Basel Pillar 3 Public Disclosures of

SHINHAN BANK CANADA

As at December 31, 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 December 31, 2015.

Capital Structure

(Unit: C$1,000)

	2015.12	2015.09
Common Equity Tier 1 Capital		
Share Capital (unlimited common shares authorized)	50,000	50,000
Retained Earnings	(4,585)	(4,917)
Common Equity Tier 1 Capital	**45,415**	**45,083**
Tier 2 Capital		
Subordinated Debt	-	-
Tier 2 Capital	**-**	**-**
Total Capital (Tier 1 + Tier 2 Capital)	**45,415**	**45,083**

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 December 31, 2015 were 15.45% and 15.45%, respectively, exceeding requirements by 6.95% and 4.95% 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 December 31, 2015.

Risk-Weighted Assets

(Unit: C$1,000)

Exposure Type	2015.12 Net Exposure	2015.12 RWA	2015.09 Net Exposure	2015.09 RWA
Corporate	141,346	136,236	134,246	129,303
Sovereign	-	-	-	-
Bank	126,114	39,123	120,582	42,237
Total Institutional Credit Exposures	**267,460**	**175,359**	**254,828**	**171,540**
Residential mortgages	219,803	76,931	214,132	74,946
Other retail(incl. SBEs as other retail)	35,500	22,925	37,431	24,189
Total Retail Credit Exposures	**255,303**	**99,856**	**251,563**	**99,135**
Other credit risk-weighted assets	4,223	3,130	4,076	3,193
Total Credit Risk	**526,986**	**278,345**	**510,467**	**273,868**
Operational Risk		15,275		14,988
Market Risk		238		213
Total Risk-Weighted Assets	**526,986**	**293,858**	**510,467**	**289,068**

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 December 31, 2015.

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

(Unit: C$1,000)

2015.12	0%	1 to 50%	51 to 100%	101 to 150%	151 to 200%
Standardized Approach	2,967	337,610	182,186	-	-

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

The table below shows the Bank's institutional and retail credit risk exposures as of December 31, 2015.

Gross Credit Risk Exposures*

(Unit: C$1,000)

Exposure Type	2015.12					2015.09				
	Loans (Drawn)	Commitments (Undrawn)	Other Off-balance Sheet Items	Total	RWA	Loans (Drawn)	Commitments (Undrawn)	Other Off-balance Sheet Items	Total	RWA
Corporate	132,339	5,567	3,440	141,346	136,236	125,703	5,053	3,490	134,246	129,303
Sovereign	-	-	-	-	-	-	-	-	-	-
Bank	126,114	-	-	126,114	39,123	120,582	-	-	120,582	42,237
Total Institutional Credit Exposures	**258,453**	**5,567**	**3,440**	**267,460**	**175,359**	**246,285**	**5,053**	**3,490**	**254,828**	**171,540**
Residential mortgages	219,803	-	-	219,803	76,931	214,132	-	-	214,132	74,946
Other retail (excl. SMEs)	28,267	6,480	753	35,500	22,925	30,344	6,417	670	37,431	24,189
Total Retail Credit Exposures	**248,070**	**6,480**	**753**	**255,303**	**99,856**	**244,476**	**6,417**	**670**	**251,563**	**99,135**
Total Gross Credit Exposures	**506,523**	**12,047**	**4,193**	**522,763**	**275,215**	**490,761**	**11,470**	**4,160**	**506,391**	**270,675**

* Excluding other assets subject to credit risk

The table below shows the Bank's credit risk exposures by geographical area as of December 31, 2015.

Credit Risk Exposures* by Geography

(Unit: C$1,000)

Exposure Type	2015.12					2015.09				
	Ontario	Other Provinces & Territories in Canada	United States	All Other	Total	Ontario	Other Provinces & Territories in Canada	United States	All Other	Total
Loans (Drawn)	474,218	471	228	31,606	506,523	449,117	471	312	40,861	490,761
Commitments (Undrawn)	12,047	-	-	-	12,047	11,470	-	-	-	11,470
Other Off-balance Sheet Items	4,193	-	-	-	4,193	4,160	-	-	-	4,160
Total	**490,458**	**471**	**228**	**31,606**	**522,763**	**464,747**	**471**	**312**	**40,861**	**506,391**

* Excluding other assets subject to credit risk

The table below shows the Bank's credit risk exposures by industry as of December 31, 2015.

