



**BASEL III PILLAR 3 DISCLOSURES**

**March 31, 2024**

## 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 September 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 also issues guaranteed investment certificates, bank deposit notes, and through its principal subsidiary, senior medium-term debt (MTN) to fund its 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 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. The condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34. The condensed consolidated interim financial statements follow the same accounting policies and methods of computation as in the Bank’s most recent annual financial statements including the accounting requirements specified by OSFI, and reflect, where necessary, management’s best estimates and judgments.

This report is unaudited and 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/regulatory/](http://www.homeequitybank.ca/regulatory/) and 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)**

| <i>(in thousands of Canadian dollars)</i>                         |  | <b>Mar 31,<br/>2024</b> | <b>Dec 31,<br/>2023</b> | <b>Sep 30,<br/>2023</b> | <b>Jun 30,<br/>2023</b> | <b>Mar 31,<br/>2023</b> |
|---|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Available capital (amounts)</b>                                |  |                         |                         |                         |                         |                         |
| 1   | Common Equity Tier 1 (CET1)  | 523,470                 | 508,241                 | 474,108                 | 466,329                 | 453,557                 |
| 2   | Tier 1   | 523,470                 | 508,241                 | 474,108                 | 466,329                 | 453,557                 |
| 3   | Total capital  | 558,944                 | 543,133                 | 507,799                 | 489,971                 | 474,409                 |
| <b>Risk-weighted assets (amounts)</b>                             |  |                         |                         |                         |                         |                         |
| 4   | Total risk-weighted assets (RWA)   | 3,234,438               | 3,112,160               | 2,942,251               | 2,817,325               | 3,358,233               |
| <b>Risk-based capital ratios as a percentage of RWA</b>           |  |                         |                         |                         |                         |                         |
| 5   | CET1 ratio (%)   | 16.2%                   | 16.3%                   | 16.1%                   | 16.6%                   | 13.5%                   |
| 6   | Tier 1 ratio (%)   | 16.2%                   | 16.3%                   | 16.1%                   | 16.6%                   | 13.5%                   |
| 7   | Total capital ratio (%)  | 17.3%                   | 17.5%                   | 17.3%                   | 17.4%                   | 14.1%                   |
| <b>Additional CET1 buffer requirements as a percentage of RWA</b> |  |                         |                         |                         |                         |                         |
| 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 (%)     | 9.2%                    | 9.3%                    | 9.1%                    | 9.6%                    | 6.5%                    |
| <b>Basel III Leverage ratio</b>                                   |  |                         |                         |                         |                         |                         |
| 13  | Total Basel III leverage ratio exposure measure                              | 8,087,773               | 7,852,523               | 7,450,275               | 7,129,294               | 6,884,263               |
| 14  | Basel III leverage ratio (row 2 / row 13)                                    | 6.47%                   | 6.47%                   | 6.36%                   | 6.54%                   | 6.59%                   |

### CC1: Composition of capital for SMSBs

| <i>(in thousands of Canadian dollars)</i>                     |   | <b>Mar 31, 2024</b> |
|---|---|---------------------|
| <b>Common Equity Tier 1 capital: instruments and reserves</b> |   |                     |
| 1   | Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus | 200,724             |
| 2   | Retained earnings   | 325,230             |
| 6   | <b>Common Equity Tier 1 capital before regulatory adjustments</b>   | 525,954             |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>   |   |                     |
| 28  | Total regulatory adjustments to Common Equity Tier 1  | (2,484)             |
| 29  | Common Equity Tier 1 capital (CET1)   | 523,470             |
| <b>Additional Tier 1 capital: regulatory adjustments</b>      |   |                     |
| 44  | <b>Additional Tier 1 capital (AT1)</b>  | 0                   |
| 45  | <b>Tier 1 capital (T1 = CET1 + AT1)</b>   | 523,470             |
| <b>Tier 2 capital: instruments and provisions</b>             |   |                     |
| 50  | Eligible Stage 1 and Stage 2 allowance  | 35,474              |
| 51  | <b>Tier 2 capital before regulatory adjustments</b>   | 35,474              |
| <b>Tier 2 capital: regulatory adjustments</b>                 |   |                     |
| 57  | <b>Total regulatory adjustments to Tier 2 capital</b>   | 0                   |
| 58  | <b>Tier 2 capital (T2)</b>  | 35,474              |
| 59  | <b>Total capital (TC = T1 + T2)</b>   | 558,944             |
| 60  | <b>Total risk weighted assets</b>   | 3,234,438           |
| <b>Capital ratios</b>   |   |                     |
| 61  | Common Equity Tier 1 (as a percentage of risk weighted assets)  | 16.2%               |
| 62  | Tier 1 (as a percentage of risk weighted assets)  | 16.2%               |
| 63  | Total capital (as a percentage of risk weighted assets)   | 17.3%               |
| <b>OSFI target</b>  |   |                     |
| 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**

| <b>(in thousands of Canadian dollars)</b> |   | <b>Mar 31, 2024</b> | <b>Dec 31, 2023</b> |
|---|---|---------------------|---------------------|
| <b>On-balance sheet exposures</b>         |   |                     |                     |
| 1   | On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)                    | 7,975,388           | 7,738,747           |
| 2   | Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS) |                     |                     |
| 3   | (Deductions of receivable assets for cash variation margin provided in derivatives transactions)  |                     |                     |
| 4   | (Asset amounts deducted in determining Tier 1 capital)  | (2,484)             | (2,199)             |
| 5   | <b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)</b>  | 7,972,904           | 7,736,548           |
| <b>Derivative exposures</b>               |   |                     |                     |
| 6   | Replacement cost associated with all derivative transactions  |                     |                     |
| 7   | Add-on amounts for PFE associated with all derivative transactions  | 456                 | 508                 |
| 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  | <b>Total derivative exposures (sum of lines 6 to 10)</b>  | 456                 | 508                 |
| <b>Other off-balance sheet exposures</b>  |   |                     |                     |
| 17  | Off-balance sheet exposure at gross notional amount   | 286,033             | 288,668             |
| 18  | (Adjustments for conversion to credit equivalent amounts)   | (171,620)           | (173,201)           |
| 19  | <b>Off-balance sheet items (sum of lines 17 and 18)</b>   | 114,413             | 115,467             |
| <b>Capital and total exposures</b>        |   |                     |                     |
| 20  | <b>Tier 1 Capital</b>   | 523,470             | 508,241             |
| 21  | <b>Total Exposures (sum of lines 5, 11, 16 and 19)</b>  | 8,087,773           | 7,852,523           |
| <b>Leverage ratio</b>                     |   |                     |                     |
| 22  | <b>Basel III leverage ratio</b>   | 6.47%               | 6.47%               |