



BASEL III PILLAR 3 DISCLOSURES

June 30, 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 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. The 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 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/ 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>		Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	535,243	523,470	508,241	474,108	466,329
2	Tier 1	535,243	523,470	508,241	474,108	466,329
3	Total capital	571,964	558,944	543,133	507,799	489,971
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	3,363,972	3,234,438	3,112,160	2,942,251	2,817,325
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	15.9%	16.2%	16.3%	16.1%	16.6%
6	Tier 1 ratio (%)	15.9%	16.2%	16.3%	16.1%	16.6%
7	Total capital ratio (%)	17.0%	17.3%	17.5%	17.3%	17.4%
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 (%)	8.9%	9.2%	9.3%	9.1%	9.6%
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	8,362,503	8,087,773	7,852,523	7,450,275	7,129,294
14	Basel III leverage ratio (row 2 / row 13)	6.40%	6.47%	6.47%	6.36%	6.54%

CC1: Composition of capital for SMSBs

<i>(in thousands of Canadian dollars)</i>		Jun 30, 2024
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	201,763
2	Retained earnings	336,243
6	Common Equity Tier 1 capital before regulatory adjustments	538,006
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	(2,763)
29	Common Equity Tier 1 capital (CET1)	535,243
Additional Tier 1 capital: regulatory adjustments		
44	Additional Tier 1 capital (AT1)	0
45	Tier 1 capital (T1 = CET1 + AT1)	535,243
Tier 2 capital: instruments and provisions		
50	Eligible Stage 1 and Stage 2 allowance	36,721
51	Tier 2 capital before regulatory adjustments	36,721
Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	0
58	Tier 2 capital (T2)	36,721
59	Total capital (TC = T1 + T2)	571,964
60	Total risk weighted assets	3,363,972
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.9%
62	Tier 1 (as a percentage of risk weighted assets)	15.9%
63	Total capital (as a percentage of risk weighted assets)	17.0%
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>		Jun 30, 2024	Mar 31, 2024
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	8,251,994	7,975,388
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)	(2,763)	(2,484)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	8,249,231	7,972,904
Derivative exposures			
6	Replacement cost associated with all derivative transactions		
7	Add-on amounts for PFE associated with all derivative transactions	602	456
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)	602	456
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	281,675	286,033
18	(Adjustments for conversion to credit equivalent amounts)	(169,005)	(171,620)
19	Off-balance sheet items (sum of lines 17 and 18)	112,670	114,413
Capital and total exposures			
20	Tier 1 Capital	535,243	523,470
21	Total Exposures (sum of lines 5, 11, 16 and 19)	8,362,503	8,087,773
Leverage ratio			
22	Basel III leverage ratio	6.40%	6.47%