

# INVESTOR RELATIONS 2012

## SBI Mortgage

SBI 住宅ローン

SBI マネープラザ

住宅ローン | 生命保険 | 資産運用

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## < NOTE >

- The company's fiscal year ends on March 31, and the following exchange rates have been applied to its financial statements.

(Unit: KRW)

Classification	3Q 2011 (End of Dec. 2011)	2010 (End of Mar. 2011)	2009 (End of Mar. 2010)	2008 (End of Mar. 2009)	2007 (End of Mar. 2008)
Exchange rate at the end of reporting period(Balance Sheet)	14.8516	13.3189	12.1768	14.148	10.0020
Average exchange rate(Income Statement)	14.0059	13.4486	13.0353	12.2367	8.2018

# Prologue

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•SBI Mortgage is the first mortgage bank to be introduced in Korea, and therefore investors may not be aware of the company's business model. The company has long-established brand power in Japan, and has been leading the housing mortgage market in the country. In addition, SBI Mortgage has established a business model with high profitability and without the risk of bad loans. The below contents have been prepared by the company to help the understanding of the investors before going into the detailed explanation.

## | The mortgage loan market in Japan continues to grow and develop. |

The real estate market in Japan is undergoing many changes after the collapse of the bubble economy. In particular, the mortgage market is transforming, from a variable-rate oriented mortgage market to a fixed-rate oriented market, by receiving various supports from the Japanese government.

## | Japan and Korea are striving to increase the proportion of fixed-rate mortgages in the medium to longer term. |

The governmental support for fixed-rate mortgages is attributable to the high proportion of variable rate mortgages in the market. The rise in interest rates will increase mortgage payments due, and add to the burden of household budgets. For this reason, the Japanese government is trying to increase the proportion of fixed-rate mortgages. The proportion of fixed-rate mortgages in Japan is at approximately 14.5%, which is far behind the U.S.'s proportion of 94.0%, but ahead of Korea's 11.1%. Like Japan, the Korean government is preparing policies to expand the proportion of fixed-rate mortgages.

## | Japan has established mortgage banks as the answer to the advancement and stimulation of its mortgage market. |

Funding fixed-rate mortgages with customers' deposit is very risk. The potential risks include bad loans and interest rate fluctuations. To be free of these risks, a securitization business model is required as the model passes the risk of interest fluctuations to the investors. A mortgage bank is the type of financial institution that utilizes this business model, and for this reason, the Japanese government has established mortgage banks in Japan to stimulate the sales of fixed-rate mortgage products. In addition, Japan has introduced "FLAT35", a fixed-rate mortgage product that is purchased by the Japan Housing Finance Agency for securitization. All these efforts have contributed to the rapid growth of mortgage banks in Japan.

## | Korea announces the Comprehensive Plan for Household Debts : "Increase fixed-rate debts proportion to 30% by 2016." |

As for Korea, the Korea Housing Finance Corporation has launched Bogeumjari-loan to increase the proportion of fixed-rate mortgages in the market. However, the loan is being sold by only about 11 financial institutions, including few commercial banks, regional banks, and large insurance companies. This lack of financial infrastructure is hindering the advancement of the Korean mortgage market. One way of overcoming this situation is the establishment of mortgage banks that specialize in servicing mortgage loans. The Korean government has recently shown its determination to expand the proportion of fixed-rate mortgages by announcing the "Comprehensive Plan for Household Debts" in 2011, which targets to increase the proportion of fixed-rate debts to 30% level by 2016.

# SBI Mortgage

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I \_ Japan Mortgage Market Status

II \_ No.1 Mortgage Bank, "SBI Mortgage"

III \_ Investment Highlights

IV \_ Business Strategy

Appendix

# SBI Mortgage



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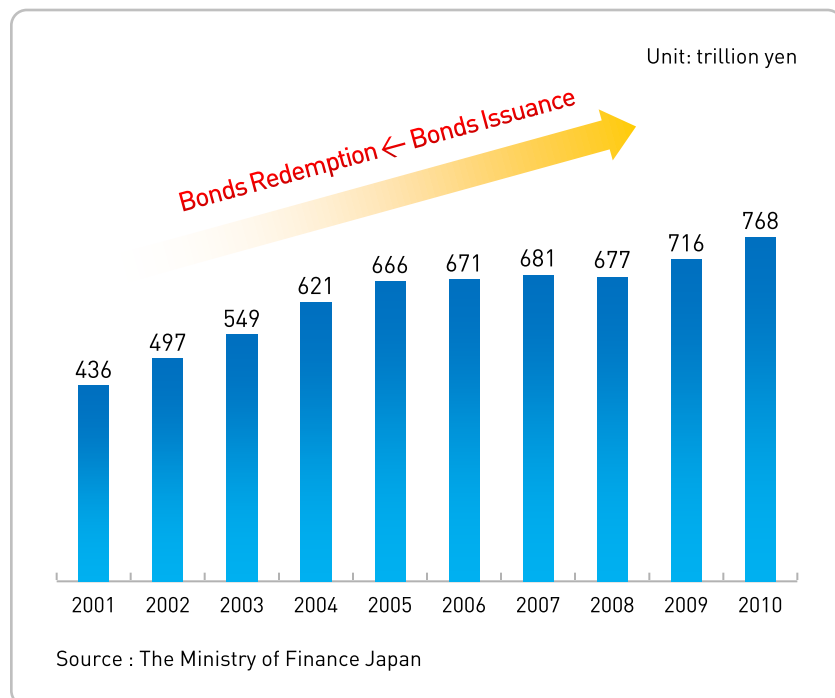
## Prologue

- 01\_ Interest Rate Outlook in the Japan
- 02\_ Overview of the Housing Loan Market in Japan
- 03\_ Revitalization of the Japanese Mortgage Market
- 04\_ “FLAT35”, the Standard Mortgage Loan in Japan

## The interest rate in Japan is expected to rise, reflecting an increase in the national budget, as well as an increase in the issuance of government bonds

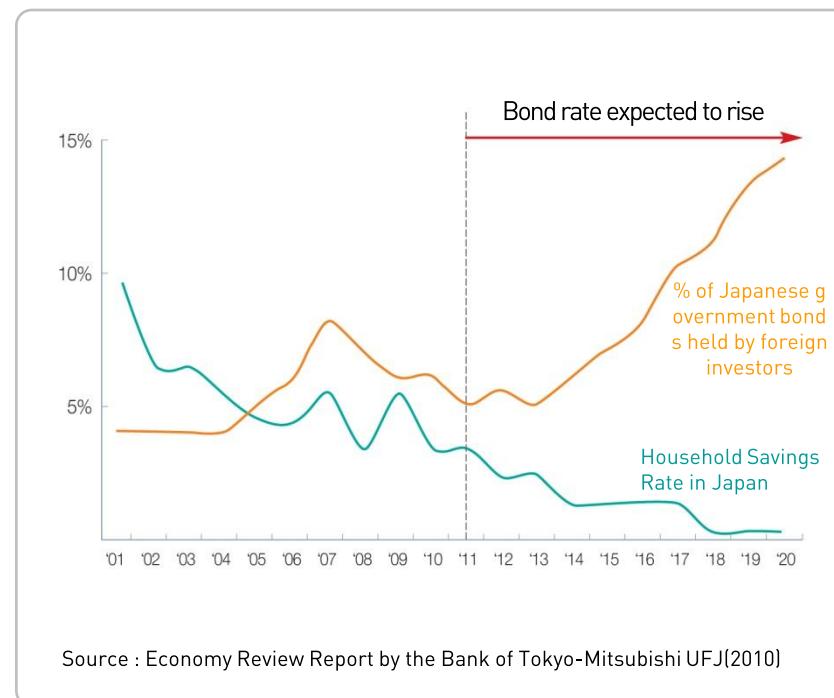
(The bond rate is on an increasing trend due to the ongoing uncertainty in the global financial market)

### ● Government Bonds Outstanding in Japan



- Continuous rise in the budgets allocated to the rebuilding from the eastern Japan disaster, and new growth strategies welfare expenditure,
- Decline in tax revenue due to ongoing economic depression

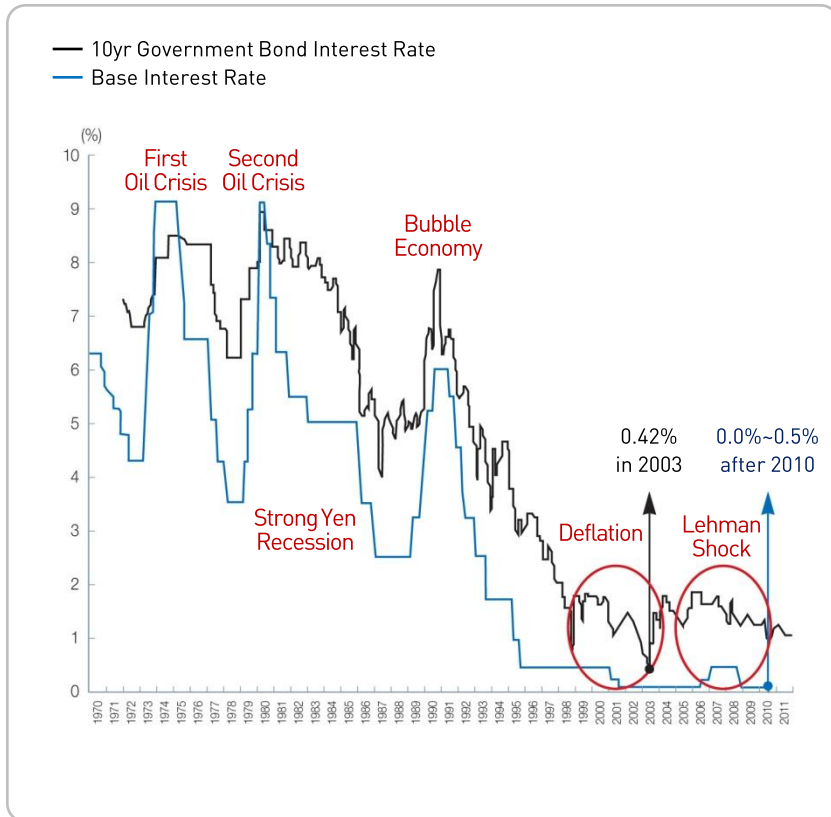
### ● Household Savings & Bonds Foreign Ownership in Japan



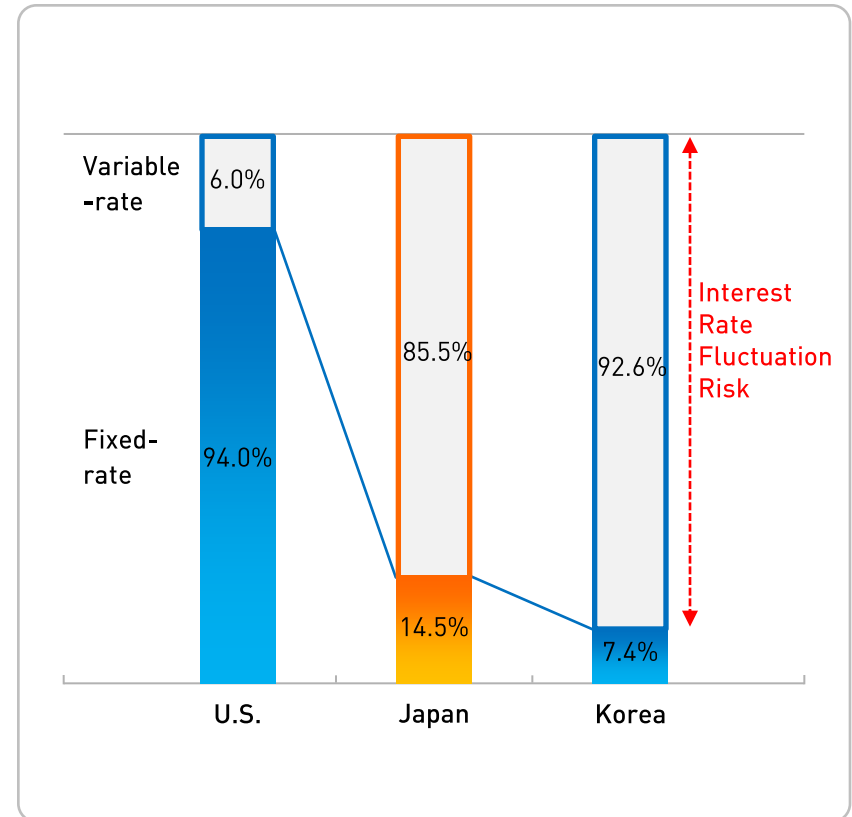
- Decline in the domestic ownership of bonds due to a decline in household savings rate
- Rise in the percentage of bonds held by foreign investors

