Management Information Circular

Notice of 2017 Special Meeting of Shareholders

September 12, 2017 ♦ 10 a.m.

Metro Toronto Convention Centre, 222 Bremner Boulevard, Room 715 (South Building),
Toronto, Ontario

The Board of Directors unanimously recommends that Shareholders vote

FOR
the Berkshire Second Tranche
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On behalf of the Board of Directors and management of Home Capital Group Inc. (the “Corporation” and, together with its subsidiaries, “Home Capital”), I am pleased to invite you to attend a special meeting of shareholders that will be held at the Metro Toronto Convention Centre, 222 Bremner Boulevard, Room 715 (South Building) in Toronto, Ontario, on Tuesday, September 12, 2017 at 10 a.m. (Toronto time).

The purpose of the special meeting is for shareholders to consider an additional equity investment in the Corporation by a wholly-owned subsidiary of Berkshire Hathaway Inc. (“Berkshire”).

As previously announced, on June 29, 2017, Berkshire made an initial investment of C$153,225,739 and acquired an approximate 19.99% equity interest in the Corporation. At the same time, Berkshire provided a replacement emergency C$2 billion line of credit facility, on better financial terms than the facility in place at the time.

As part of this overall transaction, Berkshire also committed to making an additional investment in the Corporation of C$246,774,261 to acquire 23,955,420 common shares of the Corporation at a price of approximately C$10.30 per share (which we refer to as the “Berkshire Second Tranche”).

If the Berkshire Second Tranche is completed, Berkshire will indirectly hold an approximate 38.39% equity interest in the Corporation.

At our last annual meeting of shareholders, I provided you with some background on the transaction with Berkshire and the Board’s assessment of the transaction. As Warren Buffett deftly observed, “Financial institutions trade on confidence, and we believed Berkshire could bring something in terms of confidence, to improve an already secure situation.” The Board agrees. We were grateful to have found a strong sponsor in Berkshire, a world renowned value investor whose commitment to the Corporation is a critical step in restoring belief in our core underlying business, particularly by depositors.

The transaction, including the Berkshire Second Tranche, is the result of a comprehensive review of strategic alternatives overseen by the Board of Directors, with the advice of its legal and financial advisors, starting in April 2017.

The Board, after consultation with its legal and financial advisors, unanimously determined that the transaction with Berkshire (including the Berkshire Second Tranche) is in the best interests of the Corporation. The Board unanimously recommends that Shareholders vote FOR the Berkshire Second Tranche.

The recommendation of the Board is based on various factors described more fully in the accompanying Circular.

The enclosed documents also describe the Berkshire Second Tranche and related matters in more detail and set forth the actions to be taken by you at the special meeting.

The Berkshire Second Tranche is subject to approval by not less than a majority of the votes cast by shareholders (excluding Berkshire), Canadian Competition Act clearance, which has been obtained, and other customary closing conditions described in the accompanying circular.

Your participation in the special meeting of the Corporation is important to us. We encourage all shareholders to take the opportunity to read the accompanying circular in advance of the special meeting as it details information that will assist you in exercising your right to vote as a shareholder.
You can exercise your right to vote on the business before the meeting by either attending in person or by completing and submitting your proxy. Instructions on how to vote your proxy are included in the accompanying circular.

If you have questions or need assistance with the completion and delivery of your proxy, you may contact the Corporation’s strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, by telephone at 1-866-581-0510 (toll free in North America) or 1-416-867-2272 (collect outside North America) or by email at contactus@kingsdaleadvisors.com.

We look forward to seeing you at the meeting.

Brenda J. Eprile
Chair of the Board
Your Vote Counts!

Registered Shareholders

If your common shares of the Corporation (the “Common Shares”) are registered in your own name, you are a registered shareholder of the Corporation (a “Shareholder”). You will have received a form of proxy from the Corporation’s transfer agent, Computershare Investor Services Inc. Complete and sign your form of proxy and mail your form of proxy in the postage-paid envelope provided. To vote in person at the special meeting of Shareholders, see page vii of the management information circular (the “Circular”).

Non-Registered Shareholders

If your Common Shares are held in the name of a nominee (securities broker, trustee or other financial institution), you are a non-registered Shareholder. You will have received a request for voting instructions from your broker or other nominee. Follow the instructions on your voting instruction form to vote by telephone, Internet or complete and sign the voting instruction form and mail in the postage-paid envelope provided. To vote in person at the special meeting of Shareholders (the “Special Meeting”), see page ix of the Circular.
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Special Meeting of Shareholders (the “Special Meeting”) of HOME CAPITAL GROUP INC. (the “Corporation” and, together with its subsidiaries, “Home Capital”) will be held at the Metro Toronto Convention Centre, 222 Bremner Boulevard, Room 715 (South Building) in Toronto, Ontario, on September 12, 2017, at 10 a.m. (Toronto time) for the following purposes:

I. to consider and, if thought advisable, approve an ordinary resolution, the full text of which is set forth in Schedule A to the accompanying Circular, authorizing the Corporation to issue, on a private placement basis, 23,955,420 Common Shares to Columbia Insurance Company, a wholly-owned subsidiary of Berkshire Hathaway Inc., at a price of approximately C$10.30 per Common Share; and

II. to consider any other business which may properly come before the Special Meeting of Shareholders.

A form of proxy and a management information circular accompany this notice.

Shareholders who are unable to be present in person at the Special Meeting are requested to complete and sign the enclosed form of proxy and return it in the envelope provided or mail the proxy form to Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, North Tower, Toronto, Ontario, Canada, M5J 2Y1 or send the proxy form by facsimile to 1-866-249-7775 within Canada and the United States or 416-263-9524 from all other countries. Proxy forms must be received not later than 10 a.m. (Toronto time) on September 8, 2017. The chair of the Special Meeting has the discretion to accept or reject any late proxies, and can waive or extend the deadline for receiving proxy voting instructions without notice. If you have any questions relating to the meeting, please contact Kingsdale Advisors by telephone at 1-866-581-0510 toll free in North America or 416-867-2272 outside of North America or by email at contactus@kingsdaleadvisors.com. For additional inquiries, you may contact Home Capital’s Investor Relations group at (416) 933-5652 or laura.lepore@hometrust.ca.

DATED at Toronto, Ontario, this 10th day of August, 2017.

By order of the Board of Directors

[Signature]

Christer V. Ahlvik
Executive Vice President,
Corporate Counsel & Corporate Secretary
IMPORTANT VOTING INFORMATION

What am I voting on?

Shareholders are voting on the issuance of 23,955,420 Common Shares to Columbia Insurance Company, a wholly-owned subsidiary of Berkshire Hathaway Inc. (“Berkshire”), at a price of approximately C$10.30 per Common Share (or C$246,774,261 in the aggregate) (referred to as the “Berkshire Second Tranche”). (See “Business of the Meeting – Description of The Berkshire Second Tranche”).

Who is entitled to vote?

Shareholders as at the close of business on August 8, 2017 are entitled to vote. As of August 8, 2017, there were outstanding 80,246,349 Common Shares of the Corporation (64,201,769 Common Shares of the Corporation outstanding excluding the 16,044,580 Common Shares beneficially held by Berkshire, which will be excluded from the vote on the Berkshire Second Tranche). Each Common Share is entitled to one vote on those items of business identified in the Notice of Special Meeting of Shareholders of the Corporation.

What level of Shareholder support is required to approve the Berkshire Second Tranche?

The Berkshire Second Tranche must be approved by a majority of votes cast at the Special Meeting, excluding the Common Shares beneficially held by Berkshire, or over which it exercises control or direction (See “Business of the Meeting – Shareholder Resolution”).

Are there any significant Shareholders?

According to the report of Turtle Creek Asset Management Inc., filed on SEDAR at www.sedar.com on August 10, 2017, as of July 31, 2017, Turtle Creek Asset Management Inc. owned 17.76% of all outstanding Common Shares (14,249,487 Common Shares).

As at August 10, 2017, Berkshire beneficially owned 19.99% of the outstanding Common Shares of the Corporation (16,044,580 Common Shares). However, as noted above, the Common Shares held by Berkshire will be excluded from the vote at the Special Meeting.

Why should I vote in favour of the Berkshire Second Tranche?

