,752	₩	329,286

16. DERIVATIVES AND HEDGE ACCOUNTING:

Derivative instruments held for trading

There are no derivative instruments held for trading as of December 31, 2023 and 2022.

Cash flow hedge

Cash flow hedge is a hedge for the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction and could affect profit or loss. When applying cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument shall be recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

The Group shall discontinue prospectively if hedging instrument expires or is sold, terminated or exercised; the hedge no longer meets the criteria for hedge accounting; the Group revokes the designation; or forecast transaction is no longer expected to occur, in which case, any related cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall be reclassified

from equity to profit or loss as a reclassification adjustment.
The Group removes the volatility risk of future cash flows of a hedged item, such as borrowings and debentures, caused by changes in market interest rates or in foreign currency rates using derivative instruments, such as an interest rate swap or currency swap.

The Group is exposed to indicator interest rates (KRW CD and KRW CMS) within the hedging relationship subject to interest rate indicator reform. The hedged items include won-denominated variable-rate borrowings issued (see Note 12), which have the same swap, maturity and nominal amounts The nominal amounts of hedging instruments related to KRW CD and KRW CMS among the hedging relationships of the consolidated entity are KRW 1,332,222 million and KRW 1,670,000 million, respectively. The group is closely monitoring market and industry discussions regarding applicable alternative benchmark interest rates on exposed interest rate indicators, and believes that this uncertainty will no longer appear when exposed interest indicators are replaced by applicable interest rates.

The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Company consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

Details of derivative assets and liabilities as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	**2023**			
	Unsettled contract amount	**Assets**	**Liabilities**	**Accumulated other comprehensive income[1]**
Interest rate swap	₩ 3,002,222	₩ 37,819	₩ 7,529	₩ 24,654
Currency swap	1,547,020	11,473	49,034	(6,169)
	₩ 4,549,242	₩ 49,292	₩ 56,563	₩ 18,485

(In millions of Korean won)	**2022**			
	Unsettled contract amount	**Assets**	**Liabilities**	**Accumulated other comprehensive income[1]**
Interest rate swap	₩ 3,398,889	₩ 84,532	₩ 2,634	₩ 62,021
Currency swap	1,897,965	75,140	43,049	15,426
	₩ 5,296,854	₩ 159,672	₩ 45,683	₩ 77,447

[1] Amount reflects tax effect.

The unsettled contract amount is the amount converted based on the exchange rate at the end of the reporting period, using the contract amount in foreign currency for transactions between Korean won and foreign currencies, and the contract amount in purchased foreign currency for transactions between foreign currencies.

The maximum period for the Group exposed to the variability in future cash flows arising from derivatives designated as cash flow hedges is expected to be until March 22, 2032. Meanwhile, the loss recognized as ineffective portion in relation to cash flow hedge is ₩4,371 million for the year ended December 31, 2023.

The average hedge ratio of derivative assets and liabilities As of December 31, 2023, is as follows:

(In millions of Korean won)	Less than 1 year	Between 1 year-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Nominal amount of hedged item	₩ 816,400	₩ 1,192,842	₩ 1,000,400	₩ 1,149,600	₩ 320,000	₩ 70,000	₩ 4,549,242
Nominal amount of hedging instrument	816,400	1,192,842	1,000,400	1,149,600	320,000	70,000	4,549,242
Average hedge ratio	100%	100%	100%	100%	100%	100%	100%

Details of hedging instrument as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				
	Nominal amount of hedging instrument	Book value of hedging instrument		Account of hedging instrument	Change in value used to calculate the ineffective portion of hedging
		Assets	Liabilities		
Cash flow hedge :					
Interest rate risk Swap	₩ 3,002,222	₩ 37,819	₩ 7,529	Derivative assets/liabilities	₩ (48,960)
Interest rate risk and foreign currency risk swap	1,547,020	11,473	49,034	Derivative assets/liabilities	(38,248)
	₩ 4,549,242	₩ 49,292	₩ 56,563		₩ (87,208)

(In millions of Korean won)	2022				
	Nominal amount of hedging instrument	Book value of hedging instrument		Account of hedging instrument	Change in value used to calculate the ineffective portion of hedging
		Assets	Liabilities		
Cash flow hedge :					
Interest rate risk Swap	₩ 3,398,889	₩ 84,532	₩ 2,634	Derivative assets/liabilities	₩ 80,321
Interest rate risk and foreign currency risk swap	1,897,965	75,140	43,049	Derivative assets/liabilities	31,992
	₩ 5,296,854	₩ 159,672	₩ 45,683		₩ 112,313

Book value of hedged item and adjustments by application of hedging accounting as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				
	Book value of hedged item		Account including hedged item	Change in value used to calculate the ineffective portion of hedging	Reserve for cash flow hedges[1]
	Assets	Liabilities			
Cash flow hedge:					
Interest rate risk Swap	₩ -	₩ 3,000,882	Borrowings	₩ 49,733	₩ 24,654
Interest rate risk and foreign currency risk Swap	-	1,520,345	Borrowings	37,052	(6,169)
	₩ -	₩ 4,521,227	Borrowings	₩ 86,785	₩ 18,485

[1] The amount is net of tax expense.

(In millions of Korean won)	2022				
	Book value of hedged item		Account including hedged item	Change in value used to calculate the ineffective portion of hedging	Reserve for cash flow hedges[1]
	Assets	Liabilities			
Cash flow hedge:					
Interest rate risk Swap	₩ -	₩ 3,397,083	Borrowings	₩ (83,074)	₩ 62,021
Interest rate risk and foreign currency risk Swap	-	1,895,458	Borrowings	(37,988)	15,426
	₩ -	₩ 5,292,541	Borrowings	₩ (121,062)	₩ 77,447

[1] The amount is net of tax expense.

17. SHARE CAPITAL:

Details of capital stock as of December 31, 2023 and 2022, are as follows:

Description	Authorized shares	Par value	Outstanding shares	Capital stock amount
Common stock	600,000,000 shares	₩ 5,000	160,465,286 shares	₩ 802,326 million

18. RESERVES:

Reserves as of December 31, 2023 and 2022, consist of the following:

(In millions of Korean won)	2023	2022
Share premium	₩ 45,399	₩ 45,399
Other reserves	12,305	12,305
	₩ 57,704	₩ 57,704

19. HYBRID SECURITIES:

Details of hybrid securities classified as equity as of December 31, 2023, are as follows:

(In millions of Korean won)	Issue date	Maturity date	Interest rate	Amount
876th Bond-type hybrid securities[1]	2023.07.12	2053.07.12	6.00%	₩ 160,000
Issuance costs				(410)
				₩ 159,590

[1] Conditions for issuance of bond-type hybrid securities are as follows:

	Bond-type hybrid securities
Maturity	30 years (extendable at the discretion of the Group at original maturity)
Interest rate	From issue date to July 12, 2028: a fixed rate of 6.00% p.a. with a one-off incremental of 2%, five years after the issuance per the step-up clause
Interest payment condition	Three months in arrears with selective deferment
Others	Early redemption by issuer allowed five years after issuance

20. RETAINED EARNINGS:

Retained earnings as of December 31, 2023 and 2022, consist of the following:

(In millions of Korean won)		2023		2022
Legal reserves[1]	₩	93,716	₩	78,616
Reserves for electronic financial transaction (Note 37)		1,000		1,000
Regulatory reserve for credit losses (Note 22)		1,131,719		922,239
Unappropriated retained earnings		1,579,122		1,611,301
	₩	2,805,557	₩	2,613,156

[1] The Commercial Code of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit.

Changes in retained earnings for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Beginning balance	₩	2,613,156	₩	2,463,320
Profit for the year		265,106		253,957
Dividends paid		(60,977)		(90,021)
Distribution from hybrid securities		(11,728)		(14,100)
Ending balance	₩	2,805,557	₩	2,613,156

Dividends paid for the year ended December 31, 2023, are as follows:

	Total number of ordinary shares issued *(In shares)*	**Total number of shares for dividends** *(In shares)*		**Dividend per share** *(In Korean won)*		**Total dividend** *(In millions of Korean won)*
Ordinary shares	160,465,286	160,465,286	₩	380	₩	60,977

21. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Changes in accumulated other comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				
		Changes			
	Beginning balance	Reclassification of profit or loss	Others	Tax effects	Ending balance
Gain (loss) on valuation of derivatives	₩ 77,447	₩ (20,505)	₩ (57,738)	₩ 19,281	₩ 18,485
Remeasurements of net defined benefit liabilities	(4,885)	-	(10,489)	2,361	(13,013)
Gain on valuation of financial assets at fair value though other comprehensive income	574	-	-	8	582
	₩ 73,136	₩ (20,505)	₩ (68,227)	₩ 21,650	₩ 6,054

(In millions of Korean won)	2022				
		Changes			
	Beginning balance	Reclassification of profit or loss	Other	Tax effects	Ending balance
Gain (loss) on valuation of derivatives	₩ 10,880	₩ (107,080)	₩ 194,918	₩ (21,271)	₩ 77,447
Remeasurements of net defined benefit liabilities	(5,116)	-	345	(114)	(4,885)
Gain (loss) on valuation of financial assets at fair value though other comprehensive income	-	-	759	(185)	574
	₩ 5,764	₩ (107,080)	₩ 196,022	₩ (21,570)	₩ 73,136

Cash flow hedging reserve represents the effective portion of cumulative gains or losses of hedging instruments in hedge accounting. The cumulative deferred gains or losses of hedging instruments are reclassified to income (loss) for the period when gains or losses of the hedged item are reflected in income (loss) or are reflected in the initial book amount of non-financial hedged item in accordance with relevant accounting policy.