The housing loan market in Japan has a high proportion of variable-rate mortgages  
 (More than 80% of mortgages are exposed to interest rate fluctuation risk)

### Interest Rate Trends in Japan



### Fixed & Variable-rates Proportion by Country

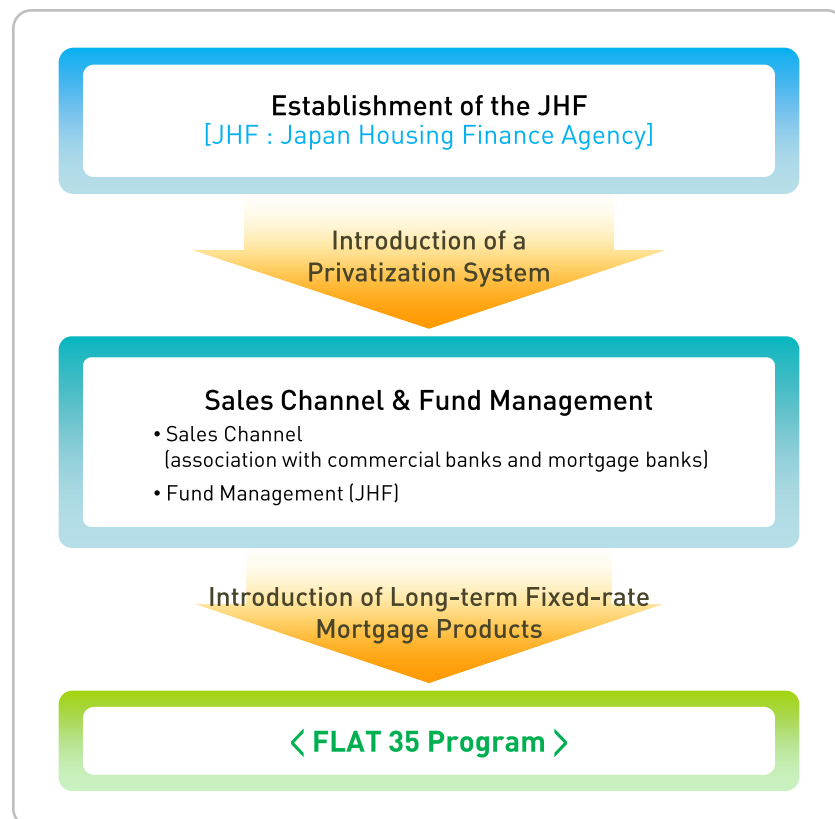


Note: U.S. & Japan (as of Mar. 2011); Korea (as of Jan. 2011)

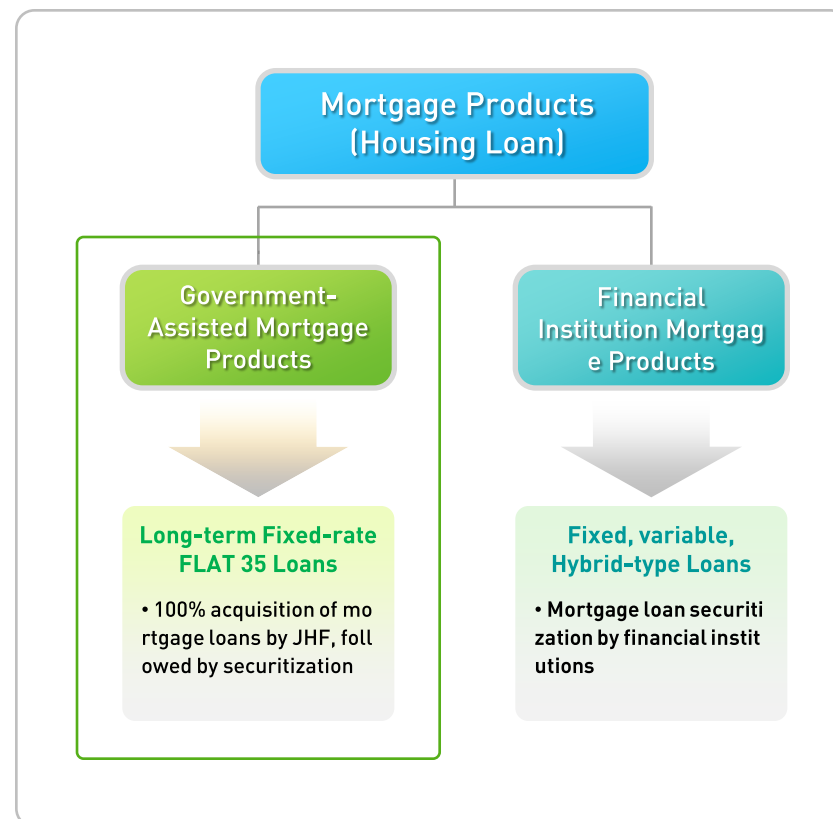
## Government-led mortgage market revitalization strategy to increase the proportion of long-term fixed-rate mortgages

(Issuance of MBS by the government institutions through purchasing and pooling of mortgages )

### ● Securitization Business Model



### ● Types of Mortgage Products in Japan

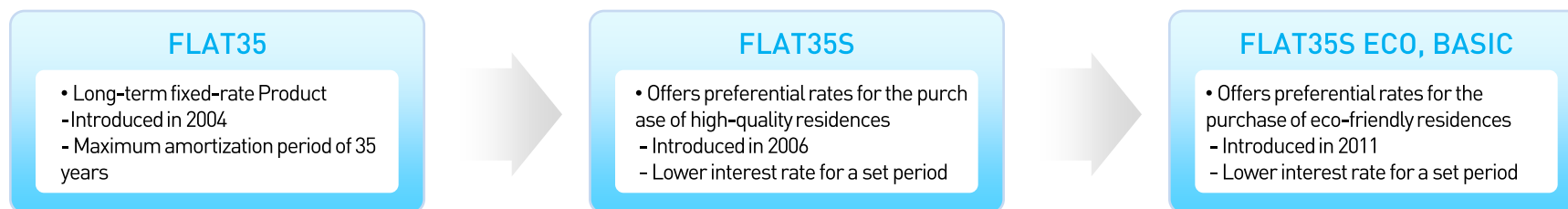


Note: MBS (A mortgage-backed security that represents a claim on the cash flows from mortgage loans through securitization)

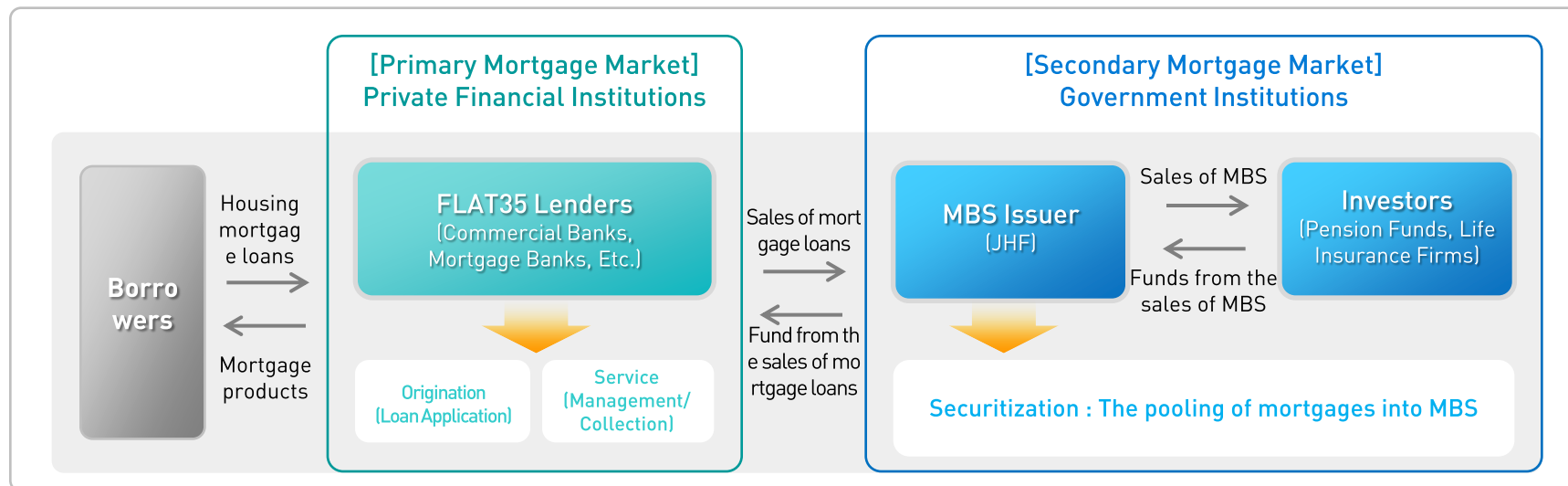


## “FLAT35”, the standard long-term fixed-rate mortgage Loan in Japan

(Similar structure to Bogeumjari-loan, the standard housing loan in Korea )



### ● FLAT35 Business Model



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## **Japan Mortgage Market Status**

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- 01\_ Introduction of Mortgage Bank
- 02\_ Mortgage Bank Barriers to Entry
- 03\_ Increasing Role of Mortgage banks
- 04\_ Mortgage Market Size

## “Mortgage Bank”, the specialized housing mortgage loan provider in Japan

### ● Introduction of Mortgage Bank

“Mortgage Bank”, the specialized housing mortgage loan provider in Japan

#### < Mortgage Banks in Japan >

- Housing Loan Providers in Japan
  - Commercial Bank : Indirect financing; mainly offers variable rate mortgages
  - Mortgage Bank : Direct financing; mainly offers long-term fixed-rate mortgages
- Mortgage Banks Status in Japan (as of Feb. 2012)
  - No. of registered mortgage banks : about 26
  - No. of mortgage banks managing FLAT35 : about 25