The Berkshire Second Tranche is part of a larger transaction that includes Berkshire’s initial 19.99% equity investment in the Corporation and the provision by Berkshire of a C$2 billion line of credit to Home Trust Company (“Home Trust”) which lowered its interest and standby fee costs (collectively, the “Transaction”). Although Berkshire currently holds a 19.99% equity stake in the Corporation, the Berkshire Second Tranche would result in it holding a significantly larger equity stake of approximately 38.39%. The board of directors of the Corporation (the “Board”) believes that this level of ownership will lead to an even stronger commitment from Berkshire to the long-term success of the Corporation and greater alignment generally between Berkshire and the Corporation.

In making its recommendation that Shareholders vote for the Berkshire Second Tranche, the Board carefully considered a number of factors described in this Circular, including receipt of fairness opinions of its financial advisors, Blair Franklin Capital Partners Inc. (“Blair Franklin”), BMO Nesbitt Burns Inc. (“BMO Capital Markets”) and RBC Dominion Securities Inc. (“RBC”), in respect of the terms of the overall Transaction. The fairness opinions do not opine on the Berkshire Second Tranche on a standalone basis. Based upon and subject to the assumptions, qualifications and limitations set out in each of the fairness opinions, each of Blair Franklin, BMO Capital Markets and RBC is of the opinion that, as of June 18, 2017, the terms of the Transaction are fair, from a financial point of view, to the Corporation.

**What happens if the Berkshire Second Tranche is not approved?**

There are no consequences under the investment agreement with Berkshire or the Berkshire Credit Facility (as defined below under “Business of the Meeting – Background to the Transaction”) if the Berkshire Second Tranche is not approved by the Shareholders, provided that the Board does not change its recommendation that Shareholders vote for the Berkshire Second Tranche. However, if the Berkshire Second Tranche is not completed, the market price of the Common Shares may be impacted to the extent that the market price reflects a market assumption that the Berkshire Second Tranche will be completed. If the Berkshire Second Tranche is not completed and the Board decides to seek another transaction, there can be no assurance that it will be able to find an equivalent or more attractive alternative.

See “Risk Factors – Risk Factors Relating to the Berkshire Second Tranche”.

**How do I vote?**

If you are a registered Shareholder, you may vote in person at the Special Meeting or you may sign the enclosed form of proxy appointing the persons named in the proxy or some other person you choose, who need not be a Shareholder, to represent you as proxyholder and vote your Common Shares at the Special Meeting. If your Common Shares are held in the name of a nominee, please see page ix for voting instructions.

**What if I plan to attend the Special Meeting and vote in person?**

If you are a registered Shareholder and plan to attend the Special Meeting on September 12, 2017 and wish to vote your Common Shares in person at the Special Meeting, do not complete or return the form of proxy. Your vote will be taken and counted at the Special Meeting. Please register with the transfer agent, Computershare Investor Services Inc., upon your arrival at the Special Meeting.

If your Common Shares are held in the name of a nominee, please see page ix for voting instructions.

**Who is soliciting my proxy?**

The enclosed form of proxy is being solicited by the management of the Corporation (“Management”) and the associated costs will be borne by the Corporation. The solicitation will be made primarily by mail. Proxies may also be solicited personally or by telephone by employees, officers and directors of the Corporation. The Corporation has retained Kingsdale Advisors (the “Proxy Solicitation Agent”), as its strategic shareholder advisor and proxy solicitation agent to assist it in connection with the Corporation’s communications with Shareholders. Questions may be directed to Kingsdale Advisors by telephone at 1-866-581-0510 (toll free in North America) or 1-416-867-2272 (collect outside North America) or by email at contactus@kingsdaleadvisors.com. The engagement agreement with the Proxy Solicitation Agent contains customary terms and conditions which provide that the Proxy Solicitation Agent will be paid a fee of C$65,000 plus out-of-pocket expenses.

**What if I sign the form of proxy enclosed with this Circular?**

Signing the enclosed form of proxy gives authority to Brenda J. Eprile or Yousry Bissada, each of whom is a director of the Corporation, or to another person you have appointed, to vote your Common Shares at the Special Meeting.
Can I appoint someone other than these directors to vote my Common Shares?

Yes, you have the right to appoint as proxyholder a person or company other than the Corporation representatives named on the form of proxy. Write the name of this person, who need not be a Shareholder, in the blank space provided in the form of proxy.

It is important to ensure that any other person you appoint is attending the Special Meeting and is aware that he or she has been appointed to vote your Common Shares. Proxyholders should, upon arrival at the Special Meeting, present themselves to a representative of Computershare Investor Services Inc.

What do I do with my completed proxy?

Return your completed proxy to the Corporation’s transfer agent, Computershare Investor Services Inc., in the envelope provided or by fax to 1-866-249-7775 within Canada and the United States or 416-263-9524 from all other countries, so that it arrives no later than 10 a.m. (Toronto time) on September 8, 2017. This will ensure that your vote is recorded. The chair of the Special Meeting has the discretion to accept or reject any late proxies, and can waive or extend the deadline for receiving proxy voting instructions without notice.

How will my Common Shares be voted if I give my proxy?

The persons named on the form of proxy must vote your Common Shares in accordance with your directions, or you can let your proxyholder decide for you. In the absence of directions from you, proxies received by Management will be voted FOR the Berkshire Second Tranche.

If I change my mind, can I take back my proxy once I have given it?

Yes. If you change your mind and wish to revoke your proxy, prepare a written statement to this effect. The statement must be signed by you or your attorney as authorized in writing, or if the Shareholder is a corporation, under its corporate seal or by an officer or attorney of the corporation duly authorized. This statement must be delivered to the Corporate Secretary of the Corporation at the following address no later than 10 a.m. (Toronto time) on September 8, 2017 or to the chair of the Special Meeting on the day of the Special Meeting, September 12, 2017, or at any adjournment of the Special Meeting:

Home Capital Group Inc. Corporate Secretary 145 King Street West, Suite 2300 Toronto, Ontario M5H 1J8 Fax: 416-363-7611

What if amendments are made to these matters or if other matters are brought before the Special Meeting?

The persons named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Special Meeting of Shareholders of the Corporation and with respect to other matters which may properly come before this Special Meeting.

As at the time of printing this Circular, Management knows of no such amendment, variation or other matter expected to come before the Special Meeting. If any other matters properly come before the Special Meeting, the persons named in the form of proxy will vote on them in accordance with their best judgment.

Who counts the votes?

The Corporation’s transfer agent, Computershare Investor Services Inc., counts and tabulates the proxies. This is done independently of the Corporation to preserve the confidentiality of individual Shareholder votes. Proxies are referred to the Corporation only in cases where a Shareholder clearly intends to communicate with management or when it is necessary to do so to meet the requirements of applicable law.
If I need to contact the transfer agent, how do I do so?

For general Shareholder inquiries, you can contact the transfer agent by mail at:

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
North Tower
Toronto, Ontario
M5J 2Y1

or by telephone:
within Canada and the United States
at 1-800-564-6253
and from all other countries
at 514-982-7555

or by fax:
within Canada and the United States
at 1-866-249-7775
and from all other countries
at 416-263-9524

or by email at service@computershare.com.

If my Common Shares are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my Common Shares?

There are two ways you can vote your Common Shares held by your nominee. As required by Canadian securities legislation, you will have received from your nominee either a request for voting instructions or a form of proxy for the number of Common Shares you hold.

For your Common Shares to be voted for you, please follow the voting instructions provided by your nominee.

Since the Corporation does not have unrestricted access to the names of its non-registered Shareholders, if you attend the Special Meeting, the Corporation may have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as proxyholder. Therefore, if you wish to vote in person at the Special Meeting, insert your own name in the space provided on the request for voting instructions or form of proxy and return same by following the instructions provided. Please register with the transfer agent, Computershare Investor Services Inc., upon your arrival at the Special Meeting.

Voting Results

Following the Special Meeting, a report on the voting results will be available on our website at www.homecapital.com and will be filed with the securities regulator at www.sedar.com.