22. REGULATORY RESERVE FOR CREDIT LOSSES:

Regulatory reserve for credit losses is calculated and disclosed in accordance with Article 11, Supervisory Regulation of Specialized Credit Financial Business Law.

Details of regulatory reserves for credit losses as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Beginning	₩	1,131,719	₩	922,239
Amount estimated to be appropriated (reversed)		(275,500)		209,480
Ending	₩	856,219	₩	1,131,719

Estimated provision of reserves for credit losses and adjusted profit after provision of reserves for credit losses for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Profit for the year	₩	265,106	₩	253,957
Provision (reversal) of regulatory reserve for credit losses		(275,500)		209,480
Adjusted profit after provision of regulatory reserve for credit losses	₩	540,606	₩	44,477
Earnings per share after provision of reserves for credit losses (*in Korean won*)	₩	3,369	₩	277

23. CARD INCOME AND EXPENSE:

Details of card income and expense for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Card income:				
Agent commission[1]	₩	1,629,144	₩	1,593,637
Commission income from life service		60,793		47,990
Overseas commission income		112,344		48,195
Income from annual subscription		284,498		245,745
Others		143,111		112,482
Deduction from revenue[2]		(598,690)		(737,298)
	₩	1,631,200	₩	1,310,751
Card expense:				
Acquisition fee	₩	85,008	₩	88,630
Promotion		259,159		417,305
Service fee[1]		762,773		682,240
Financial service fee		3,220		3,050
A new credit sale handling fee		198,158		175,680
Overseas payment fee		93,491		72,904
Card issuance expenses		46,832		41,465
Others		71,315		61,020
Deduction from expense [2]		(598,690)		(737,298)
	₩	921,266	₩	804,996

[1]. The point-giving transaction with card members is that the Group provided the card member with the customer option and the Group determines that it controls the transaction as principal. If the Group determines that it arranges for the provision of the good or service to customers by credit card merchant, the effect on card income and card expense by net accounting is as follows:

(In millions of Korean won)		2023		2022
Decrease in card income	₩	423,243	₩	362,247
Decrease in card expense		423,243		362,247

[2] Deductible items in accordance with application of K-IFRS No.1115.

24. INTEREST INCOME AND EXPENSE:

Interest income and expense for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		**2023**		**2022**
Interest income:				
Income from instalment service	₩	360,986	₩	316,209
Income from short-term card loan		69,149		80,799
Income from long-term card loan (general card loan)		550,735		595,043
Income from long-term card loan (refinancing loan)		10,928		7,782
Revolving interest income		176,208		208,082
Loans receivable income		3,064		1,903
Other interest income		78,736		67,406
	₩	1,249,806	₩	1,277,224
Interest expense:				
Expense from borrowings	₩	134,582	₩	83,882
Expense from debentures		429,437		316,205
Expense from others		4,160		3,593
	₩	568,179	₩	403,680

25. OTHER OPERATING INCOME AND EXPENSES:

Other operating income and expenses for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		**2023**		**2022**
Other operating income:				
Gain on foreign currency transactions	₩	48,378	₩	24,671
Gain on foreign currency translations		13,840		36,895
Gain on derivative transactions		16,276		78,535
Gain on valuation of derivatives		24,849		68,069
Others		220,870		206,341
	₩	324,213	₩	414,511
Other operating expenses:				
Loss on foreign currency transactions	₩	32,623	₩	88,901
Loss on foreign currency translations		24,857		65,533
Loss on derivative transactions		6,780		-
Loss on valuation of derivatives		18,211		43,158
Others		64,891		82,282
	₩	147,362	₩	279,874

26. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Salaries	₩	205,575	₩	202,437
Postemployment benefits		14,074		20,807
Employee benefits		35,594		30,598
Travel expenses		2,242		1,397
Communication expenses		20,611		24,820
Postal expenses		11,047		11,045
Rental expenses		14,568		15,834
Taxes and dues		29,583		25,662
Repair and maintenance expenses		1,529		1,303
Insurance premiums		1,130		1,019
Entertainment expenses		941		865
Advertising expenses		83,553		90,157
Supply expenses		2,637		2,490
Vehicle maintenance expenses		30		21
Periodicals expenses		236		707
Publication expenses		2,435		3,132
Training expenses		1,448		1,654
IT expenses		61,453		59,904
Expense for temporary staff		19,295		17,954
Professional service expenses		128,346		120,017
Delivery commission		1,583		1,506
Commission expenses		40,681		36,967
Business activity expenses		424		283
Construction expenses		7,381		6,113
Depreciation		23,803		22,771
Amortization		35,085		33,835
Depreciation of right-of-use assets		17,769		20,657
Event expenses		1,130		1,692
Conference expenses		1,018		704
Building administrative expenses		14,516		12,588
	₩	779,717	₩	768,939

27. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Non-operating income:				
Gains on disposal of property and equipment and intangible assets	₩	880	₩	11,146
Rental fee income		2,677		5,559
Miscellaneous profit		373		219
	₩	3,930	₩	16,924
Non-operating expenses:				
Loss on disposal of property and equipment and intangible assets	₩	1,113	₩	653
Donation		1,522		1,426
Loss on equity method		631		111
	₩	3,266	₩	2,190

28. TAX EXPENSE:

Income tax expense for the years ended December 31, 2023 and 2022, consists of the following:

(In millions of Korean won)		2023		2022
Current tax on profits for the period (including additional payment of tax and income tax refund)	₩	75,152	₩	87,317
Changes in deferred tax assets by temporary differences[1]		(11,157)		10,361
Total tax effect		63,995		97,678
Income tax expense reflected directly to equity		21,650		(21,570)
Income tax expense	₩	85,645	₩	76,108
[1] Ending net deferred tax assets due to temporary differences	₩	130,802	₩	119,645
Beginning net deferred tax assets due to temporary differences		119,645		130,006
Changes in net deferred tax assets due to temporary differences		(11,157)		10,361

A reconciliation between income before income tax and income tax expense for the years ended December 31, 2023 and 2022, is as follows:

(In millions of Korean won)	2023	2022
Profit before income tax	₩ 350,751	₩ 330,064
Income tax based on statutory tax	82,236	80,406
Add (deduct):		
Others	3,409	(4,298)
	3,409	(4,298)
Income tax expense for continuing operations	₩ 85,645	₩ 76,108
Effective tax rate from operations	24.42%	23.06%

Changes in the temporary differences and related deferred tax assets and liabilities for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				
	Temporary differences			Deferred tax assets (liabilities)	
	Beginning balance	Increase (decrease)	Ending balance	Beginning balance[1]	Ending balance
Retirement benefit obligation	₩ 55,992	₩ 16,398	₩ 72,390	₩ 13,620	₩ 16,864
Provision for unused commitments	97,998	29,029	127,027	23,838	29,592
Accrued expenses	100,468	(7,202)	93,266	24,439	21,727
Provisions for point programs	33,122	5,080	38,202	8,057	8,899
Unearned revenue (customer loyalty program)	329,286	19,466	348,752	80,100	81,245
Prepaid expenses (save point)	(57,853)	(2,671)	(60,524)	(14,073)	(14,100)
Derivatives	(96,244)	82,613	(13,631)	(23,412)	(3,175)
Provisions	4,057	(2,070)	1,987	987	463
Retirement insurance premium	(55,992)	(25,613)	(81,605)	(13,620)	(19,011)
Others	81,016	(45,400)	35,616	19,709	8,298
	₩ 491,850	₩ 69,630	₩ 561,480	₩ 119,645	₩ 130,802

(In millions of Korean won)	2022									
	Temporary differences						Deferred tax assets (liabilities)			
	Beginning balance		Increase (decrease)		Ending balance		Beginning balance		Ending balance	
Retirement benefit obligation	₩	54,618	₩	1,374	₩	55,992	₩	13,647	₩	13,620
Provision for unused commitments		98,837		(839)		97,998		24,696		23,838
Accrued expenses		89,795		10,673		100,468		22,436		24,439
Provisions for point programs		31,054		2,068		33,122		7,759		8,057
Unearned revenue (customer loyalty program)		304,821		24,465		329,286		76,163		80,100
Prepaid expenses (save point)		(61,961)		4,108		(57,853)		(15,482)		(14,073)
Derivatives		(12,039)		(84,205)		(96,244)		(3,008)		(23,412)
Provisions		3,001		1,056		4,057		750		987
Retirement insurance premium		(64,680)		8,688		(55,992)		(16,161)		(13,620)
Others		76,862		4,154		81,016		19,206		19,709
	₩	520,308	₩	(28,458)	₩	491,850	₩	130,006	₩	119,645