#### < Mortgage Banks in the U.S. >

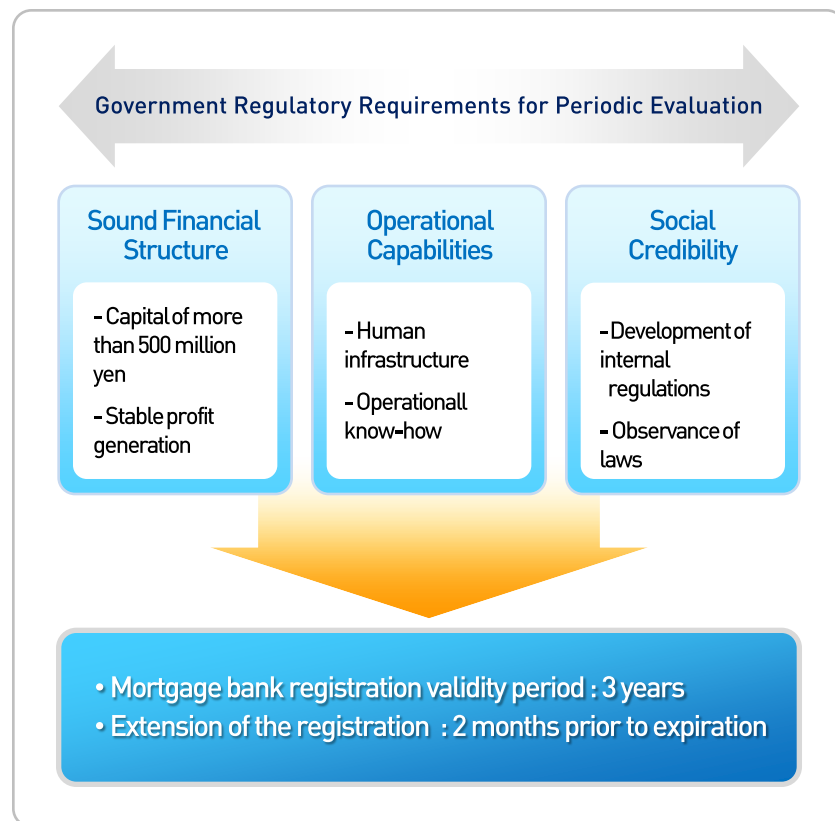
- The U.S. mortgage banks hold 70% market share in the entire housing loan market

### ● Mortgage Bank vs. Commercial Bank

Classification		Mortgage Bank	Commercial Bank
The Proportion of Housing Loan Products		Fixed-rate > Variable-rate	Variable-rate > Fixed-rate
Financing		Internal Funding + External Financing	Customer Deposit
Profit Structure		Fees	Loan-deposit Margin
Risk	Interest Risk	No	Yes
	Write-off Risk	No	Yes
	Early Redemption Risk	No	Yes

## The mortgage bank industry has high barriers to entry tied to government regulations and competitive difficulties

### ● Regulatory Entry Barriers



### ● Competitive Entry Barriers



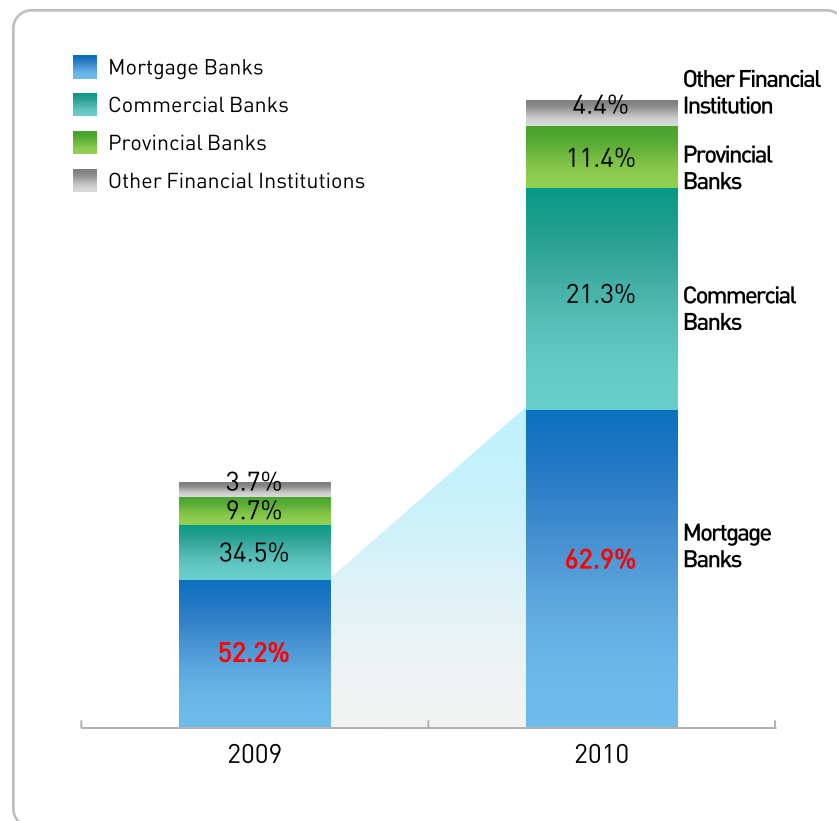
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## Increasing Role of Mortgage banks

### Increasing role of mortgage banks in providing long-term fixed-rate mortgages including FLAT35

(Among FLAT35 providers, the number of mortgage banks was 25, or only 7% out of total, but the market share amounted to 63%)

#### ● FLAT35 Market Share by Institutions



#### ● FLAT35 Mortgage Providers

Type of Financial Institutions	No. of Institutions	Proportion
Commercial Bank, Trust Bank	7	2.06%
Provincial Bank , Secondary Provincial Bank	103	30.30%
Credit Union	161	47.35%
Credit Association, Labor Union, Labor Credit Union	41	12.06%
Insurance Company	3	0.88%
<b>Mortgage Bank</b>	<b>25</b>	<b>7.35%</b>
<b>Total</b>	<b>340</b>	<b>100.0%</b>

Source : No. of new loans; provided by the company

Source : JHF (as of Feb. 2012)

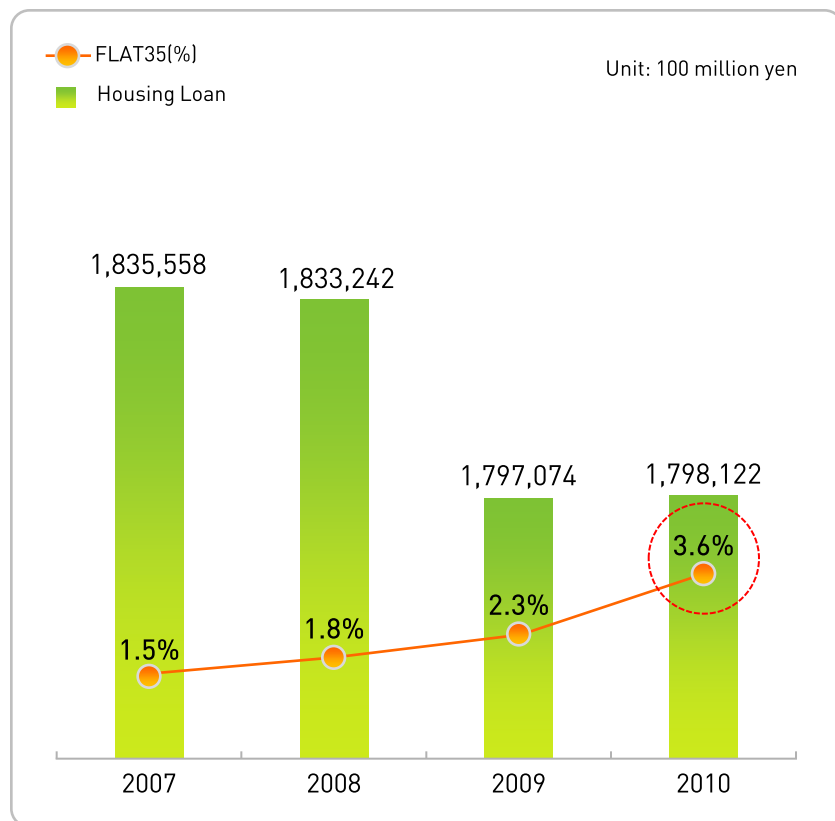
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## Mortgage Market Size

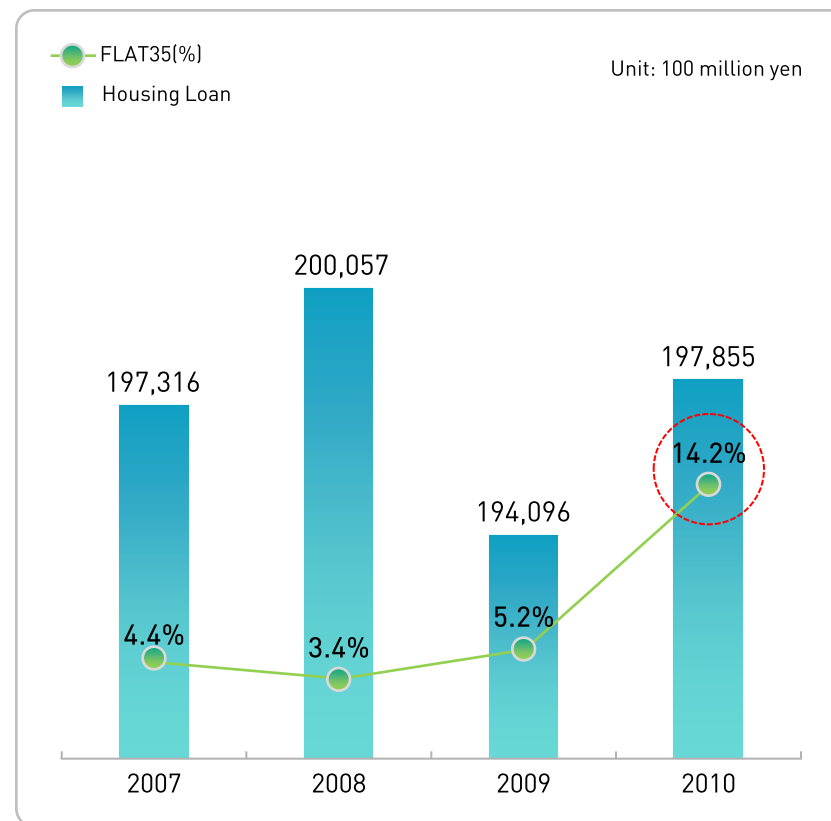
The subprime mortgage crisis cornered the mortgage market into a recession; the market begins to recover by delivering long-term fixed-rate mortgages

(The fixed-rate mortgage loan market is forecast to grow further)

### Total Housing Loans Outstanding



### Total Amount of New Housing Loans



Source : The Ministry of Land, Infrastructure, Transport and Tourism

Source : The Ministry of Land, Infrastructure, Transport and Tourism

# SBI Mortgage



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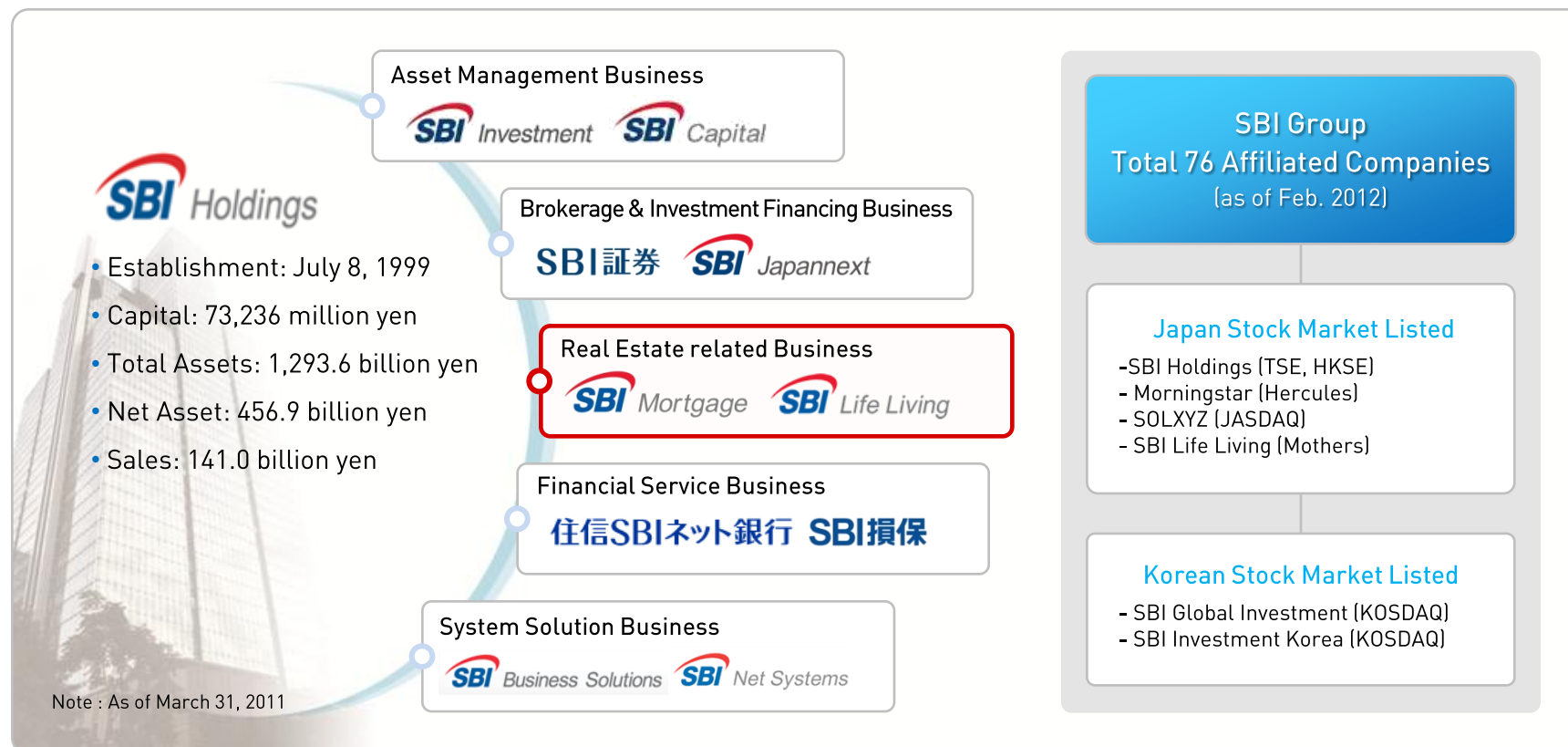
## No.1 Mortgage Bank, “SBI Mortgage”