Date of Information

Unless otherwise indicated, all information provided in the Circular is as at August 10, 2017.
CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time the Corporation makes written and verbal forward-looking statements. These are included in the Circular, periodic reports to Shareholders, regulatory filings, press releases, presentations of the Corporation and other communications of the Corporation. Forward-looking statements are made in connection with the expected timing and anticipated benefits of the Transaction (including the Berkshire Second Tranche), business objectives and targets, strategies of the Corporation, operations, anticipated financial results and the outlook of the Corporation, its industry, and the Canadian economy and other statements that are not historical facts. These statements regarding expected future performance are “financial outlooks” within the meaning of National Instrument 51-102. Please see “Risk Factors”, as well as the Corporation’s other publicly filed information, which is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com, for the material factors that could cause the Corporation’s actual results to differ materially from these statements. Forward-looking statements are typically identified by words such as “will,” “believe,” “expect,” “anticipate,” “intend,” “should,” “estimate,” “plan,” “forecast,” “may,” and “could” or other similar expressions.

By their very nature, these statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, global capital market activity, changes in government monetary and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change. The preceding list is not exhaustive of possible factors.

These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Corporation presents forward-looking statements to assist Shareholders in understanding the Corporation’s assumptions and expectations about the future that are relevant in management’s setting of performance goals, strategic priorities and outlook. The Corporation presents its outlook to assist Shareholders in understanding management’s expectations on how the future will impact the financial performance of the Corporation. These forward-looking statements may not be appropriate for other purposes. The Corporation does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf, except as required by securities laws.

BUSINESS OF THE MEETING

Description of the Berkshire Second Tranche

On June 21, 2017, the Corporation announced that Berkshire agreed to indirectly acquire C$400 million of Common Shares on a private placement basis, in two tranches.

The first tranche of the Berkshire equity investment (the “Berkshire First Tranche”) was completed on June 29, 2017. Each Common Share in the Berkshire First Tranche was issued at a price of C$9.55 per Common Share, which represented a 15% discount to the 5-day volume-weighted average price (the “VWAP”) of the Common Shares on the TSX ending as of the close of trading on June 13, 2017 (the date upon which Berkshire made its final proposal to the Corporation) and a 20% discount to the 20-day VWAP at the close of trading on June 21, 2017 (the date of the announcement of the Berkshire First Tranche). The Berkshire First Tranche was exempt from Shareholder approval under the rules of the Toronto Stock Exchange (the “TSX”) on the basis of financial hardship.

The Berkshire Second Tranche is subject to Shareholder approval. If the Berkshire Second Tranche is completed, Berkshire will have acquired an aggregate of 40 million Common Shares and will hold an approximate 38.39% equity interest in the Corporation on a post-issuance basis (62% on a pre-issuance
basis). Each Common Share in the Berkshire Second Tranche will be issued at a price of approximately C$10.30 per Common Share, which represented an 8% discount to the 5-day VWAP of the Common Shares on the TSX ending as of the close of trading on June 13, 2017 (the date on which Berkshire made its final proposal to the Corporation) and a 23.79% (or $3.22) discount to the 5-day VWAP at the close of trading on August 9, 2017 (the last trading day prior to the date of this Circular).

The Berkshire Second Tranche is subject to approval by not less than a majority of the votes cast by the Shareholders at the Special Meeting (excluding the Common Shares beneficially held by Berkshire, or over which it exercises control or direction). The Berkshire Second Tranche is also subject to Canadian Competition Act clearance, which has been obtained, and other customary closing conditions. See “Investment Agreement” below. The Berkshire Second Tranche is not subject to any financing or diligence condition. If approved by the Shareholders at the Special Meeting, it is anticipated that the Berkshire Second Tranche will close on or about September 15, 2017.

Shareholder Resolution

In order for the Berkshire Second Tranche to proceed, under the rules of the TSX Company Manual it must be approved by holders of a majority of the votes cast by the Shareholders at the Special Meeting, excluding the Common Shares beneficially held by Berkshire, or over which it exercises control or direction. See “TSX Requirement for Shareholder Approval”.

At the Special Meeting, Shareholders will be asked to consider and, if thought advisable, approve an ordinary resolution approving the Berkshire Second Tranche (the “Shareholder Resolution”), the full text of which is set forth in Schedule A.

An ordinary resolution means a resolution passed by a majority of the votes cast by the Shareholders who voted in respect of that resolution, either in person or by proxy at the Special Meeting. As explained above, the 16,044,580 votes beneficially held by Berkshire (representing 19.99% of the current issued and outstanding Common Shares) will be excluded from the vote on the Shareholder Resolution.

The enclosed form of proxy or voting instruction form permits Shareholders to vote FOR or AGAINST the Shareholder Resolution. If you do not specify how you want your Common Shares voted, the persons named as proxyholders in the enclosed form of proxy or voting instruction form intend to cast the votes represented by proxy at the Special Meeting FOR the ordinary resolution approving the Berkshire Second Tranche.

Recommendation of the Board

The Board, after consultation with its legal and financial advisors, unanimously determined that the Transaction (including the Berkshire Second Tranche) is in the best interests of the Corporation. The Board unanimously recommends that Shareholders vote FOR the Berkshire Second Tranche.

Reasons for the Recommendation of the Board

In making its recommendation that Shareholders vote for the Berkshire Second Tranche, the Board carefully considered a number of factors, including those listed below. The Board based its recommendation upon the totality of the information presented to and considered by it in light of its knowledge of the business, financial condition and prospects of the Corporation, after having undertaken a thorough review of, and having carefully considered the terms of the Transaction, and after consulting with financial and legal advisors, including receiving the fairness opinions of Blair Franklin, BMO Capital Markets and RBC in respect of the terms of the Transaction (collectively, the “Fairness Opinions”).

The following summary of the information and factors considered by the Board is not intended to be exhaustive, but includes a summary of the material information and factors considered in the consideration of the Transaction (including the Berkshire Second Tranche). In view of the variety of factors and the amount
of information considered in connection with the consideration of the Transaction, the Board did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its conclusions and recommendations. The Transaction was approved by the Board and the Board was unanimous in its recommendation to the Shareholders to vote FOR the Berkshire Second Tranche.

- **Berkshire Second Tranche Part of Larger Transaction to Restore Confidence and Stability.** The Berkshire Second Tranche is part of a larger Transaction with Berkshire that includes both the initial 19.99% equity investment and replacement of the May 2017 Credit Facility with the Berkshire Credit Facility (each as defined below under “Background to the Transaction”). The Corporation suffered an extraordinary and well-publicized loss of stakeholder confidence in late April 2017, which led to a liquidity crisis that seriously threatened the Corporation’s ability to continue to operate, and which resulted in ongoing instability. The Transaction, including the Berkshire Second Tranche, is the result of a comprehensive review of financing and strategic options overseen by the Board, with the advice of its legal and financial advisors that began in April 2017. Through this process, the Board considered a wide range of alternatives, including potential equity and debt investments, sale transactions and replacement credit arrangements. While the Corporation received non-binding proposals of a wide-ranging nature, none of the equity investments proposed in the Corporation’s strategic process other than the Transaction involved a common share investment. The other equity proposals were for an instrument that provided equity upside but with substantial downside protection and a significant fixed return, and included governance rights. Given this was a crisis of confidence, the Board believed that the ability to complete a transaction with certainty and expeditiously was critical to restoring confidence and stabilizing the business. Each of the liquidity funding and strategic partnership proposals that the Corporation received other than the Transaction was preliminary in nature, and subject to extensive business, legal and regulatory due diligence and other conditions. The Board was required to judge which sponsor would achieve the greatest acceptance by depositors and capital market participants. It continues to believe that Berkshire provides the greatest possible reputation, credibility and strength. The Board unanimously determined that the Transaction (including the Berkshire Second Tranche) is, by a considerable margin, the best alternative for restoring confidence and stabilizing the business and will better align Berkshire’s interest with those of other Shareholders. In making its recommendation, the Board considered the benefits of the Transaction as a whole.