Income tax expenses reflected directly to equity for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023					
	Beginning balance		Increase (decrease)		Ending balance	
Tax effect related to cash flow hedges	₩	(24,895)	₩	19,281	₩	(5,614)
Tax effect related to remeasurements of net defined benefit liabilities		1,590		2,361		3,951
Tax effect related to Gain on valuation of financial assets at fair value though other comprehensive income		(185)		8		(177)
	₩	(23,490)	₩	21,650	₩	(1,840)

(In millions of Korean won)	2022					
	Beginning balance		Increase (decrease)		Ending balance	
Tax effect related to cash flow hedges	₩	(3,624)	₩	(21,271)	₩	(24,895)
Tax effect related to remeasurements of net defined benefit liabilities		1,704		(114)		1,590
Tax effect related to Gain on valuation of financial assets at fair value though other comprehensive income		-		(185)		(185)
	₩	(1,920)	₩	(21,570)	₩	(23,490)

29. EARNINGS PER SHARE:

(a) Basic earnings per share for the years ended December 31, 2023 and 2022, are as follows:

(In Korean won)	2023	2022
Profit for the period	₩ 265,106,125,497	₩ 253,956,764,564
(-) Distribution from hybrid securities	11,728,532,608	14,100,000,000
Profit attributable to ordinary shares (A)	253,377,592,889	239,856,764,564
Weighted-average number of ordinary shares outstanding (B) (in shares)	160,465,286	160,465,286
Basic earnings per share (A/B)	₩ 1,579	₩ 1,495

There are no discontinued operations for the years ended December 31, 2023 and 2022, and as such, earnings per share are the same as earnings per share from continuing operations.

(b) Diluted earnings per share

The Group did not issue any potential ordinary shares. Therefore, basic earnings per share are identical to diluted earnings per share.

30. FINANCIAL RISK MANAGEMENT:

30.1 Risk management policy

(a) Overall

The Group is exposed to various financial risks and non-financial risks.
- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks; the Group's objectives, policies and processes for measuring and managing risk.

(b) Risk management system

Main decision-making related to risk management is conducted through the risk management committee under the board of directors. The risk control committee is operated to review and confirm the details of managing risks and developing the strategies and carry out efficient risk management operations.

The risk management policy of the Group is designed to identify and analyze the risks faced by the Group, to set appropriate risk restrictions and controls and to monitor whether the Group complies with risks and restrictions. The risk management policies and systems are regularly reviewed to reflect market conditions and changes in offered products and services. The Group aims to make an organized control environment of regulation, by making all employees understand each of their role and obligation with education, training and management standards and procedures.

30.2 Credit risk

(a) General information

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Group's loan and card assets.

The Group evaluates credit risk monthly or more frequently if necessary. Credit risk is calculated based on the book amount of the asset under measurement, and the Group uses Default Model methodology in line with Basel Ⅱ requirements to evaluate expected and unexpected losses.

The corporate-level credit risk limit and each segment-level credit risk limit are set and managed by reflecting the growth potential and changes in properties of assets. Risk management department monitors compliance of risk limits, and if the limits are exceeded, the department reports the cause and countermeasure to the management.

(b) Level of exposure to credit risk

The maximum exposure to credit risk as of December 31, 2023 and 2022, is as follows:

(In millions of Korean won)		2023		2022
Cash and deposit	₩	1,126,825	₩	2,364,508
Financial assets at fair value through profit or loss		668,444		473,664
Financial assets at amortized cost[1]		20,763,584		20,605,077
Derivative assets		49,292		159,672
Other financial assets[1,2]		205,564		170,304
Unused commitment		86,724,637		73,509,997
	₩	109,538,346	₩	97,283,222

[1] Assets are stated at book amount after provision for impairment.
[2] Other financial assets consist of other receivable, accrued revenue and Guarantee deposits provided.

(c) Analysis of credit qualities of financial assets

Credit qualities of financial assets at amortized cost as of December 31, 2023 and 2022, are summarized as follows:

(In millions of Korean won)	2023								
	Card receivables			Short-term card loan			Long-term card loan		
	12-month	Lifetime expected credit losses		12-month	Lifetime expected credit losses		12-month	Lifetime expected credit losses	
Grade[1]	expected credit losses	Not impaired	Impaired	expected credit losses	Not impaired	Impaired	expected credit losses	Not impaired	Impaired
1	₩ 2,106,912	₩ 16,935	₩ 111	₩ 1,067	₩ 10	₩ 3	₩ 141,021	₩ 897	₩ -
2	3,222,557	3,487	269	3,791	19	2	312,615	2,152	20
3	2,279,982	3,223	691	4,712	17	1	208,959	1,358	43
4	1,663,416	8,863	132	6,302	20	-	335,875	3,092	108
5	1,583,248	6,508	276	17,313	36	1	497,570	5,423	380
6	1,118,655	32,762	254	41,098	874	14	473,000	15,683	591
7	1,032,013	92,430	238	69,218	4,657	11	514,984	21,191	1,550
8	763,867	83,121	510	87,253	9,072	123	488,417	30,486	2,477
9	512,308	72,225	669	84,003	11,984	101	343,995	74,673	6,000
10	426,344	152,847	517	73,331	29,050	136	259,450	85,227	9,714
11	249,199	213,599	490	50,319	46,452	115	160,616	78,253	16,626
12	112,913	112,101	506	24,939	26,455	119	99,894	65,137	21,654
13	390	18,907	320	10	2,090	29	42,489	63,527	26,603
14	691	13,866	1,266	5	2,158	428	19,407	39,632	32,226
15	4,663	11,937	39,163	1,113	2,227	8,403	-	93,715	178,330
Total[2]	15,077,158	842,811	45,412	464,474	135,121	9,486	3,898,292	580,446	296,322
Provisions for impairment and unused provision	104,008	82,535	33,465	14,113	15,136	7,107	109,828	75,061	159,760
Book amount	₩ 14,973,150	₩ 760,276	₩ 11,947	₩ 450,361	₩ 119,985	₩ 2,379	₩ 3,788,464	₩ 505,385	₩ 136,562

(In millions of Korean won)	Loan receivables			Unused credit limit		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
Grade[1]		Not impaired	Impaired		Not impaired	Impaired
1	₩ 533	₩ -	₩ -	₩ 10,406,663	₩ 73,124	₩ 57
2	1,233	7	-	22,472,939	10,876	301
3	1,093	-	-	18,707,179	14,749	881
4	1,568	42	-	11,698,977	40,956	253
5	1,808	-	-	9,148,447	15,780	306
6	1,621	63	-	5,244,173	88,482	275
7	1,656	136	7	3,342,716	210,535	126
8	1,187	83	4	2,339,397	229,698	143
9	1,104	339	4	1,134,241	155,137	152
10	756	440	37	580,430	225,881	80
11	359	224	18	200,039	202,161	26
12	179	308	37	67,910	83,273	66
13	109	238	50	272	9,315	14
14	11	172	39	403	4,156	91
15	-	204	279	12,190	1,107	660
Total[2]	13,217	2,256	475	85,355,976	1,365,230	3,431
Provisions for impairment and unused commitment	291	227	354	96,053	30,974	-
Book amount	₩ 12,926	₩ 2,029	₩ 121	₩ -	₩ -	₩ -

[1] Grades are internal credit ratings evaluated by the Group.

[2] The amount is after reflecting deferred origination cost and fee, and present value of discount.

(In millions of Korean won)	2022								
	Card receivables			Short-term card loan			Long-term card loan		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
Grade[1]		Not impaired	Impaired		Not impaired	Impaired		Not impaired	Impaired
1	₩ 1,943,085	₩ 13,719	₩ 67	₩ 1,107	₩ 5	₩ -	₩ 129,499	₩ 7,679	₩ -
2	3,347,858	8,740	216	3,523	3	4	279,919	13,105	44
3	2,283,649	4,661	252	3,886	4	3	194,897	10,064	46
4	1,572,165	7,890	209	4,801	12	2	294,557	17,186	225
5	1,490,792	7,612	243	14,476	46	2	438,797	22,588	240
6	1,144,026	72,214	836	35,659	723	7	412,200	36,878	441
7	1,002,518	197,501	417	56,868	4,100	29	460,490	45,229	1,433
8	747,006	131,804	685	67,595	7,523	173	386,795	98,469	2,222
9	497,740	133,349	518	58,782	8,941	55	312,422	110,467	4,305
10	375,825	227,434	467	49,280	18,802	113	233,440	117,910	6,803
11	206,865	352,988	706	31,063	36,436	125	153,367	109,076	11,652
12	94,387	149,143	572	16,750	21,125	115	73,599	116,180	15,194
13	185	19,840	342	18	1,814	23	39,456	82,814	19,044
14	250	13,282	1,512	4	2,226	391	17,570	51,293	22,627
15	5,155	14,481	50,582	742	2,728	13,581	-	97,075	135,652
Total[2]	14,711,506	1,354,658	57,624	344,554	104,488	14,623	3,427,008	936,013	219,928
Provisions for impairment and unused provision	88,032	113,496	43,223	9,116	11,261	11,175	92,692	94,814	124,393
Book amount	₩ 14,623,474	₩ 1,241,162	₩ 14,401	₩ 335,438	₩ 93,227	₩ 3,448	₩ 3,334,316	₩ 841,199	₩ 95,535

(In millions of Korean won)	Loan receivables			Unused credit limit		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
Grade[1]		**Not impaired**	**Impaired**		**Not impaired**	**Impaired**
1	₩ 860	₩ 33	₩ -	₩ 9,137,010	₩ 48,982	₩ 112
2	1,650	21	-	18,494,074	10,627	344
3	963	31	-	15,849,489	13,349	433
4	1,646	52	9	10,045,976	23,826	219
5	2,381	73	7	8,017,438	16,785	264
6	2,329	104	-	4,633,446	73,656	291
7	2,749	128	18	2,877,765	177,195	150
8	2,430	208	-	1,916,966	173,135	102
9	1,447	251	2	874,809	108,144	67
10	1,492	1,518	163	429,162	156,955	57
11	860	511	-	150,503	148,642	53
12	386	484	26	48,965	57,297	67
13	254	471	28	106	6,986	21
14	157	261	4	128	3,236	140
15	-	366	75	11,259	823	943
Total[2]	19,604	4,512	332	72,487,096	1,019,638	3,263
Provisions for impairment and unused commitment	489	814	268	77,785	20,213	-
Book amount	₩ 19,115	₩ 3,698	₩ 64	₩ -	₩ -	₩ -

[1] Grades are internal credit ratings evaluated by the Group.
[2] The amount is after deferred origination cost and fee, and present value of discount.