- 01\_ “SBI Mortgage”, the Key Affiliate of the SBI Group
- 02\_ Company Introduction
- 03\_ Company Milestones
- 04\_ Introduction of Business Model
- 50\_ Introduction of Major Products
- 06\_ Nationwide Franchise Network

## No.1 ranked online financial group in Japan with long-established brand power

(Established in 1999 as the financial services arm of SoftBank)

### SBI Group Introduction





## SBI Mortgage : the heart of the SBI Group's housing & real-estate businesses

### ● General Information

Company	SBI Mortgage Co., Ltd.
Establishment	Noriaki Maruyama
Establishment	June 9, 2000
Paid-in Capital	6,190 million yen (as of Dec. 2011)
Number of Employees	216 (as of Dec. 2011)
Principal Business	Mortgage loans, other credit finance products
Head Office	Izumi Garden Tower 15f. 1-6-1 Roppongi Minatoku, Tokyo, Japan
Homepage	<a href="http://www.sbi-mortgage.co.jp">www.sbi-mortgage.co.jp</a>

### ● Executive Profile



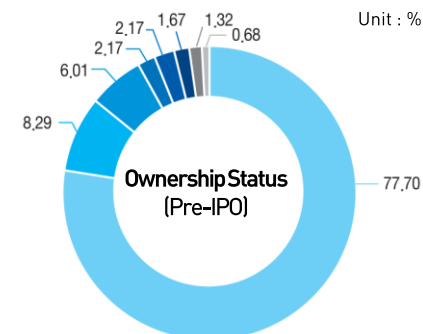
#### CEO Noriaki Maruyama

##### Background

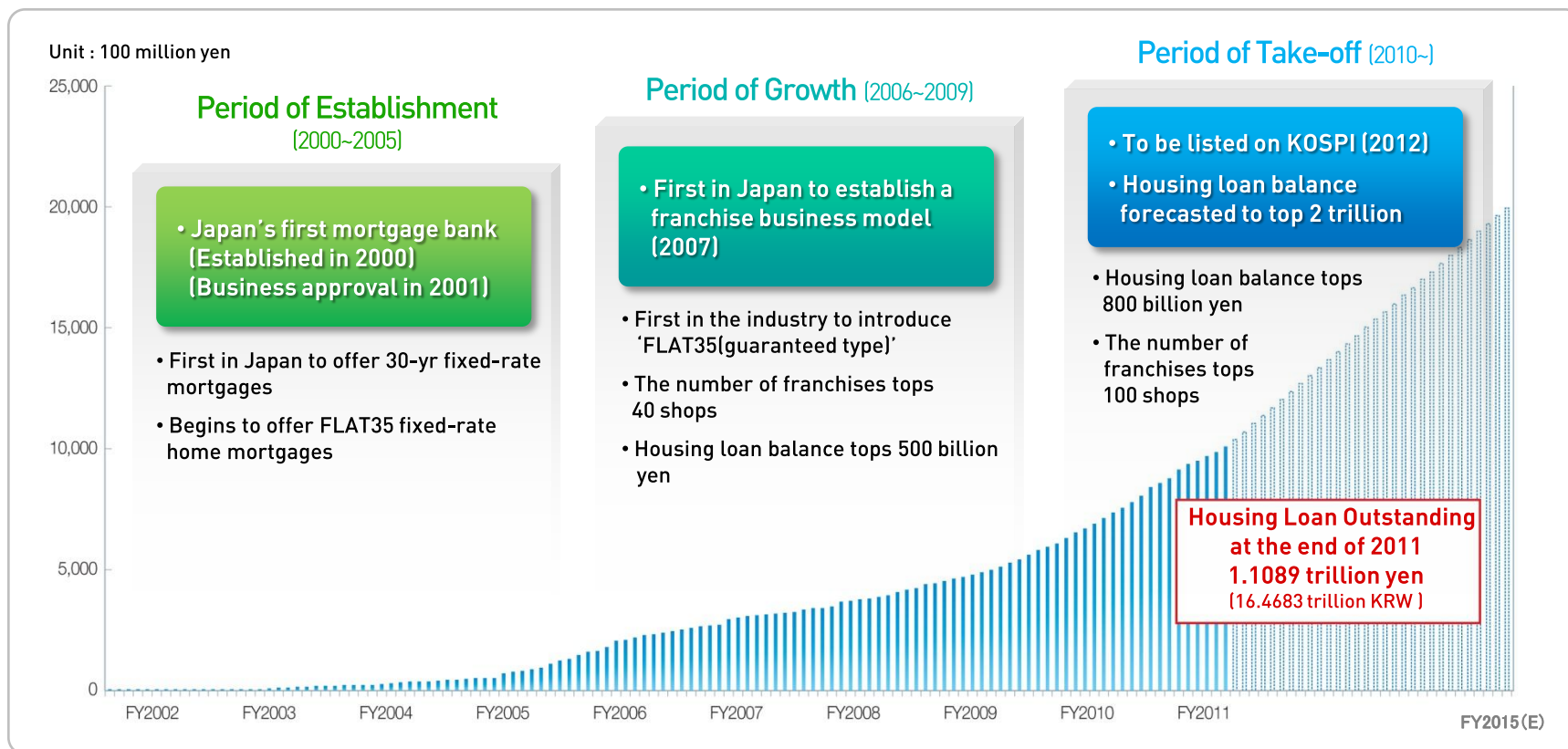
- CEO, SBI Mortgage Co., Ltd.
- Executive Officer, SBI Holdings, Inc.
- Business Administration in Kobe University

### ● Ownership Structure

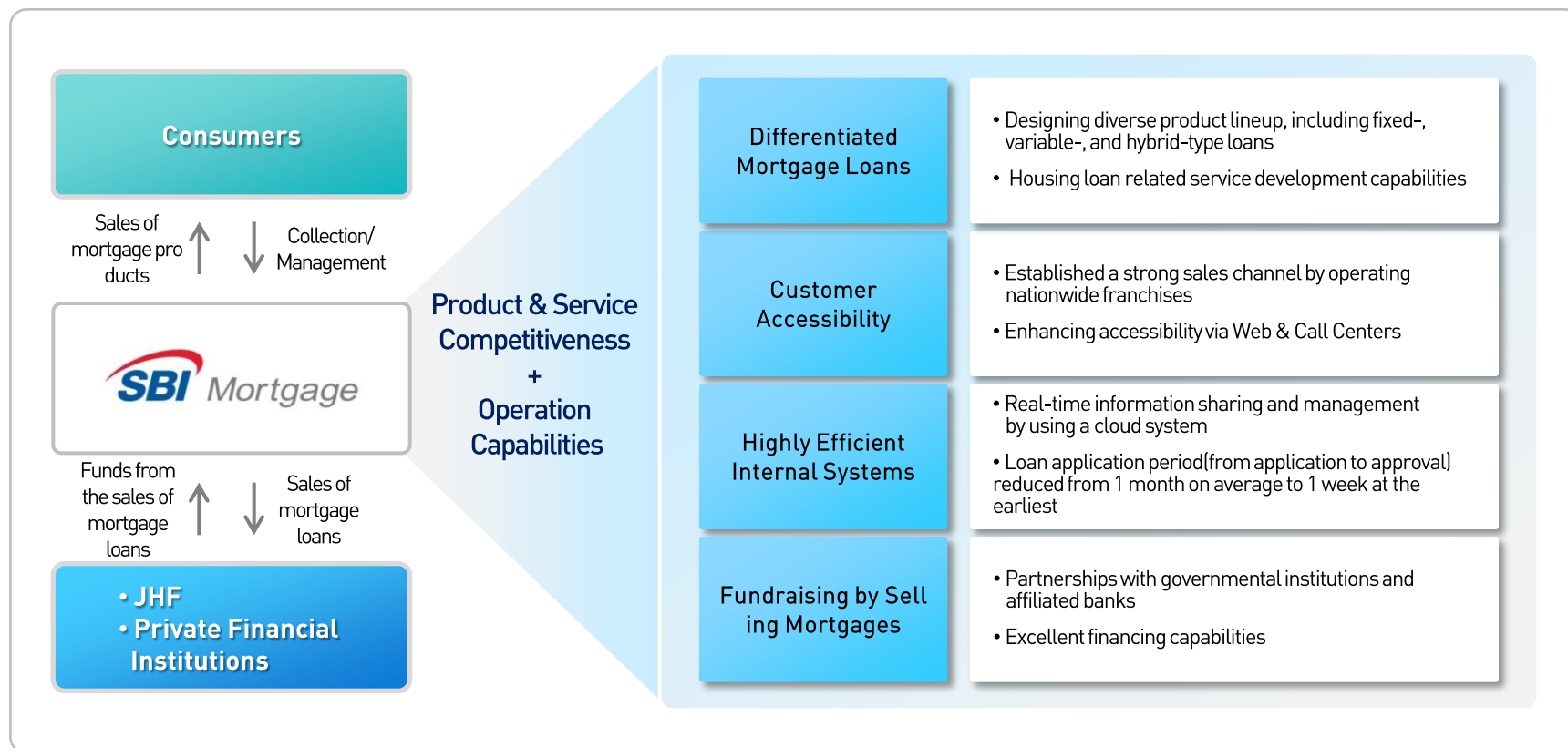
- SBI Holdings
- SBI Broadband Fund No.1
- SBI Incubation
- SBI Jefferies Asia Fund
- PNB-SBI ASEAN Gateway Fund
- Softbank Internet Fund Capital
- Affiliated Parties(5persons)
- Others



## “SBI Mortgage”, the company that continues to achieve sustainable growth by rendering the industry’s first and best services



