Basel Pillar 3 Public Disclosures of

SHINHAN BANK CANADA

As at September 30, 2015

1. Scope of Application

This document outlines Shinhan Bank Canada's (the 'Bank') Basel Pillar 3 public disclosures as required by the Office of the Superintendent of Financial Institutions Canada ('OSFI').

The Bank is a wholly-owned subsidiary of Shinhan Bank in the South Korea (the 'Parent bank') and was established on August 22, 2008 and is licensed to operate in Canada as a foreign bank subsidiary with full banking powers under the Bank Act (Canada). The Bank operates in the Greater Toronto Area its head office is located at 5140 Yonge Street, Suite 2300, Toronto, Ontario, Canada, M2N 6L7.

2. Capital Structure

The Bank's capital management framework is designed to maintain a level which meets and/or exceeds the regulatory capital ratios, internal long-term capital targets and strong credit ratings and build long-term shareholder value.

The regulatory capital of the Bank consists of Tier 1 and Tier 2 Capital less deductions prescribed by OSFI. Since the Bank does not carry subordinated debentures, the Bank's Tier 1 capital is equal to total regulatory capital. Tier 1 Capital consists of Common Equity Tier 1 Capital and Additional Tier 1 Capital. Common Equity Tier 1 Capital includes common shares, retained earnings, and accumulated other comprehensive income. The Bank does not carry Additional Tier 1 Capital.

The table below shows the Bank's capital structure as of September 30, 2015.

Capital Structure

(Unit: C$1,000)

	2015.09	2015.06
Common Equity Tier 1 Capital		
Share Capital (unlimited common shares authorized)	50,000	50,000
Retained Earnings	(4,917)	(5,062)
Common Equity Tier 1 Capital	**45,083**	**44,938**
Tier 2 Capital		
Subordinated Debt	-	-
Tier 2 Capital	**-**	**-**
Total Capital (Tier 1 + Tier 2 Capital)	**45,083**	**44,938**

3. Capital Adequacy

The Bank has a capital management process in place to measure and monitor its available capital and assess its adequacy. This capital management process aims to maintain a cost-effective capital structure that provides adequate returns to the shareholder. The Bank's senior management and the Board of Directors regularly monitor results of related businesses, the consequent returns to total shareholder equity and the level of dividends to the shareholder.

Capital levels for Canadian banks are regulated pursuant to guidelines issued by OSFI. Effective Q4 2014, banks must meet a Tier 1 Capital ratio requirement of 8.50% and a total capital target ratio of 10.50%. The Bank's Tier 1 Capital and Total Capital ratios as of September 30, 2015 were 15.60% and 15.60%, respectively, exceeding requirements by 7.10% and 5.10% respectively.

Capital ratios are calculated by dividing Tier 1 capital and regulatory capital by risk-weighted assets. Risk-adjusted assets are calculated according to OSFI prescribed rules relating to the Bank's exposures.

The table below shows the Bank's risk-weighted assets as of September 30, 2015.

Risk-Weighted Assets

(Unit: C$1,000)

Exposure Type	2015.09		2015.06	
	Net Exposure	RWA	Net Exposure	RWA
Corporate	134,246	129,303	125,683	116,488
Sovereign	-	-	-	-
Bank	120,582	42,237	124,895	42,285
Total Institutional Credit Exposures	**254,828**	**171,540**	**250,578**	**158,773**
Residential mortgages	214,132	74,946	205,593	71,957
Other retail(incl. SBEs as other retail)	37,431	24,189	36,726	23,678
Total Retail Credit Exposures	**251,563**	**99,135**	**242,319**	**95,635**
Other credit risk-weighted assets	4,076	3,193	4,107	3,285
Total Credit Risk	**510,467**	**273,868**	**497,004**	**257,693**
Operational Risk		14,988		13,688
Market Risk		213		175
Total Risk-Weighted Assets	**510,467**	**289,068**	**497,004**	**271,556**

4. Credit Risk

1) General

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans to customers and derivative instruments. The Bank applies the Standardized Approach laid out in Basel II to measure credit risk for computing the regulatory capital charge for credit risk.