(d) Concentrations of credit risk

Concentrations of credit risk by term structures as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023					
	Retail	**Corporate**	**Total**	**Ratio**	**Provision for impairment**	**Book amount**
Within 1 year	₩ 13,480,177	₩ 1,226,743	₩ 14,706,920	68.83%	₩ (247,879)	₩ 14,459,041
After 1 year	6,658,540	10	6,658,550	31.17%	(354,007)	6,304,543
	₩ 20,138,717	₩ 1,226,753	₩ 21,365,470	100.00%	₩ (601,886)	₩ 20,763,584

(In millions of Korean won)	2022					
	Retail	**Corporate**	**Total**	**Ratio**	**Provision for impairment**	**Book amount**
Within 1 year	₩ 11,898,473	₩ 1,106,928	₩ 13,005,401	61.36%	₩ (247,579)	₩ 12,757,822
After 1 year	8,188,042	1,408	8,189,450	38.64%	(342,195)	7,847,255
	₩ 20,086,515	₩ 1,108,336	₩ 21,194,851	100.00%	₩ (589,774)	₩ 20,605,077

Concentrations of credit risk, by industry, of corporate loans as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023			
	Book amount before provision for impairment	**Ratio**	**Provision for impairment**	**Book amount**
Financing	₩ 207,073	16.88%	₩ (480)	₩ 206,593
Manufacturing	615,315	50.16%	(1,655)	613,660
Service	172,666	14.08%	(948)	171,718
Public	58	0.00%	-	58
Others	231,641	18.88%	(1,678)	229,963
	₩ 1,226,753	100.00%	₩ (4,761)	₩ 1,221,992

(In millions of Korean won)	2022			
	Book amount before provision for impairment	**Ratio**	**Provision for impairment**	**Book amount**
Financing	₩ 227,500	20.53%	₩ (458)	₩ 227,042
Manufacturing	377,372	34.05%	(1,064)	376,308
Service	210,822	19.02%	(1,227)	209,595
Public	53	0.00%	-	53
Others	292,589	26.40%	(3,137)	289,452
	₩ 1,108,336	100.00%	₩ (5,886)	₩ 1,102,450

Financial assets at amortized cost by the assessment methods for impairments as at December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023								
	Individual assessment			**Collective assessment**			**Total**		
	Book amount before provision for impairment	**Provision for impairment**	**Allowance rate**	**Book amount before provision for impairment**	**Provision for impairment**	**Allowance rate**	**Book amount before provision for impairment**	**Provision for impairment**	**Allowance rate**
Financial assets at amortized cost:									
Card receivables	₩ -	₩ -	-	₩ 15,965,381	₩ (220,008)	1.38%	₩ 15,965,381	₩ (220,008)	1.38%
Short-term card loans	-	-	-	609,081	(36,356)	5.97%	609,081	(36,356)	5.97%
Long-term card loans	-	-	-	4,775,060	(344,649)	7.22%	4,775,060	(344,649)	7.22%
Loan receivables	-	-	-	15,948	(873)	5.47%	15,948	(873)	5.47%
	₩ -	₩ -	-	₩ 21,365,470	₩ (601,886)	2.82%	₩ 21,365,470	(601,886)	2.82%

(In millions of Korean won)	2022								
	Individual assessment			**Collective assessment**			**Total**		
	Book amount before provision for impairment	**Provision for impairment**	**Allowance rate**	**Book amount before provision for impairment**	**Provision for impairment**	**Allowance rate**	**Book amount before provision for impairment**	**Provision for impairment**	**Allowance rate**
Financial assets at amortized cost:									
Card receivables	₩ -	₩ -	-	₩ 16,123,789	₩ (244,751)	1.52%	₩ 16,123,789	₩ (244,751)	1.52%
Short-term card loans	-	-	-	463,665	(31,553)	6.81%	463,665	(31,553)	6.81%
Long-term card loans	-	-	-	4,582,949	(311,899)	6.81%	4,582,949	(311,899)	6.81%
Loan receivables	-	-	-	24,448	(1,571)	6.43%	24,448	(1,571)	6.43%
	₩ -	₩ -	-	₩ 21,194,851	₩ (589,774)	2.78%	₩ 21,194,851	₩ (589,774)	2.78%

30.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The liquidity management method for the Group is to maintain sufficient liquidity to repay the debt at maturity without risk of unacceptable losses or damaging the reputation of the consolidation entity even in financially difficult circumstances.

The Group sets, once or twice a month, the goal of month-end liquidity at a level in which the Group could pay all of its obligations in the next three months and analyzes the levels of liquidity risk. In addition, the Group monitors the six-month borrowing coverage and establishes a contingency plan by the level of emergency situations implementing major indices of liquidity risks.

The board of directors has the overall responsibility for the establishment and oversight of the Group's liquidity risk management framework used to monitor and control short-term financing and medium- and long-term financing. The Group analyzes the actual cash flows in comparison with the expected cash flows and has sufficient cash and credit lines to cope with the unexpected liquidity squeeze. In addition, the Group makes an effort to minimize liquidity risk by matching the maturity structure of financial liabilities with the maturity structure of financial assets.

The Group classifies and discloses contractual maturity of financial liabilities and offshore accounts in relation to liquidity risk into four categories as immediate payment, less than one year, between one year–five years and more than five years. The cash flows disclosed in the maturity analysis are undiscounted contractual amount, including principal and future interest payments, which do not agree to the DCF(discounted cash flows) based amount included in the consolidated statements of financial position.

Residual contractual maturity analysis of the Group's non-derivative financial liabilities by residual contractual maturity as of December 31, 2023 and 2022, is classified as follows:

(In millions of Korean won)	2023				
	Immediate payment	**Less than 1 year**	**Between 1 year-5 years**	**More than 5 years**	**Total**
Borrowings	₩ -	₩ 4,864,258	₩ 13,093,228	₩ 411,805	₩ 18,369,291
Other financial liabilities	71,337	2,368,865	1,288	-	2,441,490
Lease liabilities	-	9,958	18,108	-	28,066
Unused commitment	86,724,637	-	-	-	86,724,637
	₩ 86,795,974	₩ 7,243,081	₩ 13,112,624	₩ 411,805	₩ 107,563,484

(In millions of Korean won)	2022				
	Immediate payment	**Less than 1 year**	**Between 1 year-5 years**	**More than 5 years**	**Total**
Borrowings	₩ -	₩ 6,851,248	₩ 11,788,400	₩ 771,088	₩ 19,410,736
Other financial liabilities	133,694	1,846,188	149	-	1,980,031
Lease liabilities	-	240,030	16,889	-	256,919
Unused commitment	73,509,997	-	-	-	73,509,997
	₩ 73,643,691	₩ 8,937,466	₩ 11,805,438	₩ 771,088	₩ 95,157,683

Residual contractual maturity analysis of the Group's financial derivative instruments by residual contractual maturity as of December 31, 2023 and 2022, is classified as follows:

(In millions of Korean won)	2023				
	Immediate payment	**Less than 1 year**	**Between 1 year-5 years**	**More than 5 years**	**Total**
Cash outflows on net payment derivatives	₩ -	₩ 10,992	₩ 22,966	₩ 1,455	₩ 35,413
Cash inflows on gross payment derivatives	-	141,666	1,494,184	-	1,635,850
Cash outflows on gross payment derivatives	-	(123,898)	(1,528,102)	-	(1,652,000)
Total	₩ -	₩ 28,760	₩ (10,952)	₩ 1,455	₩ 19,263

(In millions of Korean won)	2022				
	Immediate payment	**Less than 1 year**	**Between 1 year-5 years**	**More than 5 years**	**Total**
Cash outflows on net payment derivatives	₩ -	₩ 17,941	₩ 59,355	₩ 13,194	₩ 90,490
Cash inflows on gross payment derivatives	-	749,401	1,243,263	-	1,992,664
Cash outflows on gross payment derivatives	-	(689,808)	(1,258,506)	-	(1,948,314)
Total	₩ -	₩ 77,534	₩ 44,112	₩ 13,194	₩ 134,840

30.4 Market risk

Market risk is the risk to the Group's earnings arising from changes in interest rates, stock price, currency exchange rates or commodity prices. The risk relevant to trading position that the Group is mainly exposed to is the interest rate risk arising from the change in the value of debt instruments and interest rate-embedded securities due to changes in market interest rate. The Group is additionally exposed to stock price and foreign exchange rate fluctuation risk arising from loans, receivables, deposits, securities or financial derivatives. The market risk from the non-trading position also exposes the Group to interest rate risk and liquidity risk. The trading position held for the Group's short-term funding purpose does not fall into the category that exposes the Group to interest rate risk as these are not sensitive to fluctuations in interest rate due to short-term strategic management. Only risks arising from non-trading market risks are managed.