- **Strong Sponsorship to Withstand Regulatory, Policy and Economic Changes.** As the Corporation stated when it announced the Transaction, there has been significant public discussion regarding possible steps that regulators and other government agencies may take to cool the housing and mortgage market. In particular, since the date the Transaction was announced, the Office of the Superintendent of Financial Institutions (“OSFI”) has issued a draft guideline tightening its expectations for residential mortgage underwriting and the acquisition of residential mortgage loan assets. Based on the Corporation’s preliminary analysis and interpretation, the revisions to these guidelines, if implemented as proposed, would reduce, possibly materially, the size of the uninsured mortgage market available to the Corporation and its federally regulated competitors. See “Recent Developments” below for further discussion on the draft guideline. There is also the potential of future economic downturns in the housing market. The Board believes that a strong corporate sponsor with a significant economic stake in the Corporation will help it withstand any adverse impact of regulatory and policy changes and potential future economic downturns. Further, the additional capital from the Berkshire Second Tranche strengthens the Corporation’s financial position at a time of uncertainty.

- **Establishes Berkshire as a Cornerstone Investor.** Although Berkshire currently holds a 19.99% equity stake in the Corporation, the Berkshire Second Tranche would result in Berkshire holding a significantly larger equity stake of approximately 38.39%. The Board believes that the significant additional equity investment represented by the Berkshire Second Tranche will help further restore confidence in the Corporation, particularly with its depositors, and will further stabilize the Corporation’s business. The Board believes that this level of ownership will lead to a stronger...
commitment from Berkshire to the long-term success of the Corporation and greater alignment generally between Berkshire and the Corporation.

- **Shareholder Approval.** The Berkshire Second Tranche must be approved by not less than a majority of the votes cast at the Special Meeting by Shareholders, excluding the Common Shares beneficially held by Berkshire or over which it exercises control or direction. See “Business of the Meeting – Shareholder Resolution.”

- **Fairness Opinions.** The Corporation received Fairness Opinions in respect of the terms of the overall Transaction from a financial point of view from each of its financial advisors as described in greater detail below under “Fairness Opinions”.

- **Certainty of Closing.** The Berkshire First Tranche and the Berkshire Credit Facility have already been completed. The obligation of Berkshire’s subsidiary to complete the Berkshire Second Tranche is subject to a limited number of closing conditions and is not subject to a due diligence or any financing condition. In particular, it is a condition to closing the Berkshire Second Tranche that Berkshire provide an undertaking not to vote Common Shares representing more than 25% of the outstanding Common Shares without first obtaining the required approvals, and Berkshire has advised the Corporation that it will provide that undertaking at closing. As a result, approvals under the Investment Canada Act, the Bank Act (Canada) and the Trust and Loan Companies Act (Canada) will not be required in order to complete the Berkshire Second Tranche. See “Investment Agreement – Regulatory Undertaking” below.

- **Prevents Increased Interest Rate or Fees under Berkshire Credit Facility.** The interest rate and standby fees under the Berkshire Credit Facility increase if the Board changes its recommendation in respect of the Berkshire Second Tranche and the Berkshire Second Tranche is not approved by Shareholders (see “Investment Agreement – Replacement of May 2017 Credit Facility” below).

- **Best Available Alternative.** If the Berkshire Second Tranche is not completed and the Board decides to seek another transaction, there is no assurance that the Corporation will be able to find a party willing to propose an alternative transaction that the Board determines is superior to the Berkshire Second Tranche.

In the course of its deliberations, the Board also identified and considered a variety of risks (as described in greater detail under “Risk Factors”) and potentially negative factors relating to the Berkshire Second Tranche, including the following:

- The Common Shares to be issued in the Berkshire Second Tranche are to be issued at a price of approximately C$10.30 per share, a discount to the current market price of the Common Shares resulting in dilution to Shareholders.

- Berkshire is not contractually committed to maintaining its equity stake in the Corporation at current levels or at all. If Berkshire sells some or all of its Common Shares, including the Common Shares to be issued in the Berkshire Second Tranche, the Corporation may not realize the benefits of Berkshire’s sponsorship.

- The Berkshire Second Tranche will result in Berkshire holding a significant voting interest, giving it significant influence over the Corporation.

The Board’s reasons for approving the Transaction and recommending the Berkshire Second Tranche include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See “Caution Regarding Forward-looking Statements” and “Risk Factors”.
Background to the Transaction

In late April 2017, Home Capital began to experience an extraordinary run on deposits as a result of a sudden loss of stakeholder confidence. This resulted in an immediate liquidity crisis. The liquidity crisis contributed to downgrades in the Corporation’s credit ratings, and market analysts generally presented a negative outlook for the Corporation. The Corporation reported in its Management Discussion & Analysis for the three month period ending March 31, 2017, that material uncertainty existed that might cast significant doubt on its ability to operate as a going concern.

On April 25, 2017, the Corporation engaged BMO Capital Markets and RBC to advise on a review of financing and strategic options. On April 27, 2017, the Corporation obtained a binding commitment from a major Canadian institutional investor to provide a C$2 billion line of credit to its subsidiary, Home Trust, and on May 1, 2017 the parties entered into this facility (the “May 2017 Credit Facility”).

Under the terms of the May 2017 Credit Facility, Home Trust paid a non-refundable commitment fee of C$100 million, the interest on outstanding balances was 10% per year and there was a 2.5% per year standby fee on undrawn amounts. At the time, the May 2017 Credit Facility was the only funding alternative reasonably available to Home Capital to meet its immediate liquidity requirements. Home Trust made an initial draw of C$1 billion on the May 2017 Credit Facility on May 1, 2017, and drew a further C$400 million and C$250 million on May 8, 2017 and May 23, 2017, respectively. The expense of the May 2017 Credit Facility had a material impact on the Corporation’s earnings, leaving it unable to meet previously announced financial targets.

The Corporation then proceeded with a broader strategic process to regain the confidence of depositors and Shareholders and create value for all of its stakeholders. The Board also immediately began to renew its membership, ultimately replacing five directors during the period from May 5, 2017 to May 18, 2017. On May 9, 2017, Home Trust entered into a non-binding arrangement with a Canadian mortgage financing corporation to purchase funded mortgages and/or to accept mortgage commitments and renewals based on eligibility criteria. The Corporation does not intend to further access that arrangement.

As part of its broader strategic process, during May and June 2017 the Corporation and its financial and legal advisors liaised with approximately 88 different parties, and considered a wide range of liquidity support and strategic partnership alternatives, including proposals for the sale or financing of non-core and mortgage assets, proposals for replacement credit arrangements to provide for sustainable economic liquidity funding of Home Capital, and proposals to endorse the long-term financial strength of Home Capital by providing equity capital support to the Corporation.

The Corporation received and pursued a number of proposals for the sale or financing of non-core and mortgage assets to provide liquidity and pay down indebtedness under the May 2017 Credit Facility, which culminated in an agreement with KingSett Capital to sell commercial mortgage assets valued at approximately C$1.2 billion, announced on June 20, 2017, and the early payment of a retail consumer loan portfolio in the amount of approximately C$82 million, announced on July 6, 2017. The Corporation also sold approximately C$249 million of residential mortgages to a third party on June 30, 2017.

In response to its request for proposals for liquidity support and strategic partnership alternatives, on June 2, 2017, the Corporation received proposals for stand-alone lending and secured financing facilities led by both Canadian and non-Canadian financial institutions. The Corporation also received proposals for investments in convertible preferred shares and debt by a global asset manager and two private equity firms and an unsolicited proposal for 100% of the Common Shares by a private equity firm.

The Board met on June 2 and June 5, 2017 to discuss the status of the strategic process, the duties and responsibilities of the Board and the implications of the unsolicited proposal for 100% of the Common Shares. As a result of the acquisition proposal, the Board subsequently authorized the Corporation to engage a third financial advisor, Blair Franklin on a fixed fee basis to advise on the transaction alternative best suited to the Corporation and to provide an independent opinion as to its fairness or inadequacy, as the case may be, from a financial point of view. The Board also determined to solicit further interest in
acquiring 100% of the Common Shares, as well as enhancements of the existing proposals for strategic partnership alternatives.

The further solicitation process resulted in the Corporation receiving on June 12, 2017, one additional proposal to acquire 100% of the Common Shares by a private equity firm and enhanced proposals for investments in convertible preferred shares from the global asset manager and two private equity firms that had provided initial proposals.