## Established loan servicing infrastructures and efficient internal systems

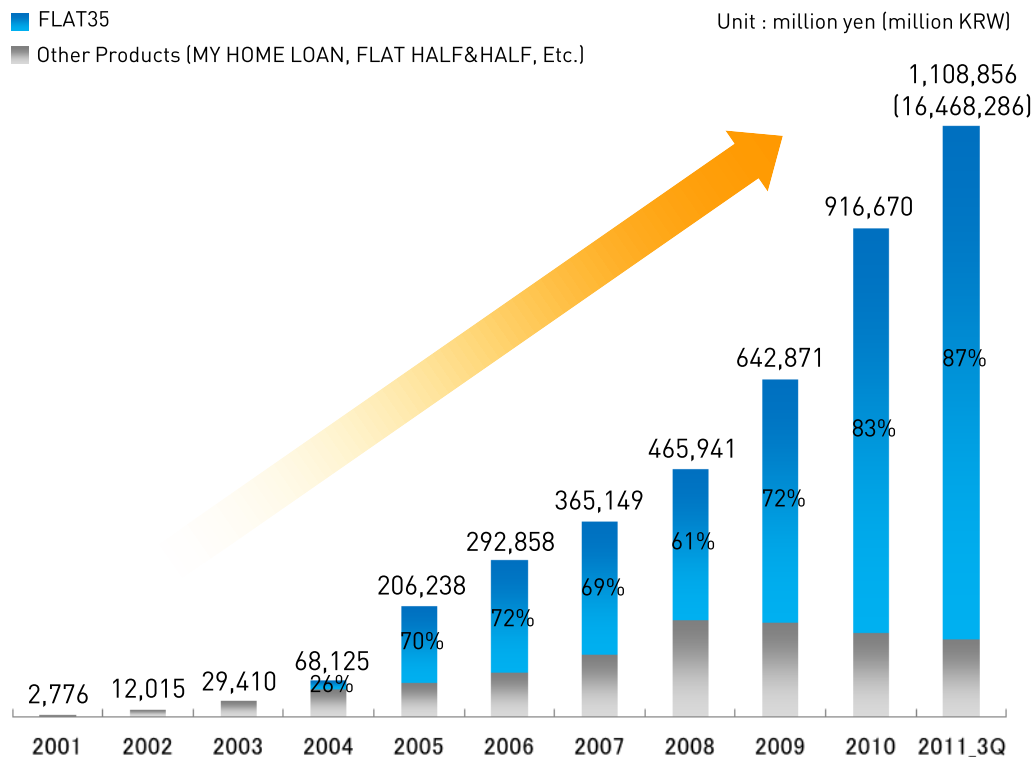


# 04 Investor Relations 2012 Introduction of the Major Products



Operating a well-diversified mortgage product lineup that includes long/short, variable/fixed, and hybrid-type housing loans

## Mortgage Loan Outstanding by Product-type



### • FLAT35(S)

- Introduced in 2004 (fees 2.1%)
- Association with JHF
- Long-term fixed-rate housing loan

### • MY HOME LOAN

- Introduced in 2001 (fees 4.2%)
- Association with Shinsei Bank
- Long-term fixed-rate housing loan

### • FLAT HALF&HALF

- Introduced in Nov. 2011
- A hybrid loan; consists of both FLAT35 and variable-rate housing loan
- Combines the stability of fixed-rate loan and the low interest rate of variable-rate loan

### • TSUNAGI LOAN

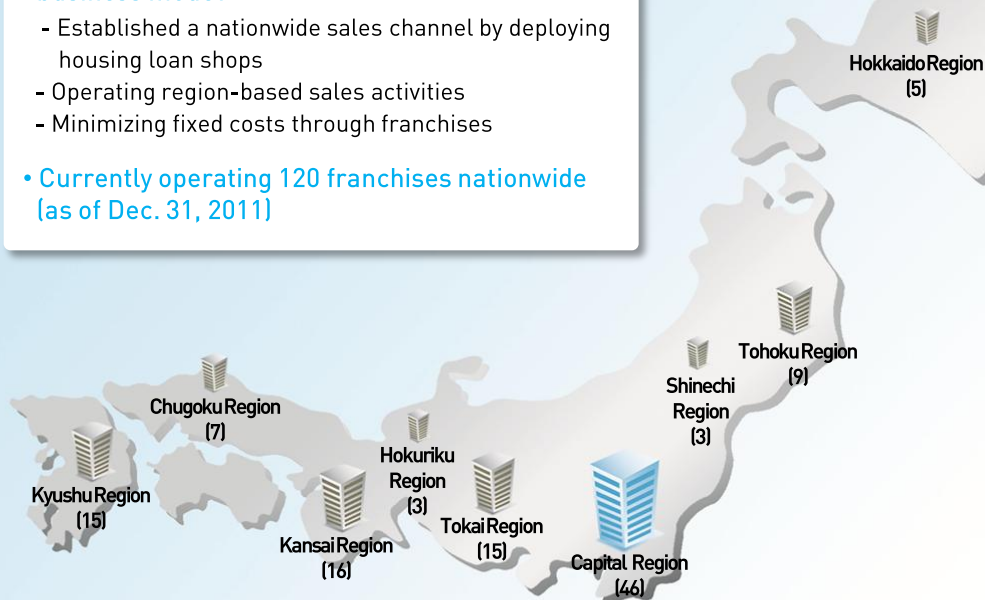
- Introduced in 2007; fees 105,000 yen
- Grants a loan for purchasing land for new home construction
- Automatically turns into a FLAT loan once the construction is completed

## Established a nationwide sales channel by adopting a franchise business model

(Gaining access to offline market by establishing the company's first franchise in 2007)

### ● Franchise Business Overview

- First in the industry to introduce a franchise business model
  - Established a nationwide sales channel by deploying housing loan shops
  - Operating region-based sales activities
  - Minimizing fixed costs through franchises
- Currently operating 120 franchises nationwide (as of Dec. 31, 2011)



### ● SBI Money Plaza



# SBI Mortgage




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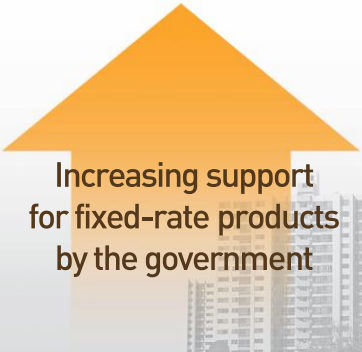
## Investment Highlights

- 01\_ Positive Market Environment
- 02\_ Attractive Business Model
- 03\_ Mortgage Product Competitiveness
- 04\_ Successful Establishment of a Franchise Model
- 05\_ Dominance in the Japanese Mortgage Market
- 06\_ Excellent Business Performance (1), (2)

**Rapid Growth of Mortgage Banks**  
||  
Higher proportion of long-term fixed-rate mortgage products



Interest rates  
forecast to rise



Increasing support  
for fixed-rate products  
by the government

**Expansion of the housing loan market  
facilitated by the revitalization of the existing & new housing markets**

Rising housing demand,  
reflecting a decline in real estate values

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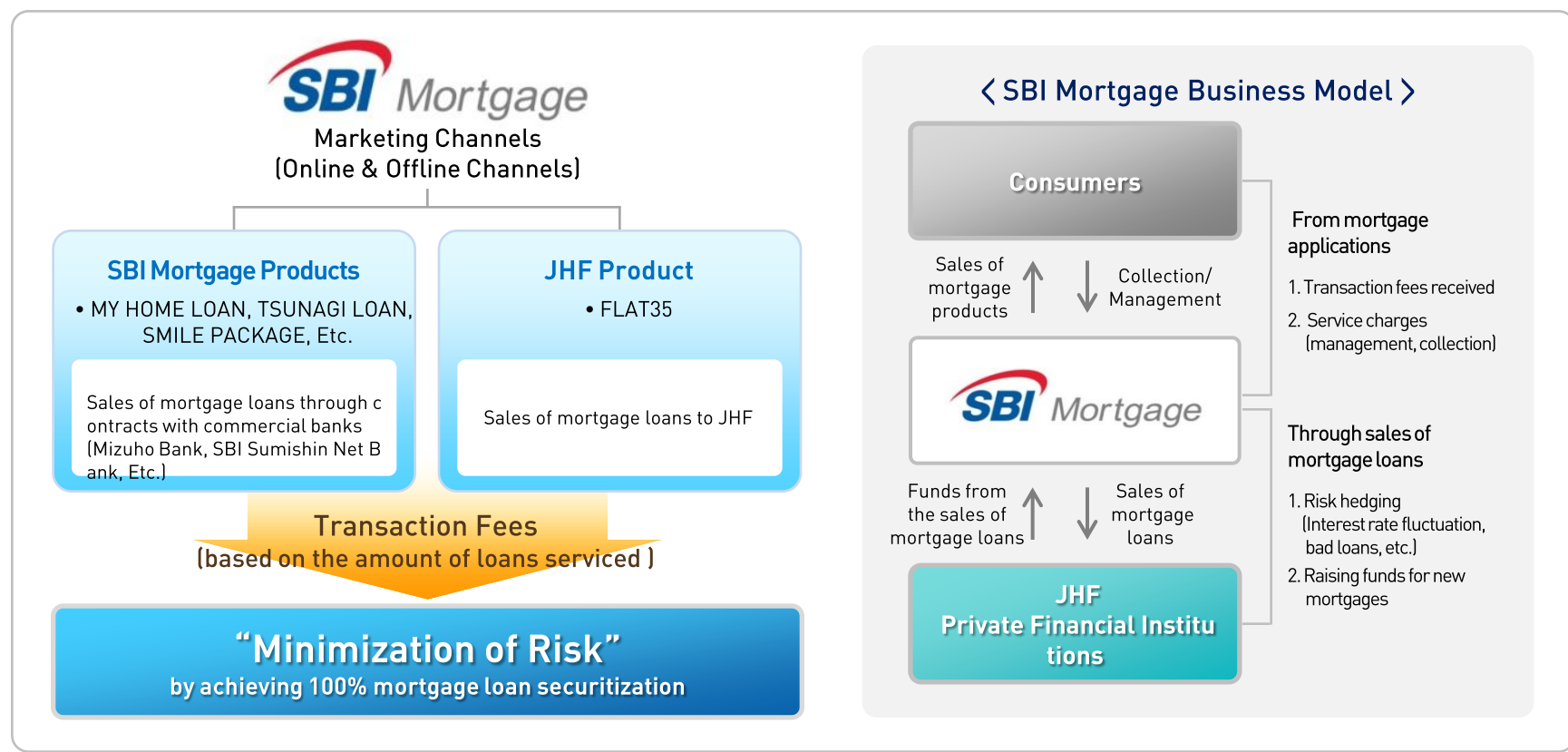
Revitalization of the existing  
housing market for the  
improvement in housing quality

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Expansion of the housing reform  
market for existing houses