(a) Interest rate risk

Interest rate Value at Risk (“VaR”) is a statistical estimate of the maximum potential decline in the value of net assets due to the unfavorable changes in interest rate, using the VaR methodology, a key measure of market risk, in interest rate risk assessment.

The interest rate VaR disclosed below is estimated at a 95% confidence level with 1% interest rate shock using the Bank for International Settlements (“BIS”) standards framework. This methodology employs using revised duration proxy by maturity provided by BIS. The assumption used to calculate the VaR is the expected range of interest rate fluctuation affected by interest rate shock at 100 bp parallel movement of benchmark rate curve. Although VaR is generally used as a key measure of market risk, certain limitations to this methodology exist.

VaR measures the potential loss in value of a risky asset or portfolio based on historical market movements over a defined period for a given confidence interval. However, it is not always possible in practice that the historical market movements reflect all future conditions and circumstances, which result in variance in actual loss timing and size due to the changes in assumptions used in calculation.

The result of interest rate VaR, which means maximum losses estimated under normal distribution of interest rate risk, is as follows:

(In millions of Korean won)		**2023**		**2022**
Interest rate VaR	₩	119,661	₩	108,979

(b) Foreign currency risk

The Group is exposed to foreign currency risk from the liabilities denominated in a foreign currency other than the functional currency, Korean won. Foreign currency risk of the Group mainly arises from foreign currency debentures. The Group hedges the foreign currency risk with forward exchange contracts that have the same period as the cash flow with respect to the interest and principal payment amount of foreign currency debentures obligated to pay in the future.

There are no foreign currency holdings that are not hedged with derivatives as of December 31, 2023.

(c) Other market risk

The Group is exposed to price risks from equity instruments at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

30.5 Capital management

The parent company (specialized credit finance company) must maintain adjusted capital adequacy ratio in accordance with Specialized Credit Financial Business Law and sub regulations, and the ratio for the credit card company must be more than 8%. This ratio is calculated by dividing adjusted capital with adjusted total assets, and all factors are based on separate financial statements. The parent company maintains an adjusted capital adequacy ratio of more than 8%.

Details of adjusted capital adequacy ratio as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		**2023**		**2022**
Adjusted total assets (A)	₩	22,106,467	₩	22,690,040
Adjusted total capital (B)		3,637,610		3,405,361
Adjusted capital adequacy ratio (B/A)		16.45%		15.01%

31. FINANCIAL INSTRUMENTS BY CATEGORY:

Carrying amount and fair value of financial instruments by category as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				
	Financial assets at amortized cost	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Derivative instruments for hedging**	**Total**
Financial assets					
Cash and deposits	₩ 1,126,825	₩ -	₩ -	₩ -	₩ 1,126,825
Securities	-	674,899	9,359	-	684,258
Card assets and loan receivables	20,763,584	-	-	-	20,763,584
Other financial assets[1]	205,564	-	-	49,292	254,856
	₩ 22,095,973	₩ 674,899	₩ 9,359	₩ 49,292	₩ 22,829,523

(In millions of Korean won)	2023		
	Financial liabilities at amortized cost	**Derivative instruments for hedging**	**Total**
Financial liabilities			
Borrowings	₩ 16,817,373	₩ -	₩ 16,817,373
Other financial liabilities[2]	2,525,460	56,563	2,582,023
	₩ 19,342,833	₩ 56,563	₩ 19,399,396

[1] Other financial assets consist of other receivables, accrued income, guarantee deposits provided and derivative assets.
[2] Other financial liabilities consist of other payables, withholdings (excluding liabilities for taxes and dues), accrued expenses, lease liabilities, derivative liabilities and guarantee deposits received.

(In millions of Korean won)	2022				
	Financial assets at amortized cost	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Derivative instruments for hedging**	**Total**
Financial assets					
Cash and deposits	₩ 2,364,508	₩ -	₩ -	₩ -	₩ 2,364,508
Securities	-	477,980	9,359	-	487,339
Card assets and loan receivables	20,605,077	-	-	-	20,605,077
Other financial assets[1]	170,304	-	-	159,672	329,976
	₩ 23,139,889	₩ 477,980	₩ 9,359	₩ 159,672	₩ 23,786,900

(In millions of Korean won)	2022		
	Financial liabilities at amortized cost	**Derivative instruments for hedging**	**Total**
Financial liabilities			
Borrowings	₩ 18,228,363	₩ -	₩ 18,228,363
Other financial liabilities[2]	2,328,568	45,683	2,374,251
	₩ 20,556,931	₩ 45,683	₩ 20,602,614

[1] Other financial assets consist of other receivables, accrued income, guarantee deposits provided and derivative assets.
[2] Other financial liabilities consist of other payables, withholdings(excluding liabilities for taxes and dues), accrued expenses, lease liabilities, derivative liabilities and guarantee deposits received.

Net gains or losses on each category of financial instruments for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				
	Interest income	**Interest expenses**	**Card income**	**Card expenses**	**Impairment loss**
Financial assets					
Financial assets at amortized cost	₩ 1,249,806	₩ -	₩ 1,631,200	₩ 921,266	₩ 423,947
Financial assets at fair value through profit or loss	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-
Derivative instruments for hedging	-	-	-	-	-
Financial liabilities					
Financial liabilities at amortized cost	-	568,179	-	-	-
Derivative instruments for hedging	-	-	-	-	-
	₩ 1,249,806	₩ 568,179	₩ 1,631,200	₩ 921,266	₩ 423,947

(In millions of Korean won)	2023				
	Gain on valuation	**Gain on disposal**	**Dividend income**	**Loss on foreign currency translation**	**Loss on foreign currency transactions**
Financial assets					
Financial assets at amortized cost	₩ -	₩ 83,365	₩ -	₩ (8)	₩ 25,251
Financial assets at fair value through profit or loss	13,058	5,314	-	-	-
Financial assets at fair value through other comprehensive income	-	-	20	-	-
Derivative instruments for hedging	8,145	9,496	-	-	-
Financial liabilities					
Financial liabilities at amortized cost	-	-	-	(11,009)	(9,496)
Derivative instruments for hedging	(1,507)	-	-	-	-
	₩ 19,696	₩ 98,175	₩ 20	₩ (11,017)	₩ 15,755

(In millions of Korean won)	2022				
	Interest income	**Interest expenses**	**Card income**	**Card expenses**	**Impairment loss**
Financial assets					
Financial assets at amortized cost	₩ 1,277,224	₩ -	₩ 1,310,751	₩ 804,996	₩ 432,306
Financial assets at fair value through profit or loss	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-
Derivative instruments for hedging	-	-	-	-	-
Financial liabilities					
Financial liabilities at amortized cost	-	403,680	-	-	-
Derivative instruments for hedging	-	-	-	-	-
	₩ 1,277,224	₩ 403,680	₩ 1,310,751	₩ 804,996	₩ 432,306

(In millions of Korean won)	2022				
	Gain on valuation	**Gain on disposal**	**Dividend income**	**Loss on foreign currency translation**	**Loss on foreign currency transactions**
Financial assets					
Financial assets at amortized cost	₩ -	₩ 39,653	₩ -	₩ (93)	₩ 14,304
Financial assets at fair value through profit or loss	3,396	1,864	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-
Derivative instruments for hedging	64,857	78,535	-	-	-
Financial liabilities					
Financial liabilities at amortized cost	-	-	-	(28,545)	(78,534)
Derivative instruments for hedging	(39,946)	-	-	-	-
	₩ 28,307	₩ 120,052	₩ -	₩ (28,638)	₩ (64,230)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair value hierarchy classifications of the financial instruments that are subsequently measured at fair value as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				
	Book amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Financial assets at fair value					
Securities at fair value through profit or loss	₩ 674,899	₩ 674,899	₩ 5,253	₩ 633,117	₩ 36,529
Securities at fair value through other comprehensive income[1]	9,359	9,359	-	-	9,359
Derivative assets	49,292	49,292	-	49,292	-
Financial liabilities:					
Financial assets at fair value					
Derivative liabilities	56,563	56,563	-	56,563	-

[1] As of December 31, 2023, among the securities at fair value through other comprehensive income in Level 3, equity instruments amounting to ₩1,000 million are measured at cost since they do not have a quoted price in an active market and their fair value cannot be measured reliably.