On June 9, 2017, the Corporation’s financial advisors also approached Berkshire to assess if Berkshire would be interested in considering a strategic partnership with the Corporation. On June 12, 2017, Berkshire, during a telephone call, made an initial proposal to acquire C$400,000,000 of Common Shares from treasury at an average price of C$10 per share, with an initial tranche of approximately 25% of the outstanding shares (approximately 19.99% after giving effect to the issuance) at C$8 per share that would not be subject to Shareholder approval, and a further tranche at C$11.33 per share that would be subject to Shareholder approval. The Berkshire proposal was not subject to due diligence or any financing condition. Berkshire indicated that this proposal was non-negotiable and would expire on June 14, 2017. Upon receipt and review of this proposal, the Corporation sought to have Berkshire extend its deadline, but Berkshire turned down the request on the basis that extending the deadline could create a risk of having its proposal used to attract competing proposals.

At a meeting on the morning of June 14, 2017, the Board considered the proposals, including the Berkshire proposal, and received financial and legal advice regarding the alternatives. Management and the Corporation’s financial advisors advised the Board that the proposals to provide debt financing were extremely complex, highly conditional and potentially difficult and time-consuming to complete, and viewed by Management to carry significant cost and execution risk. Management and the Corporation’s advisors noted that each of the strategic partnership proposals, other than the proposal from Berkshire, and each of the acquisition proposals were preliminary in nature, subject to extensive business, legal and regulatory due diligence and other conditions, and in the case of the convertible instruments, included governance rights, substantial downside protection and a significant fixed return. After considering the financial and legal considerations of each of the debt and strategic partnership proposals, the Board authorized its financial and legal advisors to continue negotiations with Berkshire and to address the legal considerations raised by its proposal. The transaction with Berkshire was negotiated at arm’s length.

The Corporation’s financial advisors communicated to Berkshire after the Board meeting on June 14, 2017 that the proposed pricing for the first tranche was below the maximum discount to the market price allowable under the rules of the TSX and would require Shareholder approval. Later that same day, Berkshire made an alternative proposal to price the first tranche at C$9.55 per share (which was within the allowable discount on that date) and the second tranche at approximately C$10.30 per share, maintaining the originally proposed average price of C$10 per share. The alternative proposal also included replacing the May 2017 Credit Facility on less onerous financial terms. Berkshire again indicated that its proposal was not subject to due diligence or financing. The Corporation filed an application with the TSX to lock in the first tranche price of C$9.55 per share which was equal to the maximum allowable discount at the time.

At the time, Home Capital was engaged in a multi-party mediation process to resolve outstanding proceedings by the Ontario Securities Commission (“OSC”) and a putative class action relating to the Corporation’s public disclosure. Those proceedings were settled, subject to OSC and court approval, the settlement was announced on June 14, 2017, and the market price of the Common Shares subsequently increased. The Corporation was also negotiating a number of potential liquidity funding transactions relating to its ongoing strategic process. As a result, on Thursday, June 15, 2017, the TSX advised the Corporation’s counsel that it would likely not allow the first tranche price to be locked in at C$9.55 per share given the recent and pending announcements by the Corporation. Absent an exemption, the Corporation would not have been able to complete the Berkshire First Tranche without Shareholder approval, as required by Berkshire.

On June 15, 2017, the Board considered the proposals received in the strategic process and the viability of proceeding on a standalone basis, considered the execution risks with each of the proposals, and
received advice from its financial and legal advisors regarding the alternatives. The Board determined that it was critical to execute a transaction in as short a timeframe as possible under the circumstances in order to restore confidence, improve its liquidity position, prevent further deterioration in the Corporation’s business, and strengthen its ability to withstand future economic shocks and potential policy and other changes in the housing and mortgage sector. The Board authorized the Corporation to discuss with the TSX the possibility of obtaining an exemption on the basis of financial hardship from the requirement to obtain Shareholder approval for the Berkshire First Tranche.

On June 16, 2017, the private equity fund that had made a proposal to acquire 100% of the Common Shares on June 2, 2017 revised its proposal to increase the proposed purchase price. On June 16 and June 18, 2017, the Board discussed the revised proposal. Blair Franklin, BMO Capital Markets and RBC reviewed their financial analysis of the proposed Berkshire transaction and the alternative proposals and considered the relevant execution risks of each proposal, and the Corporation’s legal advisors also reviewed the legal considerations and execution risks of each proposal. The Board also reviewed a summary of the Berkshire proposal, which included: (i) the Berkshire First Tranche; (ii) the Berkshire Second Tranche; and (iii) replacement of the May 2017 Credit Facility with the C$2 billion loan facility effective June 29, 2017 with a wholly-owned subsidiary of Berkshire (the “Berkshire Credit Facility”) (described below under “Investment Agreement – Replacement of May 2017 Credit Facility”). The Board also reviewed the draft exemption application to the TSX and considered the exemption application process and its implications for the Transaction and the Corporation.

At the Board meeting on June 18, 2017, each of the financial advisors delivered to the Corporation their respective oral fairness opinions, which were confirmed by subsequent delivery of their respective written fairness opinions dated as of June 18, 2017. At that meeting, the Board authorized the Corporation to apply to the TSX for an exemption from the requirement to obtain Shareholder approval for the Berkshire First Tranche on the basis of financial hardship. The Board also authorized the Corporation to enter into the Investment Agreement (as defined below under “Investment Agreement”) on the terms presented to the Board, subject to the TSX providing its preliminary view that the Corporation could rely on the exemption for the Berkshire First Tranche. The Board also authorized Home Trust to enter into the Berkshire Credit Facility, subject to the Corporation entering into the Investment Agreement.

Because Berkshire was being asked to enter into the Investment Agreement and publicly commit to make the Berkshire First Tranche before obtaining conditional listing approval from TSX, Berkshire required that Home Trust replace the May 2017 Credit Facility with the Berkshire Credit Facility for a minimum one year term, even if TSX approval was not ultimately received and the Berkshire First Tranche could not be made. The Board met on June 19, 2017 to consider the requirement and receive legal and financial advice. The Board determined that it was in the best interests of the Corporation to proceed on that basis, given it was prudent for the Corporation to maintain a standby credit facility for that period of time, the proposed terms of the Berkshire Credit Facility in those circumstances were less onerous than those in the May 2017 Credit Facility, and a comparable facility was unlikely to be available in the near term based on the proposals for liquidity support received to date in the strategic process.

On June 21, 2017, the TSX confirmed that it had determined to allow use of the requested exemption for the Berkshire First Tranche, subject to a 5-business day period elapsing and no new issues or information being raised. The Board met that evening to receive an update from its legal and financial advisors. The Board noted that TSX had confirmed it would allow use of the requested exemption, subject to the above conditions. The Board therefore confirmed that the Corporation was authorized to enter into the Investment Agreement and the Berkshire Credit Facility, subject to finalization of the agreements. The parties continued negotiating the Investment Agreement and the Berkshire Credit Facility, and later that evening the parties entered into the agreements and announced the Transaction.

Late on June 23, 2017, the private equity fund that had provided a proposal for a 100% acquisition on June 2, 2017 and revised its proposed price on June 16, 2017, submitted a further revised proposal at an increased price. On June 25, 2017, the Board met to consider the revised proposal and receive legal and financial advice. At this meeting, the financial advisors confirmed to the Board that the revised acquisition proposal did not affect the fairness opinions they delivered to the Board on June 18, 2017. On June 26,
2017, the Corporation’s legal advisors advised the TSX that a revised acquisition proposal had been received and the Board met again later that day to consider the revised acquisition proposal. The Board determined that the revised acquisition proposal was inferior to the Transaction and that the Transaction was in the best interests of the Corporation and continued to provide Shareholders with the best combination of transaction certainty and the potential for enhanced Shareholder value, while meeting the need for strong sponsorship and lower cost standby debt financing. The Corporation’s counsel notified the TSX of that determination.

On June 28, 2017, after the close of trading on the TSX, the Corporation received conditional listing approval for the Berkshire First Tranche. On June 29, 2017, the Corporation completed the Berkshire First Tranche and the Berkshire Credit Facility, and drew approximately C$1.65 billion under the Berkshire Credit Facility, using the proceeds in part to fully pay down and terminate the May 2017 Credit Facility.