The Bank has instituted formal credit procedures for performing credit reviews as documented in the Loan Policy that was approved by the Bank's Board of Directors. Credit policies are important in ensuring that an appropriate balance exists between achieving earnings objectives and maintaining a sound credit portfolio. These policies set out the procedures for identifying and measuring credit risk, evaluating and approving credit, and monitoring and controlling such risk. Procedures include a comprehensive credit risk assessment and the assignment of an internal risk rating to the borrower. The approval process is delegated to various officials and committees as per the Loan Policy. Quantitative analysis includes a credit review of the financial statements and may include trend and ratio analysis. Qualitative analysis may include a review of management personnel, comments about the quality of the services and innovations as well as the reputation of the firm in the marketplace.

2) Impairment

Impairment is measured as the difference between the recorded value of the loan and its estimated realizable amount, determined by discounting the expected future cash flows at the effective interest rate inherent in the loan at the date of impairment. When the amounts and timing of future cash flows cannot be measured with reasonable reliability, either the fair value of any security underlying the loan, net of any expected realization costs, or the observable market price for the loan is used to measure the estimated realizable amount.

An account that is 90 plus days overdue has the propensity to get charged off and is generally considered to be impaired. An account that is overdue between 1 and 90 days is considered to be past due but not impaired.

3) Specific and Collective Allowances

Specific allowances are established on an item-by-item basis to reflect the associated estimated credit loss. In the case of loans, the specific provision is the amount required to reduce the carrying value of an impaired loan to its net realizable amount.

Collective allowances are established to absorb expected credit losses due to adverse trends or exposures to particular industries, geographic regions or other groupings, as assessed by the Bank, but where such losses cannot be determined on an item-by-item basis.

The amount of the provision for credit losses that is charged to the statement of comprehensive income and loss is the actual net credit loss experience for the period management considers adequate to absorb all credit-related losses in its portfolio of on and off-balance sheet items.

The table below shows the Bank's risk-weighted net exposures after risk mitigation as of September 30, 2015.

Standardized and Supervisory Risk-Weighted Net Exposures after Risk Mitigation by Risk Weighting Bands

(Unit: C$1,000)

2015.09	0%	1 to 50%	51 to 100%	101 to 150%	151 to 200%
Standardized Approach	3,199	320,942	182,250	-	-

2015.06	0%	1 to 50%	51 to 100%	101 to 150%	151 to 200%
Standardized Approach	3,914	323,165	165,819	-	-

The table below shows the Bank's institutional and retail credit risk exposures as of September 30, 2015.

Gross Credit Risk Exposures*

(Unit: C$1,000)

Exposure Type	2015.09					2015.06				
	Loans (Drawn)	Commitments (Undrawn)	Other Off-balance Sheet Items	Total	RWA	Loans (Drawn)	Commitments (Undrawn)	Other Off-balance Sheet Items	Total	RWA
Corporate	125,703	5,053	3,490	134,246	129,303	112,699	3,271	9,714	125,683	116,488
Sovereign	-	-	-	-	-	-	-	-	-	-
Bank	120,582	-	-	120,582	42,237	124,895	-	-	124,895	42,285
Total Institutional Credit Exposures	**246,285**	**5,053**	**3,490**	**254,828**	**171,540**	**237,594**	**3,271**	**9,714**	**250,578**	**158,773**
Residential mortgages	214,132	-	-	214,132	74,946	205,593	-	-	205,593	71,957
Other retail (excl. SMEs)	30,344	6,417	670	37,431	24,189	29,094	6,980	652	36,726	23,678
Total Retail Credit Exposures	**244,476**	**6,417**	**670**	**251,563**	**99,135**	**234,687**	**6,980**	**652**	**242,319**	**95,635**
Total Gross Credit Exposures	**490,761**	**11,470**	**4,160**	**506,391**	**270,675**	**472,281**	**10,251**	**10,366**	**492,897**	**254,408**

* Excluding other assets subject to credit risk

The table below shows the Bank's credit risk exposures by geographical area as of September 30, 2015.

Credit Risk Exposures* by Geography

(Unit: C$1,000)

Exposure Type	2015.09					2015.06				
	Ontario	Other Provinces & Territories in Canada	United States	All Other	Total	Ontario	Other Provinces & Territories in Canada	United States	All Other	Total
Loans (Drawn)	449,117	471	312	40,861	490,761	433,868	452	3,424	34,537	472,281
Commitments (Undrawn)	11,470	-	-	-	11,470	10,251	-	-	-	10,251
Other Off-balance Sheet Items	4,160	-	-	-	4,160	10,366	-	-	-	10,366
Total	**464,747**	**471**	**312**	**40,861**	**506,391**	**454,485**	**452**	**3,424**	**34,537**	**492,897**

* Excluding other assets subject to credit risk

The table below shows the Bank's credit risk exposures by industry as of September 30, 2015.