(In millions of Korean won)	2022				
	Book amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Financial assets at fair value					
Securities at fair value through profit or loss	₩ 477,980	₩ 477,980	₩ 23,785	₩ 423,234	₩ 30,961
Securities at fair value through other comprehensive income[1]	9,359	9,359	-	-	9,359
Derivative assets	159,672	159,672	-	159,672	-
Financial liabilities:					
Financial assets at fair value					
Derivative liabilities	45,683	45,683	-	45,683	-

[1] As of December 31, 2022, among the securities at fair value through other comprehensive income in Level 3, equity instruments amounting to ₩1,000 million are measured at cost since they do not have a quoted price in an active market and their fair value cannot be measured reliably.

To provide information about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. Financial instruments that are measured at fair value are categorized by the fair value hierarchy whereby the levels are defined as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to measure an instrument at fair value are observable, the instrument is included in Level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Examples include unlisted equity securities.

There are no changes in fair value hierarchy level for the year ended December 31, 2023.

The following table presents the changes in Level 3 financial instruments for the years ended at December 30, 2023 and 2022:

(In millions of Korean won)	2023	
	Securities at fair value through profit or loss	**Securities at fair value through other comprehensive income**
Beginning balance	₩ 30,961	₩ 9,359
Acquisition	1,250	-
Disposition	(1,709)	-
Profit or loss	6,027	-
Ending balance	₩ 36,529	₩ 9,359

(In millions of Korean won)	2022	
	Securities at fair value through profit or loss	**Securities at fair value through other comprehensive income**
Beginning balance	₩ 19,598	₩ 1,000
Acquisition	3,131	7,600
Disposition	(2,483)	-
Profit or loss	10,715	-
Other comprehensive income	-	759
Ending balance	₩ 30,961	₩ 9,359

The following table presents the valuation techniques and input variables used to measure the fair value of Level 2 financial instruments as of December 31, 2023 and 2022:

(In millions of Korean won)	Fair value				Valuation technique	Input variables
	2023		2022			
Financial assets at fair value:						
Securities at fair value through profit or loss	₩	633,117	₩	423,234	DCF	Discount rate, interest rate, etc.
Derivative assets		49,292		159,672	DCF	Discount rate, interest rate, exchange rate, etc.
Financial liabilities at fair value:						
Derivative liabilities		56,563		45,683	DCF	Discount rate, interest rate, exchange rate, etc.

The following table presents the valuation techniques and significant unobservable input variables used to measure the fair value of Level 3 financial instruments as of December 31, 2023 and 2022:

(In millions of Korean won)	Fair value				Valuation technique	Unobservable inputs	Range of unobservable inputs (%)		Relationship of unobservable inputs to fair value
	2023		2022				2023	2022	
Financial assets at fair value									
Securities at fair value through profit or loss	₩	2,821	₩	1,367	DCF	Discount rate	15.66	14.65	N/A
		33,708		29,594	Net asset value	Price of underlying asset	N/A	N/A	N/A
Securities at fair value through other comprehensive income		8,359		8,359	Market approach	N/A	N/A	N/A	N/A

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in fair value of financial instruments which are affected by unobservable parameters, using a statistical technique. When the fair value is affected by more than one input parameter, the amounts represent the most favorable or most unfavorable outcome.

Results of the sensitivity analysis of changes in inputs as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				2022			
	Profit or loss				Profit or loss			
	Favorable changes		Unfavorable changes		Favorable changes		Unfavorable changes	
Financial assets								
Financial assets at fair value through profit or loss[1]	₩	94	₩	(50)	₩	68	₩	(32)

[1] For financial assets at fair value through profit or loss, the changes in fair value are calculated by increasing or decreasing correlations between growth rate (0% ~ 1%) and discount rate (-1% ~ 1%) which are principal unobservable input parameters.

Financial liabilities at fair value measured using net asset value method and financial equity at fair value through other comprehensive income were excluded from sensitivity analysis because it was impossible to calculate the sensitivity of changes in inputs.

The table below provides the fair value and carrying amounts of financial instruments that are measured in amortized cost in the consolidated statements of financial position as of December 31, 2023 and 2022.

(In millions of Korean won)	2023				2022			
	Book amount		Fair value		Book amount		Fair value	
Assets								
Financial assets								
Cash and deposit	₩	1,126,825	₩	1,126,825	₩	2,364,508	₩	2,364,508
Financial assets at amortized cost		20,763,584		21,061,028		20,605,077		20,792,443
Other financial assets		205,564		205,564		170,304		170,304
	₩	22,095,973	₩	22,393,417	₩	23,139,889	₩	23,327,255
Liabilities								
Financial liabilities								
Borrowings	₩	16,817,373	₩	16,958,748	₩	18,228,363	₩	17,662,632
Other financial liabilities		2,525,460		2,525,460		2,328,568		2,328,568
	₩	19,342,833	₩	19,484,208	₩	20,556,931	₩	19,991,200

The fair valuation techniques of the financial instruments measured at amortized cost are as follows:

	Valuation techniques
Cash and deposits	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using DCF model. However, if the remaining maturity is short at the reporting date, the carrying amount is regarded as fair value.
Card assets and loan receivables	DCF model is used to determine the fair value of card assets and loan receivables. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by early redemption rate, at appropriate discount rate. However, if the remaining maturity is short at the reporting date, the carrying amount is regarded as fair value.
Other financial assets	DCF model is used to determine the fair value of other financial assets. Fair value is determined by discounting the expected cash flows, which are contractual cash flows, at appropriate discount rate. However, if the remaining maturity is short at the reporting date, the carrying amount is regarded as fair value.
Borrowings	Fair value is calculated by DCF model at an appropriate interest rate for respective range of maturity.
Other financial liabilities	DCF model is used to determine the fair value of other financial liabilities. Fair value is determined by discounting the expected cash flows, which are contractual cash flows, at appropriate discount rate. However, if the remaining maturity is short at the reporting date, the carrying amount is regarded as fair value.

The table below provides the fair value hierarchy of financial instruments that are not measured subsequently at fair value in the consolidated statements of financial position as of December 31, 2023 and 2022.

(In millions of Korean won)	**December 31, 2023**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and deposit[1]	₩ -	₩ 1,126,825	₩ -	₩ 1,126,825
Card assets and loan receivables	-	-	21,061,028	21,061,028
Other financial assets[1]	-	-	205,564	205,564
Financial liabilities				
Borrowings	₩ -	₩ 16,958,748	₩ -	₩ 16,958,748
Other financial assets[1]	-	-	2,525,460	2,525,460

[1] The carrying amount is disclosed at fair value as it is a reasonable approximation of fair value.

(In millions of Korean won)	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and deposit[1]	₩ -	₩ 2,364,508	₩ -	₩ 2,364,508
Card assets and loan receivables	-	-	20,792,443	20,792,443
Other financial assets[1]	-	-	170,304	170,304
Financial liabilities				
Borrowings	₩ -	₩ 17,662,632	₩ -	₩ 17,662,632
Other financial assets[1]	-	-	2,328,568	2,328,568

[1] The carrying amount is disclosed at fair value as it is a reasonable approximation of fair value.

There are no significant changes in business or economic environment for the year ended December 31, 2023, which affect fair values of financial assets and liabilities held by the Group.

33. TRANSFERS OF FINANCIAL ASSETS:

The Parent Company had comprehensively entrusted receivables to trust account of the trustee in the form of a money bond trust, and the trust account issued beneficiary right certificate of investor, beneficiary right certificate of transferor and subordinated beneficiary right certificate with trust property entrusted by the Parent Company as underlying asset. As the Parent Company is providing credit reinforcement by acquiring beneficiary right certificate of transferor and subordinated beneficiary right certificate and should any impairment loss incurred in receivables belong to the underlying asset, the risk preferentially belongs to the Parent Company.

	Asset-backed card assets	
(In millions of Korean won)	**2023**	**2022**
Book amount of assets[1]	₩ 6,929,238	₩ 7,126,968
Book amount of the associated liabilities	2,650,118	3,425,035

[1] The amount is before provision for impairment.

As of December 31, 2023, the Group has issued its securitization liabilities with card assets as an underlying asset, and the related securitization liabilities have the right of recourse about the underlying assets. As of December 31, 2023, the fair value of financial assets transferred but not eliminated is ₩ 6,887,320 million, the fair value of related liabilities is ₩2,645,281 million and net position is ₩4,242,039 million.

34. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

The Group has entered into derivative contracts that include an International Swaps and Derivatives Association ("ISDA") master netting agreements.

Generally, in such arrangements, all contracts that exist in the same currency are consolidated into one net amount and paid from one party to the other. Also, in the event of a credit event, such as bankruptcy, all contracts existing under the agreement will be cleared, the liquidating value will be assessed and all contracts will be settled on a net basis.

The ISDA arrangement does not meet the offset requirement in the consolidated financial statements. The Group does not currently have legally enforceable right to set off in recognized assets and liabilities because the right to set off cannot be exercised before a credit event, such as bankruptcy, occurs.

