

Disclosure relating to Residential Mortgage

Definition of insured and uninsured residential mortgage

An insured residential mortgage may be defined as a mortgage that carries an insurance policy that would protect a lender and/or title holder in the event that the borrower defaults on payments, dies, or is unable to meet the contractual obligations of the mortgage. A mortgage loan that does not carry appropriate mortgage insurance is deemed to be uninsured.

- Mortgage loan insurance is required by lenders when homebuyers make a down payment of less than 20% of the purchase price. Mortgage loan insurance helps protect lenders against mortgage default, and enables consumers to purchase homes with a minimum down payment of 5%. Mortgage default insurance is not available for homes with a purchase price of a million dollars or more and/or an amortization of greater than 25 years.
- The homebuyer is not required to take out mortgage insurance if he or she is providing a down payment of greater than or equal to 20%.
- **Amount and Percentage of the total residential mortgage loans and HELOCs that are insured versus uninsured:**

As of 31 Dec 2015	Insured	Percentage	Uninsured	Percentage
Residential Mortgages	-	-	15,103,971	100%
HELOCs	-	-	1,790,124	100%

HCB currently does not offer insured mortgages and as such the maximum LTV (Loan to Value) the bank can facilitate for a residential mortgage loan is 75% and for a home equity line of credit (HELOC), 65%. Hence, the homebuyer is not required to carry out mortgage insurance.

The lending products secured against the residential property that are offered by Habib Canadian Bank:

- Open - Variable Rate Residential Mortgage Loans
- Closed – Variable Rate Residential Mortgage Loans
- HELOCs (Home Equity Line of Credit)

The percentage of residential mortgage loans falling within different amortization period:

Amortization Period	
Years	%
10	0.3%
15	1.1%
20	2.0%
25	96.6%

Average LTV ratio for the total newly originated residential mortgages and HELOCs at the end of Q4:

Residential Mortgage:	65.57%
HELOCs:	N/A

Geographic Breakdown for the average LTV ratio for the total newly originated residential mortgage loans and HELOCs

Residential Mortgage:	
GTA	65.57%
HELOCs:	N/A

Geographic Breakdown of the amount and the percentage of the residential Mortgages including HELOCs

Area	Amount	Percentage
GTA	13,831,617	81.87%
Burlington ON	1,006,078	5.96%
Oshawa ON	160,856	0.95%
Stouffville ON	1,413,820	8.37%
Richmond BC	481,724	2.85%
Total	16,894,095	100.00%

Potential impact on residential mortgage loans and HELOCs in the event of an economic downturn

In the event of an economic downturn the potential impact on Habib Canadian Bank's residential mortgages including HELOCs is deemed to be low to medium since the residential mortgage portfolio is well secured with maximum loan to value of 75%.