

# Residential Mortgage Disclosure

For the Second Quarter of 2013

## RESIDENTIAL MORTGAGE FROM SHINHAN BANK CANADA

Shinhan Bank Canada Mortgage Loans are available to purchase residential properties, refinance, or renovate existing residential properties.

Typically, a minimum of 20% of the purchase price or appraisal value is required for the down payment. In other words, a maximum of 80% of the purchase price or appraisal value, whichever is lower, can be borrowed from Shinhan Bank Canada. This particular type of mortgage is called a “Conventional Mortgage” and does not require mortgage insurance. Meanwhile, a “High Ratio Mortgage” refers to a mortgage in which the borrower has a down payment of less than 20% of the purchase value. A high ratio mortgage requires mortgage default insurance from CMHC or Genworth Canada etc.

**Currently, the Bank only provides Conventional Residential Mortgage Loans.**

For the greater transparency, clarity and public confidence in the Bank’s residential mortgage portfolio, the Bank prepared the Residential Mortgage Disclosure for the second quarter of 2013.

1. Total amount and percentage of the total residential mortgage loan and HELOCs that is insured and uninsured

*(Unit: thousands of Canadian dollars)*

|                            | <i>Insured</i> |    | <i>Uninsured</i> |      | <b>Total</b>  |             |
|----------------------------|----------------|----|------------------|------|---------------|-------------|
| Residential Mortgage       | -              | 0% | 97,101           | 100% | <b>97,101</b> | <b>100%</b> |
| Home Equity Line of Credit | -              | 0% | 3,435            | 100% | <b>3,435</b>  | <b>100%</b> |

2. A geographic breakdown for the amount and percentage of the total residential mortgage loans and HELOCs that are insured versus uninsured

*(Unit: thousands of Canadian dollars)*

| Province     | Residential Mortgage |           |               |             | Home Equity Line of Credit |          |           |              |             |              |
|--------------|----------------------|-----------|---------------|-------------|----------------------------|----------|-----------|--------------|-------------|--------------|
|              | Insured              |           | Uninsured     |             | Insured                    |          | Uninsured |              | Total       |              |
| Ontario      | -                    | 0%        | 97,101        | 100%        | <b>97,101</b>              | -        | 0%        | 3,435        | 100%        | <b>3,435</b> |
| BC           | -                    | 0%        | -             | 0%          | <b>0</b>                   | -        | 0%        | -            | 0%          | <b>0</b>     |
| Alberta      | -                    | 0%        | -             | 0%          | <b>0</b>                   | -        | 0%        | -            | 0%          | <b>0</b>     |
| <b>Total</b> | <b>0</b>             | <b>0%</b> | <b>97,101</b> | <b>100%</b> | <b>97,101</b>              | <b>0</b> | <b>0%</b> | <b>3,435</b> | <b>100%</b> | <b>3,435</b> |