## Minimizing the risk of bad loans by establishing a transaction fee revenue model through securitization of mortgages

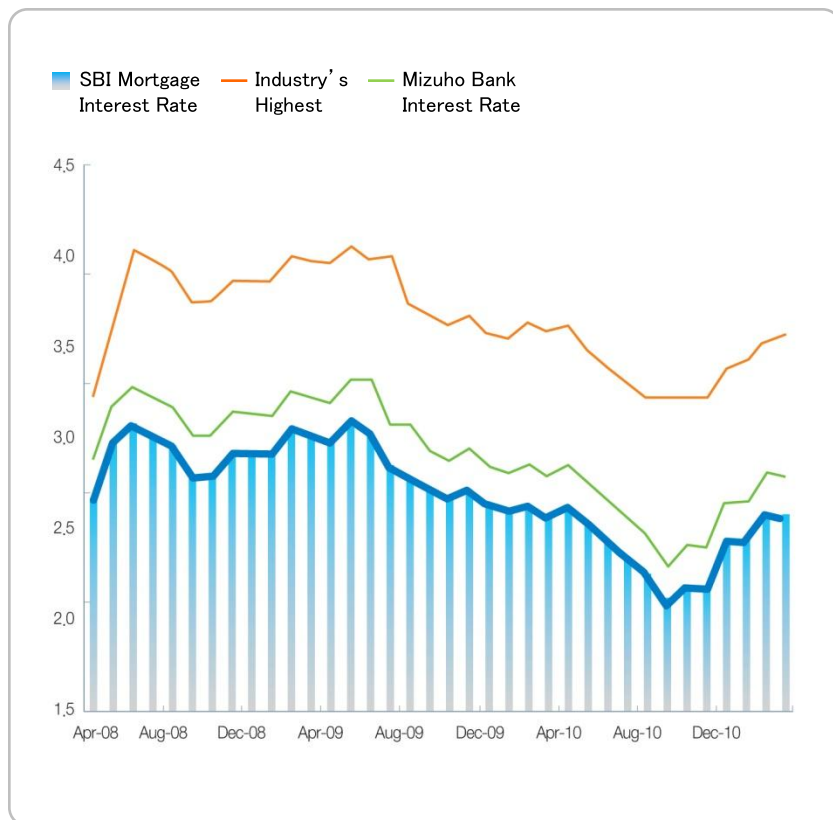
### ● Business Model





### Securing the competitiveness of mortgage products by offering the industry's lowest level of fees

#### ● Interest Rates Comparison vs. Competitors (FLAT35)



Source: JHF & SBI Mortgage data

#### ● Loan Terms Comparison vs. Competitors (FLAT35)

Unit : thousand yen

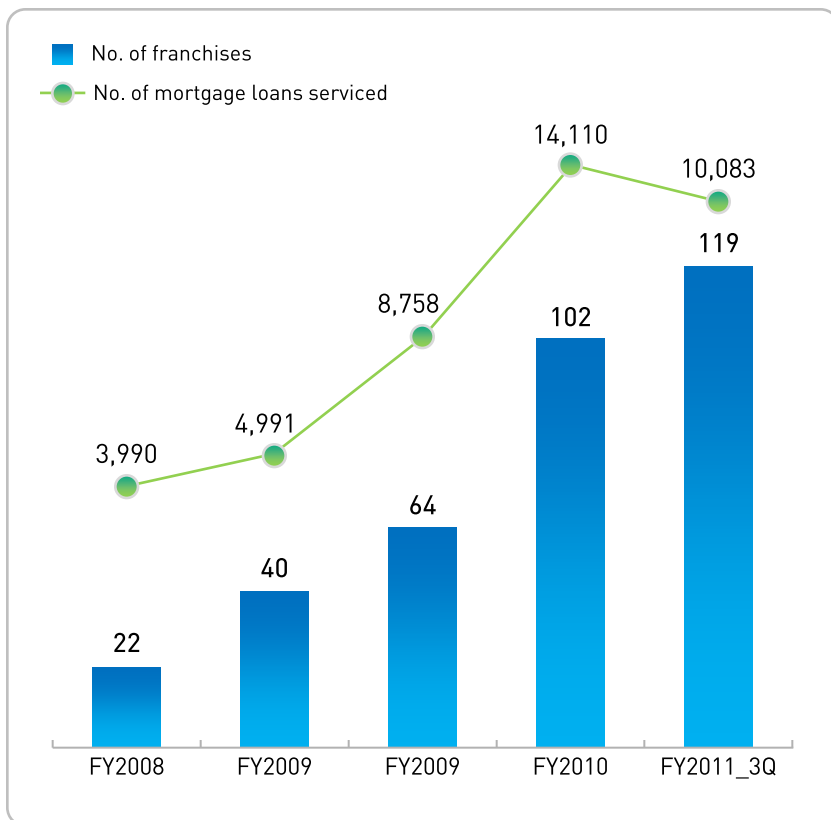
Mortgage Lenders	Interest Rate	Transaction Fee(yen)	Expenses	Total Repayment	Total Amount Due
<b>SBI Mortgage</b>	2.14%	63,000	2,779	42,650	45,429
Japan Housing Loan	2.39%	36,750	2,212	44,305	46,517
Mizuho Bank	2.36%	31,500	2,203	44,104	46,307
Resona Bank	2.46%	50,000	2,232	44,774	47,006

Note : Simulation Terms  
(Loan 30 mln yen, 35 yr long-term fixed interest rate on January 2012)

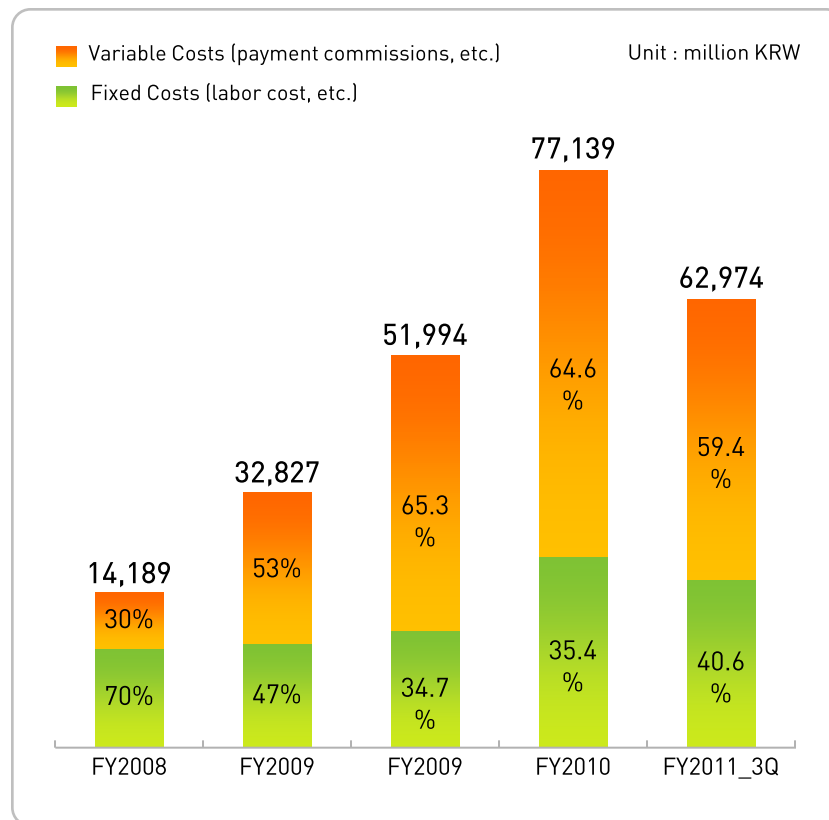
Source : SBI Mortgage data

- Maximizing the number of new mortgage loans serviced by expanding franchises
- Minimizing fixed costs by implementing a franchise business model

● No. of Franchises & Mortgage Loans Serviced



● Variable & Fixed Costs Trends

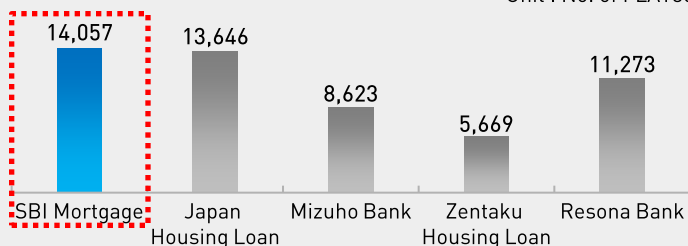


- Ranked No.1 among 340 financial institutions that offer FLAT35 fixed-rate mortgages
- Ranked No.7 among 1,450 financial institutions that offer housing loans in Japan

### ● Mortgage Loan Market Share in Japan (as of 2010)

< No. of FLAT35 Housing Loans Serviced >

Unit : No. of FLAT35



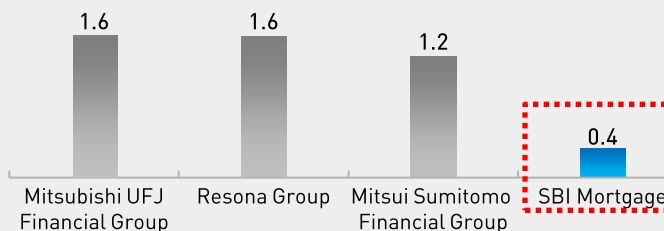
Unit : million yen

Rank	Lending Company	2010		2009	
		No. of Loans	Amount	No. of Loans	Amount
1	SBI MORTGAGE	14,057	348,376	8,614	200,606
2	Japan Housing Loan	13,646	397,483	2,875	83,240
3	Mizuho Bank	8,623	22,735	3,661	87,422
4	Zentaku Housing Loan	5,669	136,614	2,811	64,533
5	Resona Bank	11,273	181,149	11,424	90,038

### ● Housing Loan Market Share in Japan (as of 2010)

< Total Amount of New Housing Loans in Japan >

Unit : trillion yen

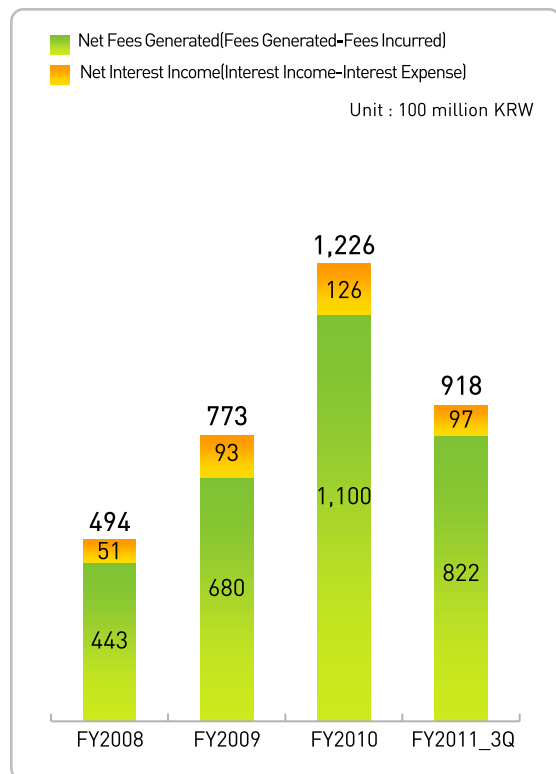


Unit : trillion yen

Rank	Lending Company	2010	2009
		Amount of New Loans	Amount of New Loans
1	Mitsubishi UFJ Financial Group	1.60	1.95
2	Resona Group	1.60	1.33
3	Mitsui Sumitomo Financial Group	1.19	1.54
7	SBI MORTGAGE	0.35	0.20

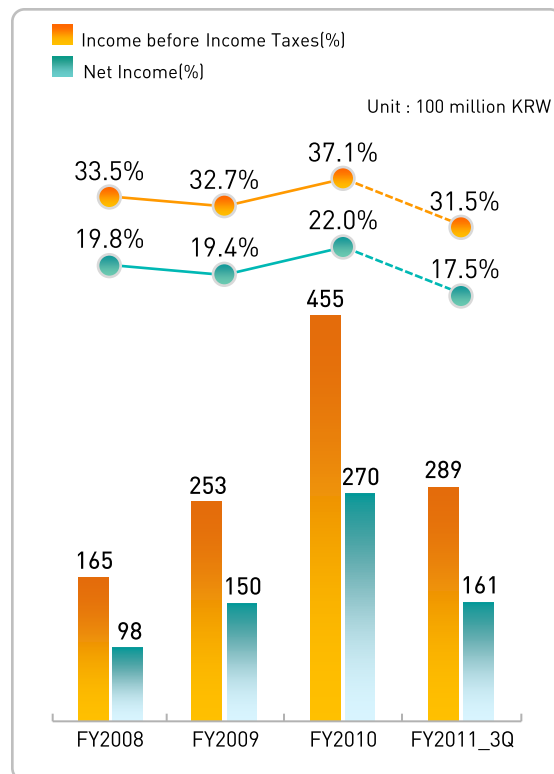
### Improved profitability by sustaining growth through increased sales of mortgage products and by accomplishing cost reduction