Recent Developments

In July, OSFI introduced for comment and consultation a revised draft of Guideline B-20 (“B-20”) Residential Mortgage Underwriting Practices and Procedures. The draft revisions include a qualifying stress test for uninsured mortgages, a prohibition on certain co-lending arrangements and additional guidance on income verification and expectation to account for property price inflation when determining appropriate loan to value. Based on the Corporation’s preliminary analysis and interpretation, the revisions to B-20, if implemented as proposed, would reduce, possibly materially, the size of the uninsured mortgage market available to the Corporation and its federally regulated competitors. The Corporation also believes that the revisions, if implemented as proposed, would increase the rate of renewals of mortgage loans with the existing lenders. The draft guideline is in the consultation stage and may be further revised before implementation, and it is unclear in any event what impact the revisions to B-20 would have on the real estate and mortgage markets as a whole. If implemented as proposed, the draft guideline would be expected to have a material impact on the Corporation’s business strategy going forward. At this time, there can be no certainty as to the final revisions of the guideline.

The Corporation has closed two of three tranches of the transaction with KingSett Capital. A final closing is expected to be completed during the Corporation’s third quarter.

On July 25, 2017, the Corporation announced that it fully repaid the Berkshire Credit Facility.

Fairness Opinions

The following is only a summary of the Fairness Opinions of each of Blair Franklin, BMO Capital Markets and RBC and is qualified in its entirety by the full text of the Fairness Opinions, copies of which are attached hereto as Schedules B, C and D, respectively, and which form part of the Circular. The Fairness Opinions were each prepared as of June 18, 2017 for the exclusive use of the Board and for inclusion in the Circular. Shareholders are urged to read the full text of the Fairness Opinions and should consider the same in their entirety. The Fairness Opinions do not constitute a recommendation to any Shareholder as to how such Shareholder should vote in respect of the Berkshire Second Tranche. The Fairness Opinions do not opine on the Berkshire Second Tranche on a standalone basis.

Based upon and subject to the assumptions, qualifications and limitations set out in each of the Fairness Opinions, each of Blair Franklin, BMO Capital Markets and RBC is of the opinion that, as of June 18, 2017, the terms of the overall Transaction are fair, from a financial point of view, to the Corporation.

Fairness Opinion of Blair Franklin

Engagement of Blair Franklin

The Board initially contacted Blair Franklin regarding submitting its credentials for a potential independent advisory assignment on June 4, 2017. Blair Franklin was formally engaged by the Board pursuant to an
engagement agreement dated June 6, 2017 (the “Blair Franklin Engagement Agreement”). The Blair Franklin Engagement Agreement provides for the payment to Blair Franklin of a fixed fee in respect of the preparation and delivery of a fairness opinion (the “Blair Franklin Fairness Opinion”). Blair Franklin’s fees are not contingent on the completion of the Transaction, any other transaction of the Corporation, or on the conclusions reached in its opinion. Under the terms of the Blair Franklin Engagement Agreement, Blair Franklin has received fixed payments totaling C$525,000 from the Corporation for work prior to the rendering of the Blair Franklin Fairness Opinion, and will receive C$200,000 from the Corporation for rendering the Blair Franklin Fairness Opinion. In addition, Blair Franklin is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Corporation in certain circumstances.

 Credentials of Blair Franklin

Blair Franklin is an independent investment bank providing a full range of financial advisory services related to mergers and acquisitions, divestitures, minority investments, fairness opinions, valuations and financial restructuring. Blair Franklin has been a financial advisor in a significant number of transactions throughout Canada and North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions and in transactions similar to the Transaction.

 Independence of Blair Franklin

Blair Franklin is not an insider, associate or affiliate (as such terms are defined in the Securities Act (Ontario)) of the Corporation, Berkshire or any of their respective associates or affiliates (the “Interested Parties”).

Blair Franklin has not provided any financial advisory services or participated in any financing involving the Corporation or any of their respective associates or affiliates within the past twenty-four months, other than services provided under the Blair Franklin Engagement Agreement.

As of the date of the Blair Franklin Fairness Opinion, there are no other understandings, agreements, or commitments between Blair Franklin and any of the Interested Parties with respect to any current or future business dealings which would be material to the Blair Franklin Fairness Opinion.

 Assumptions and Limitations

Blair Franklin has relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by it from public sources or provided to it by or on behalf of the Corporation or otherwise obtained by it in connection with its engagement (the “Blair Franklin Information”). In preparing the Blair Franklin Fairness Opinion, Blair Franklin has assumed that the Transaction will be consummated in accordance with the terms and conditions of forms of the Investment Agreement and the Berkshire Credit Facility reviewed by Blair Franklin without waiver of, or amendment to, any term or condition that is material to Blair Franklin’s analysis. The Blair Franklin Fairness Opinion has been rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date of the Blair Franklin Fairness Opinion and the conditions and prospects, financial and otherwise, of the Corporation as they are reflected in the Blair Franklin Information, and as they were represented to Blair Franklin by the Corporation and its affiliates and advisors.

In considering the fairness of the terms of the Transaction, to the Corporation from a financial point of view, Blair Franklin relied upon the judgment of the Board that, given the uncertainties and risk inherent in the execution of the Corporation’s business plan, a strategic investment or strategic partnership, such as the Transaction, was necessary under the circumstances at the time.

Blair Franklin has not prepared a formal valuation or appraisal of the securities or assets of Home Capital, and the Blair Franklin Fairness Opinion does not address any legal, tax or regulatory aspects of the Transaction. The full text of the Blair Franklin Fairness Opinion setting out the assumptions made and
limitations and qualifications of the review undertaken by Blair Franklin in connection with the Blair Franklin Fairness Opinion is attached as Schedule B to the Circular.

Approach to Fairness

In support of the Blair Franklin Fairness Opinion, Blair Franklin performed certain financial analyses with respect to Home Capital, based on those methodologies and assumptions that it considered appropriate in the circumstances.

Among other things, Blair Franklin applied certain methodologies in arriving at implied prices for the Common Shares under the terms of the Transaction and on a standalone basis absent the Transaction in which the Corporation continues to pursue its business plan and various liquidity alternatives without involving an equity sponsor. The methodologies consist of a dividend discount model approach and an analysis of comparable trading multiples. In the context of the Blair Franklin Fairness Opinion, Blair Franklin has considered the dividend discount model approach as the principal financial analytical methodology.

Blair Franklin Fairness Opinion

Based upon and subject to the foregoing, and the assumptions, qualifications and limitations set out in the Blair Franklin Fairness Opinion, Blair Franklin is of the opinion that, as of June 18, 2017, the terms of the Transaction are fair, from a financial point of view, to the Corporation.

Fairness Opinion of BMO Capital Markets

Engagement of BMO Capital Markets

The Board initially contacted BMO Capital Markets in late April to advise on a liquidity funding solution and expanded their engagement agreement to include the broader strategic process on May 9, 2017 (the “BMO Capital Markets Engagement Agreement”). Under the terms of the BMO Capital Markets Engagement Agreement, BMO Capital Markets agreed to provide the Corporation and the Board with various advisory services in connection with a review of financing and strategic options which may be available to the Corporation, including, among other things, the provision of a fairness opinion (the “BMO Capital Markets Fairness Opinion”). BMO Capital Markets received a fee for rendering the BMO Capital Markets Fairness Opinion. BMO Capital Markets will also receive certain fees for its advisory services under the BMO Capital Markets Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Berkshire First Tranche and the Berkshire Second Tranche. The Corporation also agreed to reimburse BMO Capital Markets for its reasonable out-of-pocket expenses and to indemnify BMO Capital Markets against certain liabilities that might arise out of its engagement.

Credentials of BMO Capital Markets

BMO Capital Markets is one of North America’s largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

Independence of BMO Capital Markets

Neither BMO Capital Markets, nor any of its affiliates, is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario) or the rules made thereunder) of the Interested Parties.

BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than as disclosed in the BMO Capital Markets Fairness Opinion.
As at the date of the BMO Capital Markets Fairness Opinion, there are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

Assumptions and Limitations

BMO Capital Markets has relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by it from public sources or provided to it by or on behalf of the Corporation or otherwise obtained by it in connection with its engagement (the “BMO Capital Markets Information”). In preparing the BMO Capital Markets Fairness Opinion, BMO Capital Markets has assumed that the Transaction will be consummated in accordance with the terms and conditions of forms of the Investment Agreement and the Berkshire Credit Facility reviewed by BMO Capital Markets without waiver of, or amendment to, any term or condition that is material to BMO Capital Markets’ analysis. The BMO Capital Markets Fairness Opinion has been rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date of the BMO Capital Markets Fairness Opinion and the conditions and prospects, financial and otherwise, of the Corporation as they are reflected in the BMO Capital Markets Information, and as they were represented to BMO Capital Markets by the Corporation and its affiliates and advisors.

In considering the fairness of the terms of the Transaction, to the Corporation from a financial point of view, BMO Capital Markets relied upon the judgment of the Board that, given the uncertainties and risks inherent in the execution of the Corporation’s business plan, a strategic investment or strategic partnership, such as the Transaction, was necessary under the circumstances at the time.

BMO Capital Markets has not prepared a formal valuation or appraisal of the securities or assets of Home Capital, and the BMO Capital Markets Fairness Opinion should not be construed as such. The BMO Capital Markets Fairness Opinion does not address any legal, tax or regulatory aspects of the Transaction. The full text of the BMO Capital Markets Fairness Opinion setting out the assumptions made and limitations and qualifications of the review undertaken by BMO Capital Markets in connection with the BMO Capital Markets Fairness Opinion is attached as Schedule C to the Circular.

Approach to Fairness and Analysis

In considering the fairness of the terms of the Transaction to the Corporation from a financial point of view, BMO Capital Markets considered, among other things, the following:

1. the potential impact of the Transaction on the market’s confidence in Home Trust’s capacity as a federally regulated trust company to successfully operate as an alternative lender offering deposit, mortgage lending, retail credit, and credit card issuing services;

2. the potential impact of the Transaction on the risk that Home Capital’s cash flow from operations and available liquidity would be insufficient to finance the funding necessary to execute its operating strategy; and

3. that based on these criteria, the Transaction is more certain (based on the assessment of management and the Board) and better, from a financial point of view, than the other alternative proposals from third parties.

BMO Capital Markets Fairness Opinion

Based upon and subject to the foregoing, and the assumptions, qualifications and limitations set out in the BMO Capital Markets Fairness Opinion, BMO Capital Markets is of the opinion that, as of June 18, 2017, the terms of the Transaction are fair, from a financial point of view, to the Corporation.
Fairness Opinion of RBC

Engagement of RBC

The Board initially contacted RBC in late April to advise on a liquidity funding solution and expanded their engagement agreement to include the broader strategic process on May 9, 2017 (the “RBC Engagement Agreement”). The terms of the RBC Engagement Agreement provide that RBC is to be paid a fee for its services as financial advisor, including fees that are contingent on any equity or debt financing (including the Transaction), asset sales by the Corporation, change of control of the Corporation, or certain other events. RBC received a fee for rendering a fairness opinion (the “RBC Fairness Opinion”). In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Corporation in certain circumstances.

Credentials of RBC

RBC is one of Canada’s largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC also has significant operations in the United States and internationally.

Independence of RBC

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario)) of the Interested Parties.

RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Interested Parties, within the past two years, other than the services provided under the RBC Engagement Agreement and as disclosed in the RBC Fairness Opinion.

As at the date of the RBC Fairness Opinion, other than pursuant to the RBC Engagement Agreement, there are no understandings, agreements or commitments between RBC and the Corporation, Berkshire or any of their respective associates or affiliates with respect to any future business dealings. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Interested Parties in the normal course of business.

Assumptions and Limitations

RBC has relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by it from public sources or provided to it by or on behalf of the Corporation or otherwise obtained by it in connection with its engagement (the “RBC Information”). In preparing the RBC Fairness Opinion, RBC has assumed that the Transaction will be consummated in accordance with the terms and conditions of forms of the Investment Agreement and the Berkshire Credit Facility reviewed by RBC without waiver of, or amendment to, any term or condition that is material to RBC’s analysis. The RBC Fairness Opinion has been rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date of the RBC Fairness Opinion and the conditions and prospects, financial and otherwise, of the Corporation as they are reflected in the RBC Information, and as they were represented to RBC by the Corporation and its affiliates and advisors.

In considering the fairness of the terms of the Transaction, from a financial point of view, to the Corporation, RBC relied on the judgment of the Board that, given the uncertainties and risks inherent in the execution of the Corporation’s business plan, a strategic investment or strategic partnership, such as the Transaction, was necessary under the circumstances at the time.
RBC has not prepared a formal valuation or appraisal of the securities or assets of Home Capital, and the RBC Fairness Opinion should not be construed as such. The RBC Fairness Opinion does not address any legal, tax or regulatory aspects of the Transaction. The full text of the RBC Fairness Opinion setting out the assumptions made and limitations and qualifications of the review undertaken by RBC in connection with the RBC Fairness Opinion is attached as Schedule D to the Circular.

**Approach to Fairness**

In considering the fairness of the terms of the Transaction, from a financial point of view, to the Corporation, RBC principally considered and relied upon the following approaches:

1. an analysis of the potential pro-forma trading impact on the Common Shares as a result of the Transaction compared to alternative proposals received by the Corporation, based principally on price to book value multiples and other metrics RBC considered relevant, and taking into consideration comparable public companies in the Canadian mortgage lending industry and broader financial sector; and,

2. an analysis of the potential financial impact of the Transaction on Home Capital’s access to and cost of deposit funding.

**RBC Fairness Opinion**

Based upon and subject to the foregoing, and the assumptions, qualifications and limitations set out in the RBC Fairness Opinion, RBC is of the opinion that, as of June 18, 2017, the terms of the Transaction are fair, from a financial point of view, to the Corporation.

**Investment Agreement**

The following is a summary of the material terms of the Berkshire Second Tranche set forth in the investment agreement dated June 21, 2017 among Columbia Insurance Company, a wholly-owned subsidiary of Berkshire (the “Investor”), and the Corporation (the “Investment Agreement”). The following is a summary only, is not exhaustive and is subject to, and qualified in its entirety, by reference to the full text of the Investment Agreement, which may be found under the Corporation’s profile on SEDAR at www.sedar.com.

**Conditions Precedent to Berkshire Second Tranche**

The respective obligations of the Corporation and Berkshire to complete the Berkshire Second Tranche are subject to (i) approval of the Shareholder Resolution by not less than a majority of the votes cast by Shareholders (excluding the Common Shares beneficially held by Berkshire, or over which it exercises control or direction) at the Special Meeting, (ii) approval under the *Competition Act* (Canada) (see “Regulatory Matters” below), (iii) delivery of the executed Regulatory Undertaking by Berkshire (see “Regulatory Undertaking” below) and (iv) the fulfillment of certain other customary conditions.

**Regulatory Matters**

The completion of the Berkshire Second Tranche is conditional on obtaining approval under the *Competition Act* (Canada). On August 7, 2017, the Corporation and the Investor received an advance ruling certificate from the Commissioner of Competition, thereby fulfilling the requirement for approval under the *Competition Act*.

**Regulatory Undertaking**

As a condition to closing of the Berkshire Second Tranche (the “Closing”), Berkshire is required to enter into an undertaking pursuant to which it will agree that for as long as it beneficially holds, or exercises
control or direction over, greater than 25% of the outstanding Common Shares, notwithstanding the number of Common Shares it beneficially holds, or over which it exercises control or direction, it shall only be entitled to vote, and shall only vote, that number of Common Shares it beneficially holds, or exercises control or direction over, representing 25% of the Common Shares issued and outstanding at the applicable time of any vote of Shareholders, unless and until it obtains the required regulatory approvals to enable it to vote greater than a 25% interest (the “Regulatory Undertaking”). Berkshire has advised the Corporation that it will provide the Regulatory Undertaking at Closing. As a result, approvals under the Investment Canada Act, the Bank Act (Canada) and the Trust and Loan Companies Act (Canada) will not be required in order to complete the Berkshire Second Tranche.