Credit Risk Exposures* by Industry

(Unit: C$1,000)

Exposure Type	2015.09				2015.06			
	Loans (Drawn)	Commitments (Undrawn)	Other Off-balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Other Off-balance Sheet Items	Total
Consumer	**223,967**	**2,823**	**232**	**227,022**	**216,320**	**3,011**	**213**	**219,544**
Mortgage	214,132	-	-	214,132	205,593	-	-	205,593
Other	9,835	2,823	232	12,890	10,727	3,011	213	13,951
Commercial	**146,212**	**8,647**	**3,928**	**158,787**	**131,066**	**7,240**	**10,153**	**148,459**
Manufacturing	13,320	3,330	-	16,650	12,480	1,248	-	13,728
Service	93,920	3,987	3,728	101,635	79,241	4,675	10,003	93,918
Retail	36,474	1,241	200	37,915	36,619	1,282	150	38,051
Other	2,498	89	-	2,587	2,726	36	-	2,762
Total	**370,179**	**11,470**	**4,160**	**385,809**	**347,386**	**10,251**	**10,366**	**368,003**

* Excluding bank exposures and other assets subject to credit risk

Residual Contractual Maturity Breakdown of the Credit Exposures

(Unit: C$1,000)

Loans (Drawn)	2015.09					
	Floating	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Non-rate Sensitive	Total
Bank Exposure	517	30,791	74,926	-	14,348	**120,582**
Residential Mortgages	214,132	-	-	-	-	**214,132**
Corporate and Retail Exposures	141,860	13,667	291	229	-	**156,047**
Total Gross Credit Exposures	356,509	44,458	75,217	229	14,348	**490,761**

Loans (Drawn)	2015.06					
	Floating	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Non-rate Sensitive	Total
Bank Exposure	452	18,068	55,007	-	51,367	**124,894**
Residential Mortgages	205,593	-	-	-	-	**205,593**
Corporate and Retail Exposures	128,493	12,584	394	323	-	**141,794**
Total Gross Credit Exposures	334,538	30,652	55,401	323	51,367	**472,281**

Geographic Distribution of Allowances and Impaired Loans

(Unit: C$1,000)

Allowances Type	2015.09					2015.06				
	Ontario	Other Provinces & Territories in Canada	United States	All Other	Total	Ontario	Other Provinces & Territories in Canada	United States	All Other*	Total
Individual Allowances	-	-	-	-	-	-	-	-	-	-
Collective Allowances	1,307	-	-	8	1,315	1,271	-	-	11	1,282
Total Allowances	**1,307**	**-**	**-**	**8**	**1,315**	**1,271**	**-**	**-**	**11**	**1,282**
Impaired Loans	-	-	-	-	-	-	-	-	-	-

Allowances and Impaired Loans by Industry

(Unit: C$1,000)

Industry Type	2015.09				2015.06			
	Individual Allowances	Collective Allowances	Total Allowances	Impaired Loans	Individual Allowances	Collective Allowances	Total Allowances	Impaired Loans
Consumer	**-**	**280**	**280**	**-**	**-**	**208**	**208**	**-**
Mortgage	-	256	256	-	-	164	164	-
Other	-	24	24	-	-	44	44	-
Commercial	**-**	**930**	**930**	**-**	**-**	**1,039**	**1,039**	**-**
Manufacturing	-	74	74	-	-	80	80	-
Service	-	588	588	-	-	608	608	-
Retail	-	259	259	-	-	321	321	-
Other	-	10	10	-	-	30	30	-
Others*	**-**	**105**	**105**	**-**	**-**	**35**	**35**	**-**
Total	**-**	**1,315**	**1,315**	**-**	**-**	**1,282**	**1,282**	**-**

*From bank credit exposures, undrawn commitments, and other off-balance sheet items

Change in Allowances by Industry

(Unit: C$1,000)

	2015.09		
	Individual Allowances	Collective Allowances	Total Allowances
Beginning Balance	**-**	**1,282**	**1,282**
Write-Offs	-	-	-
Recoveries	-	-	-
Charge for Impairment	-	33	33
End Balance	**-**	**1,315**	**1,315**

5. Credit Risk Mitigation

As part of the Bank's credit risk mitigation approach, the Bank monitors, on a regular basis, the loan portfolio mix to prevent any concentration of loans to a particular borrower, industry, loan type, or geographic area.