#### ● Net Operating Revenue

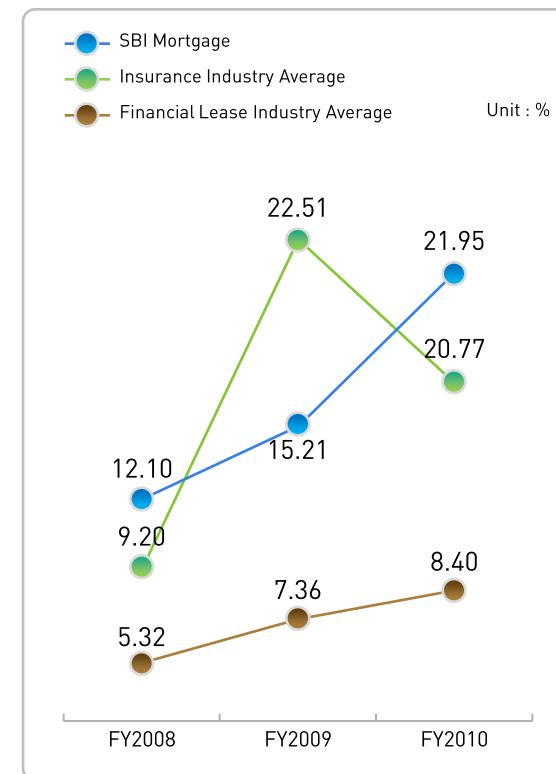


Note1 : Fees Generated & Incurred (brokerage & collection service fees / loan sales and securitization related fees)  
 Note2 : Interest Income & Expense (interest income on loan obligation / interest expense on borrowings)

#### ● Income before Income Taxes & Net Income



#### ● ROE

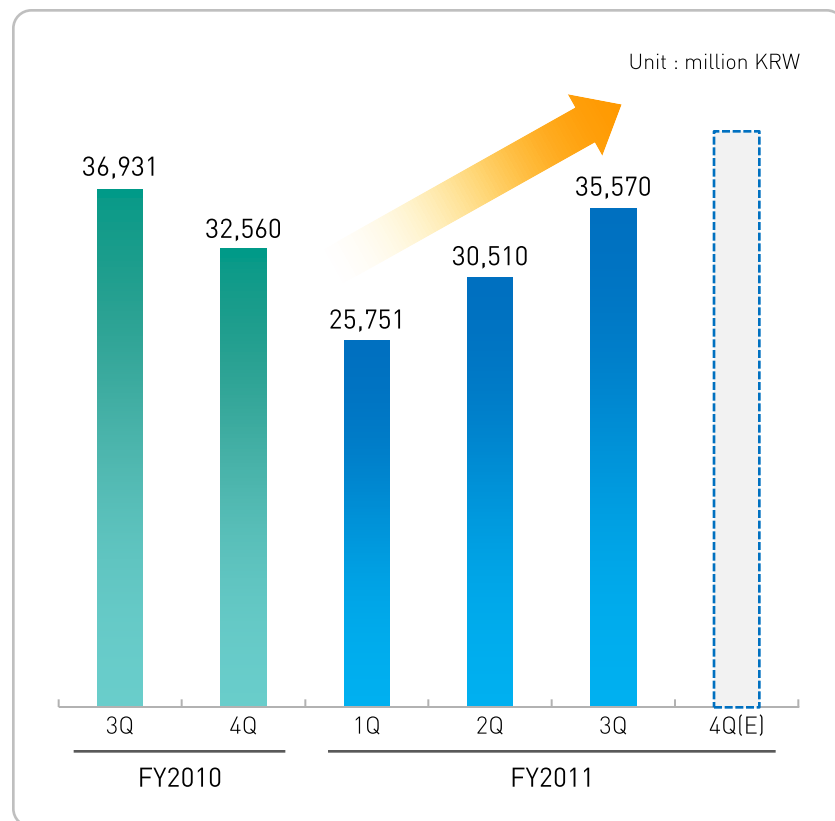


Note1: Insurance Industry (Meritz Fire & Marine Insurance, Hyundai Marine & Fire Insurance, Korean Re, Dongbu Insurance, Tongyang Insurance)  
 Note2: Finance Lease Industry (Korea Investment & Credit Capital, Woori Financial, Aju Capital)  
 Source: The audit report of each company

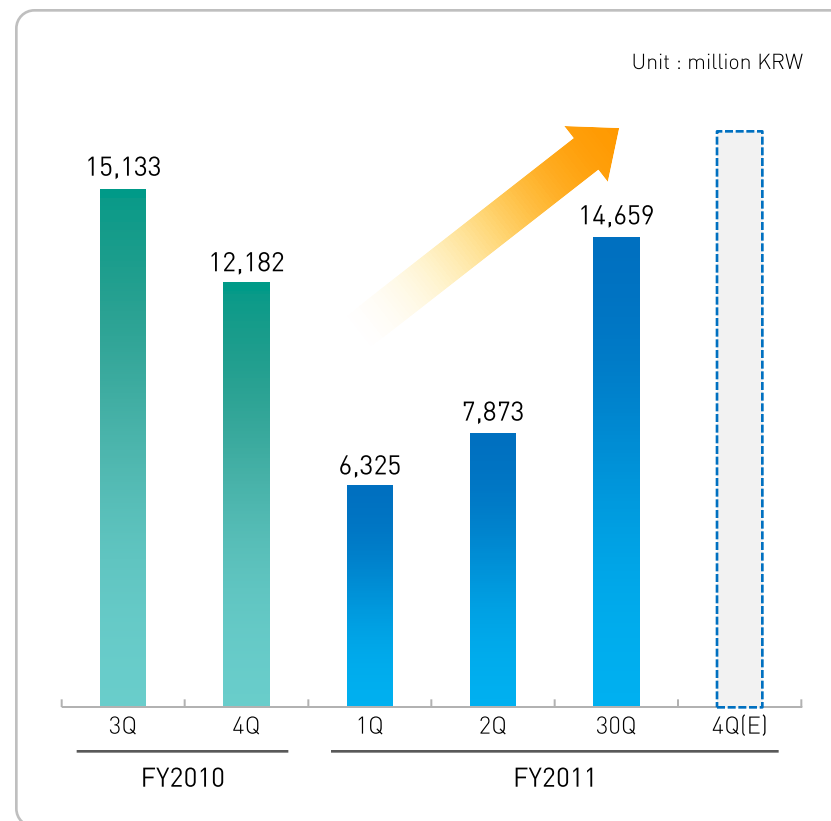
# 06 Investor Relations 2012 Excellent Business Performance (2)

Sales declined temporarily amid the Great East Japan Earthquake in March 2011, but recovered to the previous year's level by achieving strong performances in the 2nd half

## ● Net Operating Revenue



## ● Income before Income Taxes



# SBI Mortgage



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## Business Strategy

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01\_ Vision

02\_ Strengthening of Market Position

03\_ Expansion of Business Spheres

04\_ Realization of Economies of Scale

## Global Leading Financial Company

Realization of Customer Satisfaction

Improvement of Brand Awareness

Rendering the Best Service Possible

### Strengthening of Market Position

- Expand franchises
- Develop new mortgage loan products

### Expansion of Business Spheres

- Expand product lineup to include securities and insurance businesses
- Provide comprehensive financial consulting services

### Realization of Economies of Scale

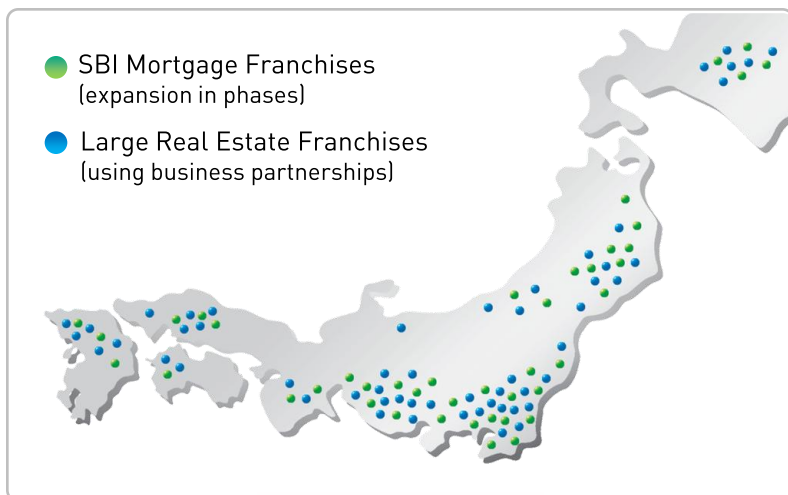
- Sustain earnings growth
- Expand equity capital

# 02 Investor Relations 2012

## Strengthening of Market Position

Aiming to strengthen presence in the Japanese mortgage market by expanding sales channel and developing new products

### ● Expansion of Sales Channel



Establish a sales channel comparable to that of mega banks by expanding customer contact points

### ● Improvement of Product Competitiveness



Gain access to new markets and new target customers by diversifying product portfolio



# 03 Investor Relations 2012

## Expansion of Business Spheres

Striving to provide a 'One Stop Total Service'  
in a bid to expand business spheres

Synergy effect with the SBI Group's other businesses

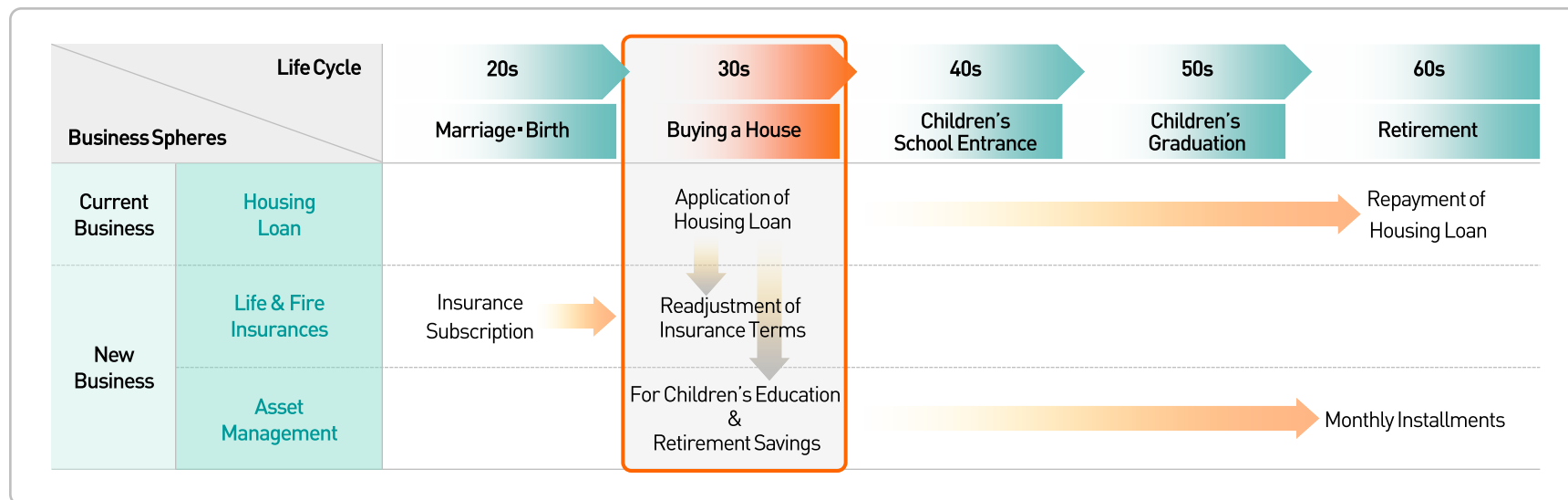
- Insurance subscription, securities account, fire insurance
- Financial consulting

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Face-to-face service at franchises

