

BASEL III PILLAR 3 and B-20
REGULATORY DISCLOSURES

September 30, 2026

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. 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 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 unaudited condensed consolidated interim financial statements (the "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 financial statements were prepared in accordance with International 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.

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)).

Overview of Risk Management

The Enterprise Risk Management Framework ("ERMF") sets out the Bank's governance model and overarching approach to identify, assess, mitigate, monitor and report on risk. The ERMF ensures that the Bank's risks and risk exposures are effectively identified, measured, assessed, managed, monitored and reported relative to the Bank's Board-approved Risk Appetite Framework ("RAF").

The Bank's management is committed to effectively managing the risks, with a focus on generating sustained value for the Bank's shareholders, clients, employees, and the communities the Bank serves. Risk management is a fundamental competency of the Bank, underpinned by a culture deeply attuned to risk and a comprehensive, proactive risk management framework. The Bank's approach to risk is dynamic, evolving in response to the rapid pace of change within the financial services landscape.

KM:1 Key Metrics (at consolidated group level)

	(in thousands of Canadian dollars)	Sept 30, 2026	Jun 30, 2026	Mar 31, 2026	Dec 31, 2025	Sept 30, 2025
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	**725,924**	694,148	662,917	651,023	637,882
2	Tier 1	**725,924**	694,148	662,917	651,023	637,882
3	Total capital	**772,471**	743,761	716,219	694,651	679,187
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	**4,958,791**	4,777,748	4,594,776	4,459,711	4,307,104
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	**14.6%**	14.5%	14.4%	14.6%	14.8%
6	Tier 1 ratio (%)	**14.6%**	14.5%	14.4%	14.6%	14.8%
7	Total capital ratio (%)	**15.6%**	15.6%	15.6%	15.6%	15.8%
	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 (%)	**7.6%**	7.5%	7.4%	7.6%	7.8%
	Basel III Leverage ratio					
13	Total Basel III Leverage ratio exposure measure	**11,719,232**	11,447,907	11,082,388	10,879,924	10,585,210
14	Basel III leverage ratio (row 2 / row 13)	**6.2%**	6.1%	6.0%	6.0%	6.0%

CC1: Composition of HomeEquity Bank Capital

	(in thousands of Canadian dollars)	Sept 30, 2026
	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	**229,018**
2	Retained earnings	**511,096**
6	**Common Equity Tier 1 capital before regulatory adjustments**	**740,114**
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	**(14,190)**
29	Common Equity Tier 1 capital (CET1)	**725,924**
	Additional Tier 1 capital: regulatory adjustments	
44	**Additional Tier 1 capital (AT1)**	**—**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**725,924**
	Tier 2 capital: instruments and provisions	
50	Eligible Stage 1 and Stage 2 allowance	**46,547**
51	**Tier 2 capital before regulatory adjustments**	**46,547**
	Tier 2 capital: regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	**—**
58	**Tier 2 capital (T2)**	**46,547**
59	**Total capital (TC = T1 +T2)**	**772,471**
60	**Total risk weighted assets**	**4,958,791**
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	**14.6%**
62	Tier 1 (as a percentage of risk weighted assets)	**14.6%**
63	Total capital (as a percentage of risk weighted assets)	**15.6%**
	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)	**Sept 30, 2026**	Dec 31, 2025
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	**11,602,985**	10,743,187
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)	**(3,659)**	(11,434)
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	**—**	—
4	(Asset amounts deducted in determining Tier 1 capital)	**(14,190)**	(5,298)
5	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)**	**11,585,136**	10,726,455
	Derivative exposures		
6	Replacement cost associated with all derivative transactions	**—**	13,943
7	Add-on amounts for PFE associated with all derivative transactions	**890**	13,386
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)**	**890**	27,329
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**333,015**	315,350
18	(Adjustments for conversion to credit equivalent amounts)	**(199,809)**	(189,210)
19	Off-balance sheet items (sum of lines 17 and 18)	**133,206**	126,140
	Capital and total exposures		
20	**Tier 1 Capital**	**725,924**	651,023
21	**Total Exposures (sum of lines 5, 11, 16 and 19)**	**11,719,232**	10,879,924
	Leverage ratio		
22	**Basel III leverage ratio**	**6.19%**	5.98%

CVAA: Credit Valuation Assessment General Qualitative Disclosure

Credit Valuation Adjustment (CVA) risk arises from potential losses due to changes in the credit risk of a counterparty in derivative transactions, which can impact the valuation of such positions. Effective management of CVA risk is essential to maintain financial stability, particularly in relation to over-the-counter (OTC) derivatives. To address CVA risk, the Bank follows the Basic Approach (BA) as prescribed by regulatory guidelines. The BA approach provides a standardized method for calculating CVA capital requirements, ensuring that the Bank maintains sufficient capital to offset potential losses associated with counterparty credit risk.

a) Processes for Identifying, Measuring, Monitoring, and Controlling CVA Risks

The Bank's CVA exposure is minimal, due to a lack of trading book and derivatives contracts limited to hedging of interest rate risk in the banking book. CVA risks are identified by assessing counterparty credit exposures in derivative transactions and potential valuation impacts of creditworthiness changes. Measurement is conducted using the Basic Approach (BA), ensuring a standardized calculation of CVA capital requirements.