The Bank holds collateral against loans to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing which were conducted by a qualified external appraiser.

The main types of collateral taken by the Bank are residential properties (single family houses, condominiums, and townhouses), commercial properties (strip plazas, commercial buildings, office buildings, etc.) business chattels, and term deposits held by borrowers.

The main types of guarantors include major banks in Korea which provide a Standby Letter of Credit to the Bank. In addition, the Bank's small business improvement loans are guaranteed by Industry Canada in accordance with the Small Business Loan Act.

Credit Risk Mitigation Used for Standardized Approaches

(Unit: C$1,000)

Exposure Type	2015.09		2015.06	
	Eligible Financial Collateral	Eligible Guarantees/ Credit Derivatives	Eligible Financial Collateral	Eligible Guarantees/ Credit Derivatives
Corporate	-	3,490	-	9,714
Sovereign	-	-	-	-
Bank	-	-	-	-
Total Institutional Credit Exposures	-	**3,490**	-	**9,714**
Residential mortgages	-	-	-	-
Other retail (incl. SBEs as other retail)	2,776	670	3,032	652
Total Retail Credit Exposures	**2,776**	**670**	**3,032**	**652**
Total Credit Risk	**2,776**	**4,160**	**3,032**	**10,366**

6. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

When a business unit does a transaction related to CCR, it confirms that the risk could be managed within the limit approved by the related committee or the parent bank before the transaction.

The Bank uses the standardized approach outlined in OSFI CAR guideline when it calculates the regulatory capital for CCR.

The Bank's CCR mainly comes from foreign exchange swap transactions. As of September 30, 2015, the Bank has no exposure at default related to CCR.

7. Market Risk

Market risk is the risk to earnings or capital arising from changes in the values of portfolios of financial instruments on trading book. The drivers of market risk are interest rate, foreign exchange, equity, and commodities markets.

The Bank is exposed to market risk in the following ways:

- FX positions: Positions subject to measurement of market risk refer to FX positions that are taken for cash management purposes

Market Risk is measured based on the Basel II Standardized Approach for BIS ratio. As of September 30, 2015, Market Risk RWA from FX positions was C$213 thousand and the market risk capital was C$17 thousand.

8. Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank measures operational risk using the Basic Indicator Approach. The Basic Indicator Approach requires banks to calculate operational risk capital requirements by applying a factor of 15% to a three-year average of positive annual gross income, where gross income is equal to net interest income plus non-interest income.

The table below shows the Bank's operational capital requirements as of September 30, 2015.

Operational Risk

(Unit: C$1,000)

Gross Income				Alpha	Capital Charge	RWA
Year 1	Year 2	Year 3	Average			
6,523	8,907	8,547	7,992	15%	1,199	14,988

9. Interest Rate Risk

Interest rate risk is the risk to earnings or capital arising from movements in interest rates on the banking book. Interest rate risk arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk). It also arises from changing rate relationships among different yield curves affecting bank activities (basis risk), changing rate relationships across the spectrum of maturities (yield curve risk), and interest related options embedded in bank products (options risk).

The Bank is exposed to interest rate risk in the following ways:

- Banking book: on-balance and off-balance sheet assets and liabilities that are sensitive to interest rate fluctuations expose us to interest rate risk via mismatched maturity dates.

Based on the Bank's interest rate positions as at September 30, 2015, the following table shows the change in the portfolio's Net Present Value ("NPV") for a 100 basis points increase and decrease in interest rates across the yield curve for all currencies:

The table below shows the impact of a change in interest rates on net income and equity.

Interest Rate Risk: Changes in Net Present Value and Net Interest Income

(Unit: C$1,000)

Interest Rates	NPV	Increase (Decrease) in Net Income	
		Year 1	Year 2
100-basis-point increase	618	1,272	1,100
100-basis-point decrease	(647)	(1,272)	(1,100)