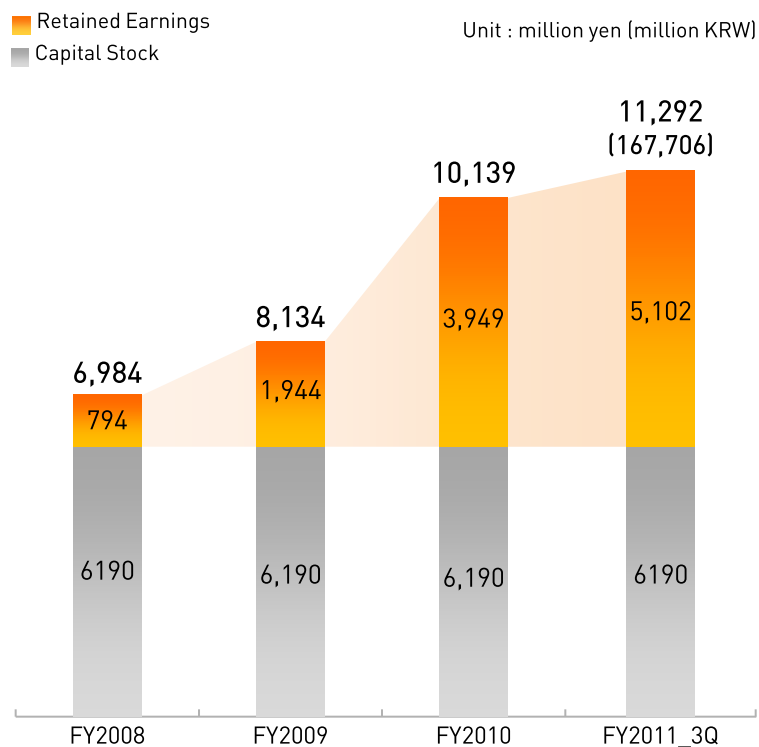
- Rendering various financial consulting services for the housing loan applicants at the best timing

Provide a Total Solution



### Taking another leap forward by realizing economies of scale through the expansion of equity capital

#### Total Shareholders' Equity (on annual basis)



- Accumulation of retained earnings from operational activities
- Capital raising by listing on the Korean securities market

#### Expected Benefits of Equity Capital Expansion

- Increase in the size of the asset-backed securities per unit
- Diversification of product lineup by utilizing equity capital

# SBI Mortgage



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## Appendix

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01\_ IPO Plan

02\_ Financial Summary

03\_ FAQ

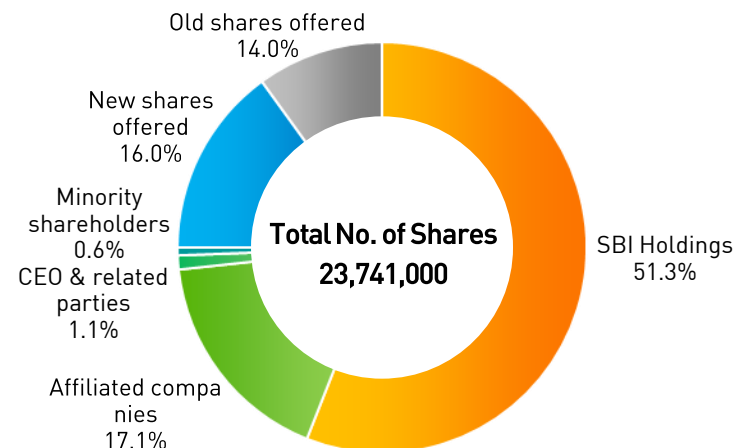
### ● IPO Summary

Public Offering (KDR)	7,123,000 (KDR)	New shares offered 3,799,000(KDR)
		Old shares offered 3,324,000(KDR)
Book Building Price(E)	KRW 7,700 ~ 9,200	
Par Value	No par value	
Offering Size(E)	KRW 54.8 ~ 65.5 billion	
Pro-forma No. Shares	23,741,000(KDR)	

### ● IPO Schedule

Filing of the Prospectus	March 8, 2012
Book Building	April 5~6, 2012
Subscription(E)	April 16~17, 2012
Listing(E)	Slated for early May, 2012(E)

### ● Ownership Structure Post-IPO



### • IPO Lock-up

Shareholder	No. of shares	Ownership(%)	Period
SBI Holdings	12,170,612	51.3	6 months
Affiliated companies	4,094,488	17.1	6 months
CEO & related parties	263,000	1.1	6 months
Minority shareholders	124,900	0.5	6 months
<b>Total</b>	<b>16,608,000</b>	<b>70.0</b>	

## Statement of Financial Position

(million KRW)

Classification	FY2011_3Q ('11.04~'11.12)	FY2010 ('10.04~'11.03)	FY2009 ('09.04~'10.03)	FY2008 ('08.04~'09.03)
Cash & cash equivalents	42,969	99,808	19,130	32,110
Loan obligation	1,015,896	848,908	883,175	1,229,496
Subordinated beneficiary certificates	15,418	15,903	17,723	25,087
Other assets	93,331	66,729	72,162	65,126
<b>Total assets</b>	<b>1,167,614</b>	<b>1,031,349</b>	<b>992,190</b>	<b>1,351,819</b>
Borrowings	941,100	822,856	850,138	1,231,075
Other liabilities	58,808	73,448	43,003	21,926
<b>Total liabilities</b>	<b>999,908</b>	<b>896,304</b>	<b>893,141</b>	<b>1,253,001</b>
Paid-in capital	82,450	82,450	75,380	87,582
Retained earnings	67,821	51,675	24,709	9,725
Foreign currency translation adjustment	17,435	919	-1,041	1,521
<b>Total shareholders' equity</b>	<b>167,706</b>	<b>135,044</b>	<b>99,048</b>	<b>98,819</b>

## Statement of Income

(million KRW)

Classification	FY2011_3Q ('11.04~'11.12)	FY2010 ('10.04~'11.03)	FY2009 ('09.04~'10.03)	FY2008 ('08.04~'09.03)
Interest income	25,273	35,272	32,710	33,984
Interest expense	15,621	22,597	23,362	28,888
<b>Net interest income</b>	<b>9,652</b>	<b>12,675</b>	<b>9,348</b>	<b>5,096</b>
Fees generated	90,200	122,373	78,889	56,978
Fees incurred	8,020	12,405	10,960	12,723
<b>Net fees generated</b>	<b>82,180</b>	<b>109,968</b>	<b>67,928</b>	<b>44,255</b>
<b>Net operating Revenue</b>	<b>91,832</b>	<b>122,643</b>	<b>77,276</b>	<b>49,351</b>
Labor costs	15,489	15,405	10,189	8,645
Payment commission	32,977	43,887	28,493	13,621
Others	14,508	17,847	13,312	10,562
<b>Total operating expenses</b>	<b>62,974</b>	<b>77,139</b>	<b>51,994</b>	<b>32,828</b>
<b>Income before income taxes</b>	<b>28,858</b>	<b>45,504</b>	<b>25,282</b>	<b>16,523</b>
Income tax expense	12,712	18,538	10,297	6,772
<b>Net income</b>	<b>16,146</b>	<b>26,966</b>	<b>14,985</b>	<b>9,751</b>

### Q. Why is SBI Mortgage listing on the Korean stock market?

**A** The enhancement and diversification of external financing is one of the key strategies of our business expansion plan, and stock listing is one of the most effective ways of raising capital. However, it was nearly impossible to list securities in the Japanese stock market due to listing restrictions imposed on a holding company and affiliates, and therefore, SBI Mortgage decided to promote cross-border listing of securities, particularly in Korea, for the following two reasons:

#### ① Strength of the Korean stock market

The comparative strength of the Korean stock market includes relatively low listing fees and high liquidity. By listing on the Korean stock market, we will not only have an easy access to external funding, but should be able to raise our competitiveness by expanding equity capital. The high liquidity of the Korean stock market is forecast to have a positive impact on our stock price, and with better stock performance, we should be able to raise our creditworthiness in the global market.

#### ② High possibility of successful business launch

Japan and Korea are geographically close to each other and share many cultural similarities. Furthermore, there is an active movement in Korea to reduce variable-rate mortgages in the medium to longer term, and the Korean government is implementing various policies to increase the proportion of fixed-rate mortgages. In particular, the Korean government has shown its determination to expand the proportion of fixed-rate mortgages by announcing the “Comprehensive Plan for Household Debts”, which targets to increase the proportion of fixed-rate debts to 30% level.

It is our belief that, just like in Japan, the solution to raising fixed-rate in Korea is mortgage bank. Therefore, the Korean market is the ideal market that matches our overseas expansion strategies.

### Q. What are the competitive edges that enable SBI Mortgage to be the No.1 company among the FLAT35 providers in Japan?

#### **A** ① Product Competitiveness

SBI Mortgage has been providing the lowest interest rate in the industry. Avoiding complacency and to stay ahead of competition, we developed an insurance with a special option for housing mortgages, and introduced an online mortgage repayment option for borrowers.

#### ② Establishment of various sales channel

In addition to the online sales channel that we have been concentrating on since our inception, we have launched a franchise system starting from February 2007. Since then, the number of franchises has expanded greatly, and there are 119 loan shops operating as of February 2012. In addition, we have established call centers in an effort to further differentiate our products while enhancing our sales capabilities.

#### ③ Differentiation by introducing new systems

SBI Mortgage has greatly improved overall operational efficiency by being the first financial institution to adopt a cloud system. In addition, we are the first in the industry to directly link our information system with the JHF's system, thereby facilitating the real time information sharing between the two. In doing so, we are able to offer the fastest mortgage application process in the industry, and with this competitive edge, we continue to gain market share in the mortgage industry.

#### ④ Established brand power as an online-oriented comprehensive financial group

The SBI Group has been establishing its brand power as an online-oriented comprehensive financial group, expanding online financial businesses. Today, we continue to expand our sales channel by utilizing this brand power.

**Q. Many people fear the U.S. subprime mortgage crisis in 2008. Does SBI mortgage have any risk in the Japanese mortgage market?**

**A** The U.S. subprime and our business model are entirely different in two ways.

① **First, we don't deal with customers with subprime credit profile.**

When servicing loans, we thoroughly evaluate customers' repayment capability and their lines of credit.

② **SBI Mortgage does not have the risk of bad loans.**

Our main product, 'FLAT35', is designed in a way that it keeps our company free of bad loans.

After originating mortgages, we sell our mortgages and therefore, we do not have any risk of bad loans.

③ **Geographical advantages and closeness**

As stated above, we do not service customers with low credit profiles, and we are also free from the risk of bad loans. Therefore, there shouldn't be any subprime-like problems come to the fore

**Q. What are the major differences between 'FLAT35' in Japan and 'Bogeuinjari-loan' in Korea?**

**A** The major differences are the loan period and LTV(Loan to Value). In addition, the interest rate of 'Bogeuinjari-loan' is decided by the Korea Housing Finance Corporation, and therefore the same interest rate is applied to all financial institutions. On the other hand, the interest rate of 'FLAT35' is not fixed, and each financial institution decides its own interest rate and transaction fees, as well as additional services provided, based on the guidelines provided by the JHF.

**Q. How will SBI Mortgage use the raised funds? What are the specific business plans?**

**A** The fund raised through this IPO will be used to fund newly-released hybrid mortgage loans by our company. In addition, after an IPO, we will fully evaluate our potential entry into Korea. Specifically, we will investigate the needs of Korean customers and simultaneously evaluate the current status of liquidity in the stock market. Then, we plan to draw specific strategies for our entry into Korea.

**Q. What kind of IR activities will be carried out after listing on the Korean stock market?**

**A** SBI Mortgage has appointed two outside directors, who are living in Korea, for the interest of the shareholders in the Korean stock market. Also, the company's articles of association state that it shall hold a general shareholders' meeting in Korea after an IPO. In addition, an IR officer will be available to communicate with investors in Korean language. Going forward, SBI Mortgage will do its best to maintain a healthy investor relationship after listing on KOSPI.