The effects of netting agreements as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023					
				Amounts not offset		
	Recognized financial assets and liabilities	Gross financial assets and liabilities set off	Net amounts presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amounts
Financial assets						
Derivative assets	₩ 49,292	₩ -	₩ 49,292	₩ 5,748	₩ -	₩ 43,544
Financial liabilities						
Derivative liabilities	56,563	-	56,563	5,748	-	50,815

(In millions of Korean won)	2022					
				Amounts not offset		
	Recognized financial assets and liabilities	Gross financial assets and liabilities set off	Net amounts presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amounts
Financial assets						
Derivative assets	₩ 159,672	₩ -	₩ 159,672	₩ 2,634	₩ -	₩ 157,038
Financial liabilities						
Derivative liabilities	45,683	-	45,683	2,634	-	43,049

35. RELATED-PARTY TRANSACTIONS:

As of December 31, 2023, details of the related parties are as follows:

	Companies
Parent company	Hyundai Motor Company
Associates	Modern Lion
Entities with significant influence over the company.	Hyundai Commercial Inc.; Taipei Fubon Commerical Bank Co., Ltd. ; Taipei Fubon Life Insurance Co., Ltd.
Other related parties	Green Air; Kumho Express Co., Ltd.; Kia Corporation; Kia Tigers; Maintrans Co., Ltd.; Meshkorea Co.,Ltd.; MOVIA Co., Ltd.; MOTRAS CO., LTD.; BNS Soft; Seoul PMC; CA Tech Co., Ltd.; HL Green Power; WIA-MAGNA Powertrain; UNITUS CO., Ltd.; Ucar; Eukor Car Carriers; Innocean Worldwide; DPLAN360; Iljin Bearing; Wondermove Co., Ltd.; Chunbuk Hyundai Motors FC; G-Marine Service Co., Ltd.; GIT; KCNC Co.,Ltd ;Korea Credit Bureau; TRANIX CORP.; Fubon Hyundai Life Insurance Co., Ltd.; Hankook Economy Daily; Korea Electronic Vehicle Charging Service; Haevichi Hotels & Resorts; Haevichi Country Club; Hyundai Construction; Hyundai Glovis; Hyundai Transys; Hyundai City Corporation; Hyundai Rotem; Hyundai Materials; Hyundai Mobis; Hyundai BNG Steel; Hyundai Farm Land & Development; Hyundai Steel Industries; Hyundai Steel Pipe; Hyundai IHL; Hyundai Engineering; Hyundai NGV; Hyundai MSEAT; Hyundai AutoEver; Hyundai WIA; Hyundai Steel; Hyundai Special Steel Company; HMC Investment Securities Co., Ltd.; Hyundai Capital; Hyundai KEFICO; Hyundai Partecs; MOCEAN Co., Ltd.; Hyundai IFC Co., Ltd.; Hyundai Advanced Materials; Hyundai ISC Co., Ltd.; Hyundai IMC Co., Ltd.; 42dot; Hyundai Capital America; and others

Sales and purchases with related parties for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023							
	Income			**Expense**			**Others**	
	Card income	**Rental income**	**Others**	**Card expense**	**Selling and administrative expenses**	**Others[1]**	**Purchase of property, equipment, intangible assets and others**	**Disposal of assets**
Parent company								
Hyundai Motor Company	₩ 190,760	₩ -	₩ 642	₩ 1,120	₩ 112	₩ 785	₩ 19	₩ -
Other related parties								
Hyundai Capital	-	549	856	42,888	4,901	899	4,450	-
Kia Corporation	77,928	-	659	391	-	140	-	-
Hyundai AutoEver	3,114	-	1,461	322	48,451	801	50,092	-
Hyundai Engineering	8	-	-	165	11,056	1	-	-
Hyundai Steel	3	-	2	102	-	-	-	-
Others	2,635	330	5,819	1,520	7,920	2,705	-	-
	₩ 274,448	₩ 879	₩ 9,439	₩ 46,508	₩ 72,440	₩ 5,331	₩ 54,561	₩ -

[1] Reversal of provision for impairment on card assets due from related party amounting to ₩4 million is included.

(In millions of Korean won)	2022							
	Income			**Expense**			**Others**	
	Card income	**Rental income**	**Others**	**Card expense**	**Selling and administrative expenses**	**Others[1]**	**Purchase of property, equipment, intangible assets and others**	**Disposal of assets**
Parent company								
Hyundai Motor Company	₩154,630	₩ -	₩ 101	₩ -	₩ 15	₩ 697	₩ -	₩ -
Other related parties								
Hyundai Capital	23	2,192	3,359	41,749	2,518	7,401	2,630	-
Kia Corporation	67,113	-	759	-	300	133	-	-
Hyundai AutoEver	4,122	-	1,293	-	46,159	503	39,191	-
Hyundai Engineering	6	-	-	-	11,706	1	-	-
Hyundai Steel	2	-	-	-	-	-	-	-
Others	2,283	1,545	5,527	269	12,007	2,842	4,040	-
	₩228,179	₩ 3,737	₩ 11,039	₩ 42,018	₩ 72,705	₩ 11,577	₩ 45,861	₩ -

[1] Additional provision for impairment on card assets due from related party amounting to ₩96 million is included.

Outstanding balances arising from sales/purchases of goods and services as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023					
	Receivables			Payables		
	Card assets[1]	Provision for impairment	Others	Other payables	Others[3]	Unused credit limit[2]
Parent company						
Hyundai Motor Company	₩ 62,232	₩ (41)	₩ 10	₩ 73,291	₩ 5	₩ 237,602
Other related parties						
Hyundai Capital	114,193	(84)	1,684	3,197	2,625	152,862
Kia Corporation	26,556	(18)	-	20,884	-	43,444
Hyundai AutoEver	6,599	(4)	-	15,423	21,335	39,401
Hyundai Engineering	7,730	(5)	-	3	-	12,270
Hyundai Steel	7,345	(5)	-	9,068	-	22,655
Others	60,063	(166)	1,343	2,906	386	173,188
	₩ 284,718	₩ (323)	₩ 3,037	₩ 124,772	₩ 24,351	₩ 681,422

[1] Unsettled amount of the corporate purchasing card amounting to ₩51,789 million is included, and the amounts used and redeemed for the year ended December 31, 2023, are ₩770,796 million and ₩793,339 million, respectively.
[2] Unused credit limit of the corporate purchasing card is included.
[3] For the year ended December 31, 2023, the repayment amount of lease liabilities under lease contract with related parties is ₩6,679 million.

(In millions of Korean won)	2022					
	Receivables			Payables		
	Card assets[1]	Provision for impairment	Others	Other payables	Others[3]	Unused credit limit[2]
Parent company						
Hyundai Motor Company	₩ 72,686	₩ (70)	₩ -	₩ 61,275	₩ -	₩ 137,314
Other related parties						
Hyundai Capital	128,947	(136)	517	3,974	1,299	138,865
Kia Corporation	23,485	(23)	-	24,546	-	46,515
Hyundai AutoEver	9,590	(9)	-	23,372	15,345	36,410
Hyundai Engineering	4,766	(4)	-	3	-	5,234
Hyundai Steel	7,377	(7)	-	19,856	-	22,623
Others	40,265	(78)	1,095	16,634	2,205	176,105
	₩ 287,116	₩ (327)	₩ 1,612	₩ 149,660	₩ 18,849	₩ 563,066

[1] Unsettled amount of the corporate purchasing card amounting to ₩74,332 million is included, and the amounts used and redeemed for the year ended December 31, 2022, are ₩871,895 million and ₩857,070 million, respectively.
[2] Unused credit limit of the corporate purchasing card is included.
[3] For the year ended December 31, 2022, the repayment amount of lease liabilities under lease contract with related parties is ₩5,865 million.

Compensation for key management for the years ended December 31, 2023 and 2022, is as follows:

(In millions of Korean won)		**2023**		**2022**
Short-term employee benefits	₩	18,896	₩	18,225
Postemployment benefits		3,719		3,288
Other long-term benefits		21		20
	₩	22,636	₩	21,533

The fund transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

Outstanding fund transactions included in card assets are as follows:

(In millions of Korean won)		December 31, 2022		Net increase (decrease)[1]		December 31, 2023
Parent Company						
Hyundai Motor Company	₩	72,686	₩	(10,454)	₩	62,232
Other related parties						
Hyundai Capital		128,947		(14,754)		114,193
Kia Corporation		23,485		3,071		26,556
Hyundai AutoEver		9,590		(2,991)		6,599
Hyundai Engineering		4,766		2,964		7,730
Hyundai Steel		7,377		(32)		7,345
Others		40,265		19,798		60,063
	₩	287,116	₩	(2,398)	₩	284,718

[1] The card asset-related fund transaction is stated as net changes in consideration of the business activities with high turnover, large amounts and short maturity.

(In millions of Korean won)		December 31, 2021		Net increase (decrease)[1]		December 31, 2022
Parent Company						
Hyundai Motor Company	₩	55,197	₩	17,489	₩	72,686
Other related parties						
Hyundai Capital		63,315		65,632		128,947
Kia Corporation		23,068		417		23,485
Hyundai AutoEver		9,352		238		9,590
Hyundai Engineering		3,664		1,102		4,766
Hyundai Steel		6,668		709		7,377
Others		32,908		7,357		40,265
	₩	194,172	₩	92,944	₩	287,116

[1] The card asset-related fund transaction is stated as net changes in consideration of the business activities with high turnover, large amounts and short maturity.

Dividends paid to the related parties for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		**2023**		**2022**
Parent company and others	₩	59,779	₩	87,299

As of December 31, 2023, there are no payment guarantees and collateral provided by the Group for the financial supports to the related parties, and no collateral and payment guarantees are provided by the related parties.

