

# Residential Mortgage Disclosure

For the Fourth Quarter of 2016

## 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 (the “Bank”). 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 fourth quarter of 2016.

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

*(Unit: thousands of Canadian dollars)*

	<i>Insured</i>		<i>Uninsured</i>		<b>Total</b>	
Residential Mortgage	-	0%	274,231	100%	<b>274,231</b>	<b>100%</b>
Home Equity Line of Credit	-	0%	3,375	100%	<b>3,375</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		Total	Insured		Uninsured		Total
Ontario	-	0%	270,304	100%	<b>270,304</b>	-	0%	3,375	100%	3,375
BC	-	0%	3,927	100%	<b>3,927</b>	-	0%	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>274,231</b>	<b>100%</b>	<b>274,231</b>	<b>0</b>	<b>0%</b>	<b>3,375</b>	<b>100%</b>	<b>3,375</b>

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

*Remaining Amortization as at December 30, 2016*

Amortization Period	1 -19 Years	20 -24 Years	25 -30 Years	More than 30 Years	Total
<b>Canada</b>	<b>2.02%</b>	<b>11.40%</b>	<b>86.57%</b>	<b>0%</b>	<b>100.00%</b>
Other Jurisdictions	-	-	-	-	-

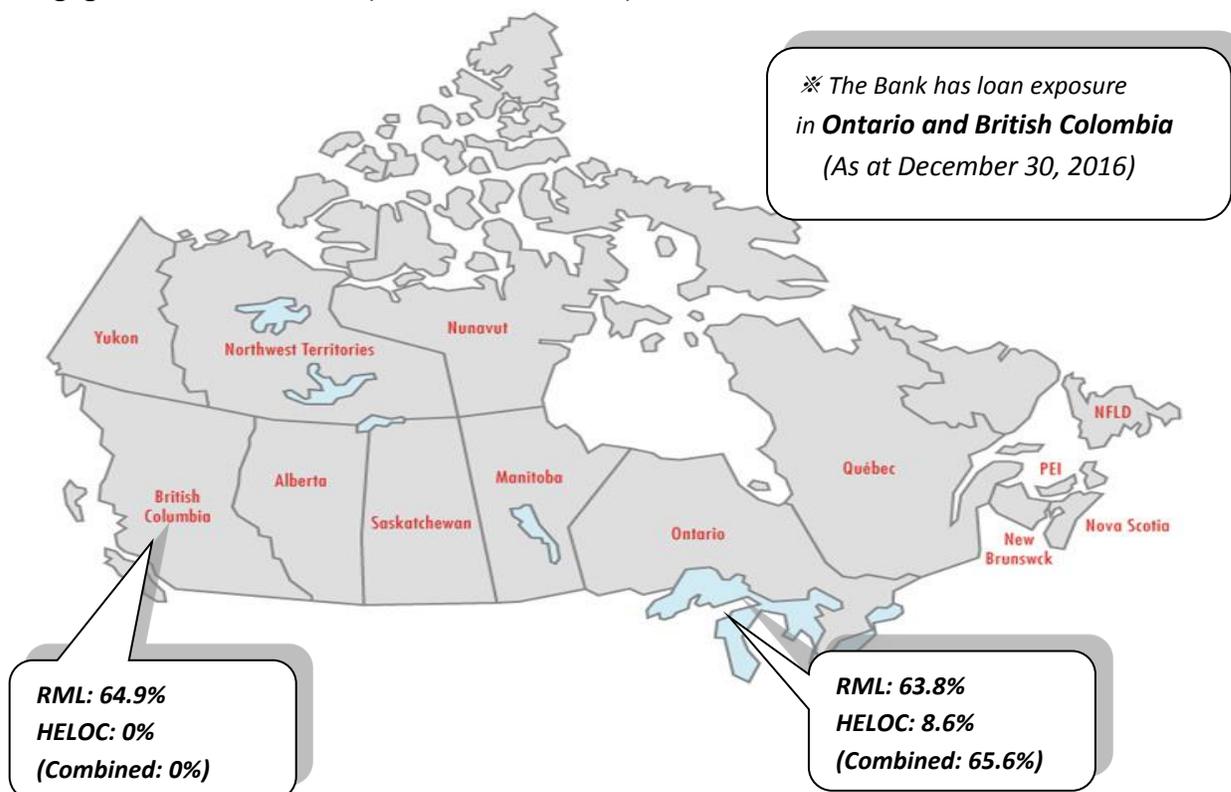
4. Average Loan-to-Value (LTV) ratio for the newly originated Residential Mortgage Loans and HELOCs (4<sup>th</sup> Quarter of 2016)

*(Units: thousands of Canadian dollars)*

Loan Type	Residential Mortgage			Home Equity Line of Credit
	Conforming	Non-conforming	Total	
Amount	11,064	3,814	14,878	210
Average LTV	65.46%	59.43%	63.8%	HELOC portion : 8.6% ( Combined * : 65.6% )

\* Combined: Residential mortgage loans on the same property are included in LTV calculations.

5. A Geographical Break Down of the Average LTV ratio for the newly originated Residential Mortgage Loans and HELOCs (4<sup>th</sup> Quarter of 2016)



6. Average GDS and TDS for the newly originated Residential Mortgage Loans and HELOCs (4<sup>th</sup> Quarter of 2016)

	GDS (%)	TDS (%)
Average	31.6	40.9

\* Non-income qualifying loans are not included in this GDS, TDS calculation.

GDS (Gross Debt Service Ratio): It is the percentage of gross income required to cover principal, interest and property tax payments. It is calculated by dividing the total annual payments of principal, interest and taxes by the defined gross annual income.

$$\text{GDS} = (\text{Principal} + \text{Interest} + \text{Property Taxes} + \text{Utility Costs}) / \text{Gross Income}$$

TDS (Total Debt Service Ratio): It is the percentage of defined income necessary to cover principal, interest and property tax payments, maintenance fees (if applicable) plus all other payments. It is calculated by taking the total principal, interest and tax payments used in the GDS calculation, adding all annual payments required for installment accounts and dividing by the total gross income.

$$\text{TDS} = (\text{Principal} + \text{Interest} + \text{Property Taxes} + \text{Utility Cost} + \text{All other annual debt payments}) / \text{Gross Income}$$

■ 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 1989 to 1996
Maximum Drawdown in GTA house price	-28%

We used the early 1990's real estate market downturn as a benchmark of our annual Stress Test. The test, based on our loan portfolio as of March 31, 2016, was performed on three hypothetical scenarios of real estate market decline. Due to the Bank's conservative Loan to Value coverage and stringent mortgage practice, the impact from the residential property value decline was manageable. The bank's loss on residential real estate, in the worst case scenario, is estimated to be less than C\$1,000K. The BIS ratio (combined residential and commercial real estate) in the worst case scenario is 14.2%, which is over the minimum OSFI requirement of 10.5% and the Bank's internal limit of 13.5%.<sup>i</sup>

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.

<sup>i</sup> The Bank's actual BIS ratio is currently over 20%, due to the capital injection in April 2016.