Credit Risk Exposures* by Industry

(Unit: C$1,000)

Exposure Type	2015.12				2015.09			
	Loans (Drawn)	Commitments (Undrawn)	Other Off-balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Other Off-balance Sheet Items	Total
Consumer	**228,116**	**2,739**	**269**	**231,124**	**223,967**	**2,823**	**232**	**227,022**
Mortgage	219,803	-	-	219,803	214,132	-	-	214,132
Other	8,313	2,739	269	11,321	9,835	2,823	232	12,890
Commercial	**152,293**	**9,308**	**3,924**	**165,525**	**146,212**	**8,647**	**3,928**	**158,787**
Manufacturing	13,860	3,465	-	17,325	13,320	3,330	-	16,650
Service	101,030	4,064	3,724	108,818	93,920	3,987	3,728	101,635
Retail	34,850	1,726	200	36,776	36,474	1,241	200	37,915
Other	2,553	53	-	2,606	2,498	89	-	2,587
Total	**380,409**	**12,047**	**4,193**	**396,649**	**370,179**	**11,470**	**4,160**	**385,809**

* Excluding bank exposures and other assets subject to credit risk

Residual Contractual Maturity Breakdown of the Credit Exposures

(Unit: C$1,000)

Loans (Drawn)	2015.12					
	Floating	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Non-rate Sensitive	Total
Bank Exposure	36,960	24,064	57,462	-	7,628	**126,114**
Residential Mortgages	219,803	-	-	-	-	**219,803**
Corporate and Retail Exposures	146,285	13,992	154	175	-	**160,606**
Total Gross Credit Exposures	403,048	38,056	57,616	175	7,628	**506,523**

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**

Geographic Distribution of Allowances and Impaired Loans

(Unit: C$1,000)

Allowances Type	2015.12					2015.09				
	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	1,350	-	-	13	1,363	1,307	-	-	8	1,315
Total Allowances	**1,350**	**-**	**-**	**13**	**1,363**	**1,307**	**-**	**-**	**8**	**1,315**
Impaired Loans	-	-	-	-	-	-	-	-	-	-

Allowances and Impaired Loans by Industry

(Unit: C$1,000)

Industry Type	2015.12				2015.09			
	Individual Allowances	Collective Allowances	Total Allowances	Impaired Loans	Individual Allowances	Collective Allowances	Total Allowances	Impaired Loans
Consumer	**-**	**284**	**284**	**-**	**-**	**280**	**280**	**-**
Mortgage	-	265	265	-	-	256	256	-
Other	-	19	19	-	-	24	24	-
Commercial	**-**	**962**	**962**	**-**	**-**	**930**	**930**	**-**
Manufacturing	-	77	77	-	-	74	74	-
Service	-	627	627	-	-	588	588	-
Retail	-	248	248	-	-	259	259	-
Other	-	10	10	-	-	10	10	-
Others*	**-**	**117**	**117**	**-**	**-**	**105**	**105**	**-**
Total	**-**	**1,363**	**1,363**	**-**	**-**	**1,315**	**1,315**	**-**

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

Change in Allowances

(Unit: C$1,000)

	2015.12		
	Individual Allowances	**Collective Allowances**	**Total Allowances**
Beginning Balance	**-**	**1,315**	**1,315**
Write-Offs	-	-	-
Recoveries	-	-	-
Charge for Impairment	-	48	48
End Balance	**-**	**1,363**	**1,363**

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	2015.12		2015.09	
	Eligible Financial Collateral	**Eligible Guarantees/ Credit Derivatives**	**Eligible Financial Collateral**	**Eligible Guarantees/ Credit Derivatives**
Corporate	-	3,440	-	3,490
Sovereign	-	-	-	-
Bank	-	-	-	-
Total Institutional Credit Exposures	-	**3,440**	-	**3,490**
Residential mortgages	-	-	-	-
Other retail (incl. SBEs as other retail)	2,549	753	2,776	670
Total Retail Credit Exposures	**2,549**	**753**	**2,776**	**670**
Total Credit Risk	**2,549**	**4,193**	**2,776**	**4,160**

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 December 31, 2015, the Bank had 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 December 31, 2015, Market Risk RWA from FX positions was C$238 thousand and the market risk capital was C$19 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 December 31, 2015.

