BASEL III PILLAR 3 DISCLOSURES

March 31, 2025

Overview

HomeEquity Bank (the "Bank") is a federally regulated Schedule I bank, incorporated and domiciled in Canada. The Bank is a wholly owned subsidiary of HOMEQ Corporation (HOMEQ). On November 30, 2012, under an arrangement agreement, Birch Hill Equity Partners Management Inc. acquired all the outstanding common shares of HOMEQ and became the ultimate parent of the group. On June 30, 2022, Ontario Teachers' Pension Plan Board (OTPP) indirectly acquired all of the outstanding shares of HOMEQ and became the ultimate parent of the group.

The Bank's main business is to originate and administer reverse mortgages. The Bank issues guaranteed investment certificates, deposit notes, and through its principal subsidiary, senior medium-term debt (MTN) to fund the mortgage portfolio.

Basis of preparation

This document represents the Basel III Pillar 3 disclosures for the Bank. These disclosures are made pursuant to the Office of the Superintendent of Financial Institutions (OSFI) requirements, which are based on global standards established by the Bank of International Settlements, Basel Committee on Banking Supervision (BCBS). The Bank follows the Pillar 3 Disclosure requirements for Small and Medium-Sized Banks (SMSBs) and is classified as a Category 2 SMSB.

The amounts disclosed in this document are based on the Bank's Q1 unaudited condensed consolidated interim financial statements, which reflect the financial position and results of operations of the Bank consolidated with the financial position and results of operations of its subsidiaries. These unaudited condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 and follow the same accounting policies and methods of computation as in the Bank's most recent audited annual financial statements including the accounting requirements specified by OSFI, and reflect, where necessary, management's best estimates and judgments.

This report is reported in thousands of Canadian dollars, unless otherwise noted.

The report is available in the Regulatory section of the Bank's website at www.homeequitybank.ca, and on OSFI's Financial Data for Banks website (Financial data - Office of the Superintendent of Financial Institutions (osfi-bsif.gc.ca)).

KM1: Key Metrics (at consolidated group level)

		Mar 31, 2025	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	**599,195**	584,285	551,361	535,243	523,470
2	Tier 1	**599,195**	584,285	551,361	535,243	523,470
3	Total capital	**638,836**	622,017	587,326	571,964	558,944
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	**3,884,157**	3,728,553	3,577,785	3,363,972	3,234,438
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	**15.4%**	15.7%	15.4%	15.9%	16.2%
6	Tier 1 ratio (%)	**15.4%**	15.7%	15.4%	15.9%	16.2%
7	Total capital ratio (%)	**16.5%**	16.7%	16.4%	17.0%	17.3%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	**2.5%**	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	**n/a**	n/a	n/a	n/a	n/a
10	Bank G-SIB and/or D-SIB additional requirements (%)	**n/a**	n/a	n/a	n/a	n/a
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	**2.5%**	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	**8.4%**	8.7%	8.4%	8.9%	9.2%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	**9,599,580**	9,271,464	8,940,944	8,362,503	8,087,773
14	Basel III leverage ratio (row 2 / row 13)	**6.24%**	6.30%	6.17%	6.40%	6.47%

CC1: Composition of HomeEquity Bank Capital

(in thousands of Canadian dollars)		**Mar 31, 2025**
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	221,552
2	Retained earnings	380,577
6	**Common Equity Tier 1 capital before regulatory adjustments**	602,129
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	(2,934)
29	Common Equity Tier 1 capital (CET1)	599,195
	Additional Tier 1 capital: regulatory adjustments	
44	**Additional Tier 1 capital (AT1)**	0
45	**Tier 1 capital (T1 = CET1 + AT1)**	599,195
	Tier 2 capital: instruments and provisions	
50	Eligible Stage 1 and Stage 2 allowance	39,641
51	**Tier 2 capital before regulatory adjustments**	39,641
	Tier 2 capital: regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	0
58	**Tier 2 capital (T2)**	39,641
59	**Total capital (TC = T1 + T2)**	638,836
60	**Total risk weighted assets**	3,884,157
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.4%
62	Tier 1 (as a percentage of risk weighted assets)	15.4%
63	Total capital (as a percentage of risk weighted assets)	16.5%
	OSFI target	
69	Common Equity Tier 1 capital target ratio	7.0%
70	Tier 1 capital target ratio	8.5%
71	Total capital target ratio	10.5%

LR2: Leverage Ratio Common Disclosure Template

	(in thousands of Canadian dollars)	**Mar 31, 2025**	**Dec 31, 2024**
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	**9,469,159**	9,129,180
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)	**(18,945)**	
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Asset amounts deducted in determining Tier 1 capital)	**(2,934)**	(2,695)
5	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)**	**9,447,280**	9,126,485
	Derivative exposures		
6	Replacement cost associated with all derivative transactions	**25,019**	18,987
7	Add-on amounts for PFE associated with all derivative transactions	**10,384**	11,529
8	(Exempted CCP-leg of client cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of lines 6 to 10)**	**35,403**	30,516
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**292,243**	286,156
18	(Adjustments for conversion to credit equivalent amounts)	**(175,346)**	(171,693)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**116,897**	114,463
	Capital and total exposures		
20	**Tier 1 Capital**	**599,195**	584,285
21	**Total Exposures (sum of lines 5, 11, 16 and 19)**	**9,599,580**	9,271,464
	Leverage ratio		
22	**Basel III leverage ratio**	**6.24%**	6.30%