Given the limited exposure, CVA risks are monitored periodically through simplified reporting at the netting set level and adherence to counterparty credit limits. Mitigation measures, such as collateral agreements, are applied as needed, with oversight tailored to reflect the minimal exposure while maintaining compliance and sound governance practices.

b) Capital Requirement for CVA Risk

The Bank calculates capital requirements for CVA risk using the Basic Approach (BA), ensuring a standardized and regulatory-compliant method for estimating capital needs. As part of its prudent approach, the Bank transacts with only large investment-grade financial institutions, minimizing exposure to credit valuation risks. Use of the BA approach ensures sufficient capital is allocated proportionate to the minimal CVA exposure, aligning with sound risk management practices and regulatory expectations.

CVA1: The reduced basic approach for CVA (BA-CVA)

		a	b
		Components	Capital Requirements under BA-CVA
1	**Aggregation of systematic components of CVA risk** [1]	$ 24,886	$ 16,176
2	**Aggregation of idiosyncratic components of CVA risk** [2]	$ 26,787	$ 17,411
3	**Total** [3]	$ 51,673	$ 33,587

1. Aggregation of systematic components of CVA risk: Capital requirements under perfect correlation assumption (∑cSCVAc) as per [CAR 2024, Chapter 8, paragraph 14].
2. Aggregation of idiosyncratic components of CVA risk: Capital requirements under zero correlation assumption (sqrt(∑cSCVAc2)) as per [CAR 2024, Chapter 8, paragraph 14].
3. Total: DS-BA-CVA x Kreduced as per [CAR 2024, Chapter 8, paragraph 14].

CVA2: The full basic approach for CVA (BA-CVA)

		a
		Capital requirements under BA-CVA
1	**K Reduced** [1]	$ 33,587
2	**K Hedged** [2]	—
3	**Total** [3]	$ 33,587

1. K Reduced: DS-BA-CVA x Kreduced as per [CAR 2024, Chapter 8, paragraph 14].
2. K Hedged: DS-BA-CVA x Khedged as per [CAR 2024, Chapter 8, paragraph 21].
3. Total: DS-BA-CVA x Kfull as per [CAR 2024, Chapter 8, paragraph 20].

B-20 Disclosures

Uninsured Residential Mortgages and HELOC principal outstanding - 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, 2026**				December 31, 2025			
	Uninsured Residential[1] Mortgages		**HELOC** [2]		Uninsured Residential[1] Mortgages		HELOC [2]	
(in thousands of $, except %)	**Amount**	**Percentage**	**Amount**	**Percentage**	Amount	Percentage	Amount	Percentage
Ontario	**7,746**	**92.8%**	**6,196,462**	**55.3%**	7,468	91.5%	5,673,634	55.0%
British Columbia	**160**	**1.9 %**	**3,677,048**	**32.8%**	173	2.1%	3,419,175	33.2%
Alberta	**183**	**2.2%**	**553,900**	**5.0%**	215	2.6%	521,934	5.0%
Quebec	**87**	**1.0%**	**442,259**	**4.0%**	99	1.2%	400,962	3.9%
Other Canadian provinces	**167**	**2.0%**	**328,604**	**2.9%**	211	2.6%	297,245	2.9%
	8,343	**100.0%**	**11,198,273**	**100.0%**	8,166	100.0%	10,312,950	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).
2. For the purpose of this guideline, all reverse mortgages are considered to be HELOC

Uninsured Residential Mortgages and HELOCs 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, 2026
	Uninsured Residential mortgages[1]					HELOC[2]	Total
(in thousands of $, except %)	≤ 20 Years	>20 and ≤ 25 Years	>25 and ≤ 30 Years	>30 and ≤ 35 Years	> 35 Years	No Amortization Period	
Balance outstanding	**8,343**	**—**	**—**	**—**	**—**	**11,198,273**	**11,206,616**
Percentage of Total	**0.1%**	**—**	**—**	**—**	**—**	**99.9%**	**100.0%**

As at							December 31, 2025
	Uninsured Residential mortgages[1]					HELOC[2]	Total
(in thousands of $, except %)	≤ 20 Years	>20 and ≤ 25 Years	>25 and ≤ 30 Years	>30 and ≤ 35 Years	> 35 Years	No Amortization Period	
Balance outstanding	8,166	—	—	—	—	10,312,950	10,321,116
Percentage of Total	0.1%	—	—	—	—	99.9%	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).
2. For the purpose of this guideline, all reverse mortgages are considered to be HELOC

Weighted-Average LTV for Uninsured Residential Mortgages and HELOCs Originated

For the three months ended	September 30, 2026		September 30, 2025	
	Uninsured Residential Mortgages [1]	**HELOC [2]**	Uninsured Residential Mortgages [1]	HELOC [2]
Ontario	**—**	**35.7%**	19.4 %	32.9%
British Columbia	**—**	**34.8%**	—	31.7%
Alberta	**—**	**31.5%**	—	35.6%
Quebec	**—**	**33.5%**	—	30.2%
Other Canadian provinces	**—**	**30.3%**	—	26.8%
	—	**34.8%**	19.4 %	32.4%

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).
2. For the purpose of this guideline, all reverse mortgages are considered to be HELOC

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.