Operational Risk

(Unit: C$1,000)

Gross Income				Alpha	Capital Charge	RWA
Year 1	Year 2	Year 3	Average			
7,160	8,579	8,698	8,146	15%	1,222	15,275

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 December 31, 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	772	1,435	1,076
100-basis-point decrease	(803)	(1,435)	(1,076)

10. Remuneration

1) General

Shinhan Bank Canada's remuneration program is to compensate its employees at an adequate level that is internally fair and externally competitive in order to attract and retain skilled workforce. The Bank's remuneration practices are to actively reflect its management strategies and objectives, to promote performance oriented environment by creating motivation for the employees.

However, the remuneration practices are to consider both the performance goals as well as the risk appetite determined by management. Senior Management refers to the employees responsible for making decisions on major risk-related or management-related issues. They are the material risk takers of the Bank.

As of December 31, 2015, there are total of 12 employees considered to be Senior Management of the Bank, and they are as follows:

- President & CEO;
- Senior Vice President and Vice Presidents;
- Department Heads;
- Branch Managers; and
- C-Level Officers

The amount of inherent risk may differ due to the nature of work each of them is responsible for, but the Bank has its Risk Appetite Framework in place to limit the amount of risk they can take.

2) Responsibilities of the Board of Directors

The Board of Directors of the Bank oversees and is ultimately responsible for remuneration of the Bank. As of December 31, 2015, there are 8 members in the Board.

With regards to remunerations for Senior Management, the Directors of the Bank:

- Establish remuneration structure under the guidance of the remuneration policy of Shinhan Bank Korea, the Parent Bank.
- Ensure the remuneration practices are arranged in line with the Bank's management objectives and risk appetite.
- Monitor and review the remuneration system annually to ensure it operates as intended.

The Bank has the Personnel Policy and Personnel Guideline which address remuneration policies for all employees, and the Human Resources department regularly reviews the compensation structure so that it operates as intended, as indicated above.

In 2015, the Human Resources department of the Bank introduced new defined contribution pension plan and new performance-based incentive system to the Board meeting held on August 28, 2015 and November 13, 2015. The Board subsequently approved the implementation of these plans.

Remuneration decisions for the Chief Risk Officer, Chief Internal Auditor, and Chief Compliance Officer/Chief Anti-Money Laundering Officer are based on accomplishments toward their own mandates, not the Bank's performance and are subject to supervision by the Board of Directors. In 2015, the Board meeting was held on November 13, 2015 and approved these changes to the Bank's Personnel Policy.

3) Annual Performance Review & Base Salary Review

The Bank's Base Salary Review is to maintain a competitive position within the market by providing the Senior Management an opportunity to adjust their base salary based on their performance. Their performance shall be evaluated annually based on pre-established standards, and their annual base salary shall be increased or adjusted based on the results.

An employee's salary shall be determined in accordance with the position of the employee and shall be adjusted based on the results of their annual performance evaluation. The performance evaluation is based on key metrics set by the Human Resources department of the Bank as well as from global targets by the Parent bank. These targets are directly linked to the performance of the Bank and are specific and relevant to each business unit and are individually measurable toward the employee's performance evaluation. These metrics are set at the beginning of each year.

Beginning 2015, the Bank implemented a variable compensation system that actively reflects the financial performance of the Shinhan Bank Canada in terms of profitability and return on equity. The actual payout amount for each employee is varied by an employee's individual performance evaluation result and the business unit's performance evaluation result. The 2015 incentive payout is expected to be paid on July 2016.

Annual Remuneration for Senior Management

(Unit: C$1,000)

Total Value of Remuneration Awarded for the Year	2015.01.01 – 2015.12.31	2014.01.01 – 2014.12.31
Fixed remuneration		
Salary, Allowance, & Defined Contribution Pension Plan	1,470	1,428
Variable remuneration		
Performance-based Incentives	8	-