3. The percentage of residential mortgages that fall within various amortization period ranges

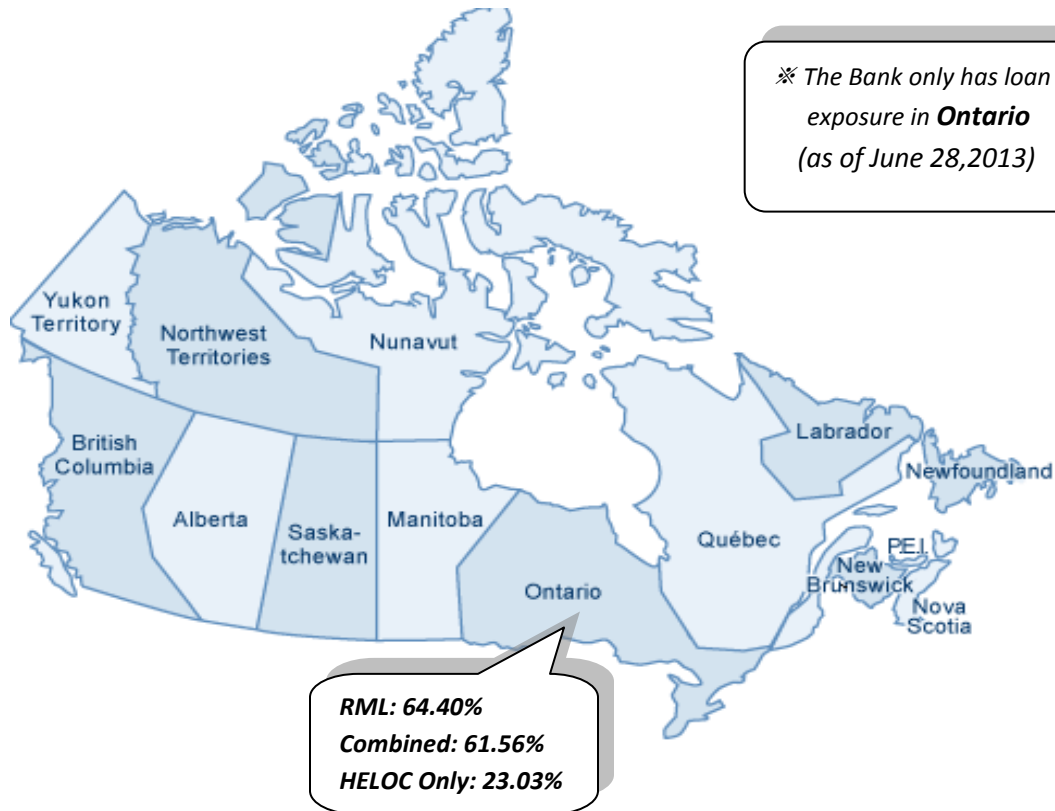
Remaining Amortization as at June 28, 2013

| Amortization Period | 1 -19 Years  | 20 -24 Years  | 25 -30 Years  | More than 30 Years | Total          |
|---------------------|--------------|---------------|---------------|--------------------|----------------|
| <b>Canada</b>       | <b>2.67%</b> | <b>36.67%</b> | <b>60.66%</b> | <b>0%</b>          | <b>100.00%</b> |
| Other Jurisdictions | -            | -             | -             | -                  | -              |

4. Average LTV ratio for the newly originated Residential Mortgage Loans and HELOCs (2<sup>nd</sup> Quarter of 2013)

| Loan Type   | Residential Mortgage LTV | Combined Loan LTV (HELOC Only LTV) |
|-------------|--------------------------|------------------------------------|
| Average (%) | 64.40%                   | 61.56% (23.03%)                    |

5. A Geographical Break Down of the Average LTV ratio for the newly originated Residential Mortgage Loans and HELOCs (2<sup>nd</sup> Quarter of 2013)



- THE POTENTIAL IMPACT ON RESIDENTIAL MORTGAGE LOANS AND HELOCS IN THE EVENT OF AN ECONOMIC DOWNTURN

Stress tests conducted on the Bank's assets revealed that the Bank's residential mortgage and HELOC portfolio would be able to survive the impact of a severe economic downturn.

|                                     | From 1991 to 1996 |
|-------------------------------------|-------------------|
| Maximum Drawdown in GTA house price | -28%              |

We used the early 1990's real estate market downturn as a benchmark of our worst scenario test. Due to the Bank's conservative Loan to Value coverage and stringent mortgage practice, the impact from the residential property value decline was insignificant.

Moreover, Shinhan Bank Canada performed annual Stress Test, based on 2013.3.31 data, on real estate. Test was done based on three different scenarios. The bank's loss on residential real estate, even in the worst scenario, is under C\$650K.

The BIS ratio (combined residential and commercial real estate) in the worst case is 29.80% which is well over than OSFI requirement of 10%

In conclusion, severe decreases in property values can be absorbed by the current mortgage portfolio. In the event of a severe downturn, the Bank will operate in a more conservative manner in granting residential mortgage loans and HELOCs.