



**BASEL III PILLAR 3 AND B-20
REGULATORY DISCLOSURES
September 30, 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 and B-20 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 the Pillar 3 tables are based on the Bank’s Q3 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 Interim Financial Reporting 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.

The amounts disclosed in the B-20 tables are on a quarterly basis and are in accordance with OSFI’s *Guideline on Residential Mortgage Underwriting Practices and Procedures*. This guideline is applicable to all federally regulated financial institutions that are engaged in residential mortgage underwriting and/or the acquisition of residential mortgage loan assets in Canada.

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

This Basel III Pillar 3 and B-20 disclosure document is available in the Regulatory section of the Bank’s website at www.homeequitybank.ca. HomeEquity Bank’s Basel Capital Adequacy Reporting and Leverage Requirements returns are on OSFI’s Financial Data for Banks website ([Financial data - Office of the Superintendent of Financial Institutions \(osfi-bsif.gc.ca\)](http://Financial%20data%20-%20Office%20of%20the%20Superintendent%20of%20Financial%20Institutions%20(osfi-bsif.gc.ca))).

KM1: Key Metrics (at consolidated group level)

		Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	637,882	616,238	599,195	584,285	551,361
2	Tier 1	637,882	616,238	599,195	584,285	551,361
3	Total capital	679,187	657,392	638,836	622,017	587,326
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	4,307,104	4,114,791	3,884,157	3,728,553	3,577,785
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	14.8%	15.0%	15.4%	15.7%	15.4%
6	Tier 1 ratio (%)	14.8%	15.0%	15.4%	15.7%	15.4%
7	Total capital ratio (%)	15.8%	16.0%	16.5%	16.7%	16.4%
	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 (%)	7.8%	8.0%	8.4%	8.7%	8.4%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	10,585,210	10,196,468	9,599,580	9,271,464	8,940,944
14	Basel III leverage ratio (row 2 / row 13)	6.03%	6.04%	6.24%	6.30%	6.17%

CC1: Composition of HomeEquity Bank Capital

<i>(in thousands of Canadian dollars)</i>		Sept 30, 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	223,685
2	Retained earnings	418,354
6	Common Equity Tier 1 capital before regulatory adjustments	642,039
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	(4,157)
29	Common Equity Tier 1 capital (CET1)	637,882
	Additional Tier 1 capital: regulatory adjustments	
44	Additional Tier 1 capital (AT1)	0
45	Tier 1 capital (T1 = CET1 + AT1)	637,882
	Tier 2 capital: instruments and provisions	
50	Eligible Stage 1 and Stage 2 allowance	41,305
51	Tier 2 capital before regulatory adjustments	41,305
	Tier 2 capital: regulatory adjustments	
57	Total regulatory adjustments to Tier 2 capital	0
58	Tier 2 capital (T2)	41,305
59	Total capital (TC = T1 + T2)	679,187
60	Total risk weighted assets	4,307,104
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.8%
62	Tier 1 (as a percentage of risk weighted assets)	14.8%
63	Total capital (as a percentage of risk weighted assets)	15.8%
	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

<i>(in thousands of Canadian dollars)</i>		Sept 30, 2025	Dec 31, 2024
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	10,450,037	9,129,180
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)	(16,336)	
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Asset amounts deducted in determining Tier 1 capital)	(4,157)	(2,695)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	10,429,544	9,126,485
Derivative exposures			
6	Replacement cost associated with all derivative transactions	20,521	18,987
7	Add-on amounts for PFE associated with all derivative transactions	13,251	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)	33,772	30,516
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	304,735	286,156
18	(Adjustments for conversion to credit equivalent amounts)	(182,841)	(171,693)
19	Off-balance sheet items (sum of lines 17 and 18)	121,894	114,463
Capital and total exposures			
20	Tier 1 Capital	637,882	584,285
21	Total Exposures (sum of lines 5, 11, 16 and 19)	10,585,210	9,271,464
Leverage ratio			
22	Basel III leverage ratio	6.03%	6.30%

B-20 Disclosures

Residential Reverse Mortgages by Province

The Bank does not hold any loans that are insured against default by Canada Mortgage and Housing Corporation or other approved insurers.

As at	September 30, 2025		December 31, 2024	
(in thousands of \$, except %)	Uninsured Residential Mortgage ¹	Percentage of Total by Province	Uninsured Residential Mortgage ¹	Percentage of Total by Province
Ontario	5,468,854	54.9%	4,790,369	54.7%
British Columbia	3,313,082	33.3%	2,887,107	33.0%
Alberta	501,487	5.0%	438,248	5.0%
Quebec	388,032	3.9%	369,313	4.2%
Other Canadian provinces	289,689	2.9%	267,454	3.1%
	9,961,144	100.0%	8,752,491	100.0%

1. A residential mortgage is defined as a loan to an individual that is secured by residential property (i.e. one-to-four-unit dwellings).

Uninsured Residential Mortgages by Effective Remaining Amortization Period

A reverse mortgage is a loan for homeowners that borrow money from their home equity and typically do not require regular mortgage payments. As such, the majority of the Bank's loans are classified as having no amortization period.

As at	September 30, 2025						
(in thousands of \$, except %)	≤ 20 Years	>20 and ≤ 25 Years	>25 and ≤ 30 Years	>30 and ≤ 35 Years	> 35 Years	No Amortization Period	Total
Balance outstanding	\$16,996	-	-	-	-	\$9,944,148	\$9,961,144
Percentage of Total	0.2%	-	-	-	-	99.8%	100.0%

As at	December 31, 2024						
(in thousands of \$, except %)	≤ 20 Years	>20 and ≤ 25 Years	>25 and ≤ 30 Years	>30 and ≤ 35 Years	> 35 Years	No Amortization Period	Total
Balance outstanding	\$13,322	-	-	-	-	\$8,739,169	\$8,752,491
Percentage of Total	0.2%	-	-	-	-	99.8%	100.0%

Weighted-Average LTV for Uninsured Residential Mortgages Originated

For the three-months ended	September 30, 2025		September 30, 2024	
(in thousands of \$, except %)	Mortgages Originated	Weighted-Average LTV	Mortgage Originated	Weighted-Average LTV
Ontario	770,177	32.8%	599,426	30.9%
British Columbia	488,725	31.7%	364,424	29.0%
Alberta	85,030	35.6%	34,799	28.6%
Quebec	35,525	30.2%	29,926	31.0%
Other Canadian provinces	31,369	26.8%	19,958	26.4%
	1,410,826	32.3%	1,048,533	30.0%

Economic Downturn

To mitigate the impact of an economic slowdown and ensure portfolio quality, the Bank has in place a well-defined underwriting framework and comprehensive credit risk management mechanisms. In alignment with OSFI Guideline B-20, these practices are designed to remain resilient through a range of economic conditions. The Bank regularly reviews the adequacy of its underwriting standards, stress tests its portfolio for adverse scenarios, and ensures appropriate governance and controls are in place to manage elevated risks during periods of economic stress.