36. CONSOLIDATED STATEMENTS OF CASH FLOWS:

Details of cash and cash equivalents as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		**2023**		**2022**
Current deposit	₩	238	₩	297
Ordinary deposit		542,924		562,798
Other cash and cash equivalents		506,085		1,706,295
	₩	1,049,247	₩	2,269,390

Cash generated from (used in) operations for the years ended December 31, 2023 and 2022, is as follows:

(In millions of Korean won)		**2023**		**2022**
Profit for the period	₩	265,106	₩	253,957
Adjustments:				
Income tax expense		85,645		76,108
Interest expense		568,179		403,680
Impairment loss		423,947		432,306
Loss on equity method accounting		631		111
Loss on valuation of financial assets at fair value through profit or loss		1,163		7,630
Loss on disposal of financial assets at fair value through profit or loss		41		-
Postemployment benefits		10,392		11,710
Other long-term benefits		7		815
Depreciation		23,803		22,771
Amortization		35,085		33,835
Depreciation of right-of-use assets		17,769		20,657
Loss on foreign currency translations		24,857		65,533

(In millions of Korean won)	2023	2022
Loss on valuation of derivatives	24,991	43,158
Loss on disposal of property and equipment and intangible assets	1,113	564
Non-interest-bearing instalment	14,245	159,960
Other operating expenses	17,472	90,141
Addition (reversal) of provision	30,204	(5,866)
Interest income	(1,159,966)	(1,090,816)
Dividend income	(20)	-
Gain on valuation of financial assets at fair value through profit or loss	(14,221)	(11,026)
Gain on disposal of financial assets at fair value through profit or loss	(5,355)	(1,864)
Gain on foreign currency translations	(13,840)	(36,895)
Gain on valuation of derivatives	(41,125)	(146,604)
Amortization of present value of discounts of card assets	(50,667)	(147,596)
Amortization of deferred origination cost and fee of card assets	(39,172)	(38,812)
Gain on disposal of property and equipment and intangible assets	(880)	(11,146)
Other operating income	(9,678)	(154)
	(55,380)	(121,800)
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(175,506)	889,637
Increase in card assets	(513,923)	(2,707,327)
Decrease (increase) in loan receivables	8,002	(18,003)
Decrease (increase) in other receivables	(29,036)	235,213
Decrease (increase) in other assets	68,530	(118,815)
Increase in other payables	376,652	486,028
Increase (decrease) in withholdings	33,565	(38,199)
Increase (decrease) in accrued expenses	(4,534)	4,369
Increase in other liabilities	37,535	38,456
	(198,715)	(1,228,641)
Cash generated from (used in) operations	₩ 11,011	₩ (1,096,484)

Non-cash investing and financing activities, which are not reflected in the consolidated statements of cash flows, for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023		2022
Transfer to property and equipment from construction in progress	₩	27,644	₩	3,390
Unpaid acquisition of property and equipment		(1,284)		1,191
Transfer to intangible assets from construction in progress		6,420		15,170
Unpaid acquisition of intangible assets		(1,191)		57
Changes in other comprehensive income related to cash flow hedge valuation gains and losses		(52,323)		66,567

Changes in liabilities arising from financial activities for the years ended December 31, 2023 and 2022, are as follows:

	2023						
			Changes in non-cash				
(in millions of Korean won)	Beginning balance	Cash flow	Exchange difference	Current portion	Interest expense	Reclassification	Ending balance
Short-term borrowings[1]	₩ 1,186,667	₩ (736,666)	₩ -	₩ 811,667	₩ -	₩ (5,505)	₩ 1,256,163
Long-term borrowings	2,547,222	380,000	-	(811,667)	-	(88,436)	2,027,119
Short-term debentures[2]	5,251,058	(4,952,538)	1,769	2,790,207	16,773	(49,658)	3,057,611
Long-term debentures	9,243,417	4,010,733	9,242	(2,790,207)	3,295	-	10,476,480
Lease liabilities	251,182	(15,267)	-	-	4,005	(213,924)	25,996
Dividends payable	-	(60,977)	-	-	-	60,977	-
	₩ 18,479,546	₩ (1,374,715)	₩ 11,011	₩ -	₩ 24,073	₩ (296,546)	₩ 16,843,369

[1] Current portion of long-term borrowings is included.

[2] Current portion of long-term debentures is included.

(in millions of Korean won)	2022						
			Changes in non-cash				
	Beginning balance	Cash flow	Exchange difference	Current portion	Interest expense	Reclassification	Ending balance
Short-term borrowings[1]	₩ 1,037,333	₩ (708,444)	₩ -	₩ 857,778	₩ -	₩ -	₩ 1,186,667
Long-term borrowings	1,290,000	2,115,000	-	(857,778)	-	-	2,547,222
Short-term debentures[2]	4,252,667	(3,749,805)	58,896	4,706,497	11,558	(28,755)	5,251,058
Long-term debentures	9,131,509	4,845,791	(30,350)	(4,706,497)	2,964	-	9,243,417
Lease liabilities	68,250	(19,210)	-	-	3,306	198,836	251,182
Dividends payable	-	(90,021)	-	-	-	90,021	-
	₩ 15,779,759	₩ 2,393,311	₩ 28,546	₩ -	₩ 17,828	₩ 260,102	₩ 18,479,546

[1] Current portion of long-term borrowings is included.
[2] Current portion of long-term debentures is included.

37. CONTINGENCIES AND COMMITMENTS:

(a) Significant commitments

The Group made an intraday bank overdraft agreement of ₩150 billion with Kookmin Bank and 4 other institutions, and the Group made an agreement of ₩1,830.1 billion with Kookmin Bank and 17 other institutions for general loans and credit line as of December 31, 2023.
In addition, for the credit line agreement, we are providing the Yeouido Building 1 owned by the Group as collateral to Woori Bank, and the mortgage amount is ₩180 billion.

(b) Pending litigations

As of December 31, 2023, the Company is involved in 36 cases (₩4,835 million) as a defendant, 64 cases (₩77,756 million) as a plaintiff and cases for debt collection against multiple debtors in the important pending litigations. The Group does not anticipate that these pending litigations referred above will have a significant effect on its separate financial statements.

(c) Reserve for loss reimbursement

The Group has reserves of ₩1 billion for electronic financial transactions in case fraudulent credit card activities or accidents occurred in accordance with the Electronic Financial Transactions Act.

(d) Insurance for the implementation of the liability for damages

The Group has insured ₩10 billion for the implementation of the liability for damages in accordance with the Article 43 of the Credit Information Act.

(e) Commitment associated with asset-backed securitization

The Group continuously transfers receivables to maintain that the balance of the asset-backed securitization is above a certain level of trust beneficiary certificates relating to the asset-backed securitization. According to the agreement on the Group's asset-backed securitization, in order to enhance the credit level of the asset-backed securities, several provisions are in place as trigger clauses to be used for early redemption calls, thereby limiting the risk that the investors are exposed to, resulting from a change in quality of the assets in the future. In the event that the asset-backed securitization of the Group is in violation of the applicable trigger clause, the Group is obliged to make early redemption for the asset-backed securities. Meanwhile, when an event of default occurs from derivative contracts regarding asset-backed securities issued by Super Series 9th SPC and Super Series 12th SPC, Super Series 14th SPC, Super Series 15th SPC the Group may be liable for reimbursement of losses incurred on counterparties.

(f) Agreement relating to borrowings

As of December 31, 2023, the Group has entered into agreements, including trigger clause, with its creditors for the purpose of credit enhancement of certain borrowings. If the Group breaches its trigger clause, the Group may be subject to early repayment or suspension/termination of contracts with the creditors.

38. INVESTMENT IN THE UNCONSOLIDATED STRUCTURED ENTITY:

(a) Nature and extent of unconsolidated structured entity's equity

The Group involves in the SPC through investments, and the nature of the involvement is as follows:

Unconsolidated entities that are classified as investment fund include investment trust and private equity fund. Investment trusts select and delegate management to investment managers and allocate investment operating profits by trust agreement. Private equity fund involves in business management, improvements in business structures, procurement of investment funds through private equity and allocation of profits to investors. As an investor of the investment fund, the Group recognizes dividend income and is exposed to the risk of principal loss.

(b) As of December 31, 2023 and 2022, total assets of unconsolidated structured entities, the book amount, maximum loss exposure and net loss recognized in the consolidated financial statements are as follows. Maximum loss exposure includes future amounts, such as investment assets, purchase commitments and credit offerings:

(In millions of Korean won)		**2023**		**2022**
Unconsolidated entity total assets	₩	949,875	₩	844,653
Assets recognized		30,074		26,646
Securities		30,074		26,646
Liabilities recognized		-		-
Loss incurred		-		-
Maximum loss exposures		30,074		26,646
Securities		30,074		26,646

39. SEGMENT INFORMATION:

The Group conducts business activities related to credit cards and others in accordance with relevant laws, such as Specialized Credit Finance Business Act. The Group adds “payment gateway” as a new segment, but it is not recognized as a separate reporting segment because it does not meet quantitative criteria in accordance with K-IFRS No.1108.

40. APPROVAL OF ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements of 2023 were approved for issue by the board of directors on January 31, 2024, and will get final approval during the shareholders' meeting on March 27, 2024.