The Regulatory Undertaking (i) may be terminated by Berkshire on 10 days’ prior written notice to the Corporation, subject to Berkshire providing evidence satisfactory to the Corporation, acting reasonably, that all necessary regulatory approvals have been obtained by Berkshire to allow it to vote all of the Common Shares beneficially held by it, or over which it exercises control or direction, without compliance with the Regulatory Undertaking; and (ii) shall terminate automatically at such time, if any, as Berkshire has ceased to beneficially hold, or exercise control or direction over, greater than 10% of the outstanding Common Shares for a period of 180 days. The Corporation will be required to confirm in writing to the Superintendent of Financial Institutions compliance with the Regulatory Undertaking.

Non-Solicitation Provisions

Except as otherwise provided in the Investment Agreement, the Corporation agreed that it will, and will cause its subsidiaries, affiliates and its and their respective agents, representatives, employees, directors or officers to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion or negotiation with any person (other than the Investor) with respect to any inquiry, proposal or offer that would constitute an Alternative Transaction (as defined in the paragraph below).

An “Alternative Transaction” means any transaction (other than the Berkshire Second Tranche), in each case whether in a single transaction or a series of related transactions, involving: (i) an acquisition of the Corporation or an acquisition of 20% or more of the equity (on a fully diluted basis) of the Corporation or any of its subsidiaries (including by way of merger or otherwise); (ii) an issuance of equity by the Corporation or any of its subsidiaries representing 20% or more of the outstanding equity of the Corporation or any of its subsidiaries; (iii) any debt transactions of the Corporation or any of its subsidiaries (other than (a) ordinary course borrowings (b) debt transactions of up to C$500 million in the aggregate secured by assets other than the Security (as defined in the Berkshire Credit Facility), (c) securitizations through Canada Mortgage and Housing Corporation’s sponsored securitization programs and ordinary course short-term financings secured by insured residential mortgages, and (d) agreements to fund mortgage originations, commitments and renewals); or (iv) the sale of 20% or more of the consolidated assets (including equity interests in subsidiaries) of Home Capital.

If, at any time prior to the closing of the Berkshire Second Tranche, the Corporation receives any inquiries, indications of interest, proposals or offers from any third party regarding an Alternative Transaction, (i) the Corporation must promptly, and within 24 hours of receipt, notify the Investor in writing of the identity of the third party and the material terms of the proposal or offer and (ii) the Corporation shall be permitted to engage in discussions and/or negotiations with the third party if the Board has determined, acting in good faith, after consultation with its financial advisors and its outside legal counsel, that the failure to take such action would be inconsistent with the Board’s exercise of its fiduciary duties and the Corporation has at all times been, and continues to be, in compliance with its obligations under the non-solicitation provisions of the Investment Agreement.

Unless the Investment Agreement is terminated, the Corporation agreed not to release any person from, or waive such person’s obligations respecting the Corporation under, any confidentiality, standstill or similar agreement or restriction to which the Corporation is a party. The Corporation also agreed to promptly and diligently enforce all standstill, non-disclosure, non-solicitation and similar covenants that were effective prior to the date of the Investment Agreement.
Termination

The Investment Agreement may be terminated at any time prior to the Closing by either the Corporation or the Investor if: (i) any law is enacted that makes consummation of the Berkshire Second Tranche illegal or otherwise prohibited or enjoins the Corporation or the Investor from consummating the Berkshire Second Tranche; (ii) the Closing has not occurred on or before the December 31, 2017; (iii) the Berkshire Second Tranche fails to receive the requisite Shareholder approval at the Special Meeting; or (iv) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the other party occurs that would cause the conditions to Closing to be incapable of being satisfied.

Additionally, the Investor may terminate the Investment Agreement if, prior to the Special Meeting, the Board withdraws, amends, modifies or qualifies (or proposes to publicly withdraw, amend, modify or qualify) its recommendation with respect to the Berkshire Second Tranche in a manner adverse to the Investor (a "Change in Recommendation").

Change in Recommendation and Failure to Obtain Shareholder Approval

If there is a Change in Recommendation for any reason and Shareholder approval of the Berkshire Second Tranche is not obtained, then the terms of the Berkshire Credit Facility described below shall automatically revert to an interest rate on outstanding balances of 9.5% and a standby fee on undrawn funds of 1.75%. The cost to the Corporation of the increased standby fee in these circumstances would be equal to a maximum of C$15 million, or 3.75% of Berkshire’s total approximate C$400 million equity commitment under the Transaction.

Replacement of May 2017 Credit Facility

Concurrent with the execution of the Investment Agreement, Home Trust, as borrower, entered into the Berkshire Credit Facility, as the agent and initial lender, secured against a portfolio of mortgages originated by Home Trust. The Berkshire Credit Facility replaced the May 2017 Credit Facility.

The Berkshire Credit Facility is on substantially the same terms as the May 2017 Credit Facility, except as follows:

- the interest rate on outstanding balances is 9% (rather than 10%) unless and until there is a Change in Recommendation for any reason and Shareholder approval of the Berkshire Second Tranche is not obtained, at which time it will increase to 9.5%;
- the standby fee on undrawn funds is 1.00% (rather than 2.5%) unless and until there is a Change in Recommendation for any reason and Shareholder approval of the Berkshire Second Tranche is not obtained, at which time it will increase to 1.75%;
- there was no upfront commitment fee;
- funds drawn on the facility continue to be pre-payable at any time; and
- the facility matures in one year from the initial funding and may not be terminated for one year.

On June 29, 2017, the Corporation drew on the Berkshire Credit Facility to repay all amounts outstanding under the May 2017 Credit Facility and the May 2017 Credit Facility was terminated. On July 25, 2017, the Corporation announced that it fully repaid the Berkshire Credit Facility.
Interests of Certain Persons in the Berkshire Second Tranche

None of the directors or officers of the Corporation or, to the knowledge of the directors and executive officers of the Corporation, any of their respective associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon in connection with the Berkshire Second Tranche or that would materially affect the Berkshire Second Tranche.

Shares and the Intentions of Directors and Executive Officers

As of August 10, 2017, the directors and executive officers of the Corporation, beneficially owned, directly or indirectly, or exercised control or direction over, in the aggregate 90,221 Common Shares, which represented less than 1% of the issued and outstanding Common Shares on an undiluted basis. Each director and executive officer of the Corporation has agreed to vote all of such individual’s Common Shares FOR the Shareholder Resolution.

Interests of Informed Persons in Material Transactions

Except as otherwise disclosed in this Circular, to the Corporation’s knowledge, no (a) director, nominee for director, or executive officer of the Corporation; (b) person or company who beneficially owns, or controls or directs, directly or indirectly, Common Shares, or a combination of both carrying more than 10% of the voting rights attached to the Common Shares (any of these being an “Insider”); (c) director or executive officer of an Insider; or (d) associate or affiliate of any Insider, has had any material interest, direct or indirect, in any transaction which has materially affected or would materially affect the Corporation or an of its subsidiaries, except an interest arising from the ownership of Common Shares where such person or company will receive no extra or special benefit or advantage not shared on a pro rata basis by all Shareholders.

To the knowledge of the directors and officers of the Corporation, the following persons beneficially own, or exercise control or direction over, directly or indirectly, 10% or more of the issued and outstanding Common Shares:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Common Shares beneficially owned or controlled or directed</th>
<th>Percentage of outstanding Common Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turtle Creek Asset Management</td>
<td>14,249,487 (1)</td>
<td>17.76%</td>
</tr>
<tr>
<td>4 King Street West</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suite 1300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toronto, ON M5H 1B6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Berkshire Hathaway Inc.</td>
<td>16,044,580 (2)</td>
<td>19.99%</td>
</tr>
<tr>
<td>3555 Farnam Street</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suite 1440</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Omaha, NE 68131</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) As of July 31, 2017
(2) As of August 10, 2017

TSX Requirement for Shareholder Approval

The TSX Company Manual requires that Shareholder approval of the Berkshire Second Tranche be obtained for the following reasons: (i) completion of the Berkshire Second Tranche will materially affect control of the Corporation as defined under section 604(a)(i) of the TSX Company Manual since Berkshire will acquire a voting interest of greater than 20%, (ii) under section 607(g)(ii) of the TSX Company Manual, completion of the Berkshire Second Tranche will result in consideration provided to Berkshire, an existing insider of the Corporation, of greater than 10% of the issued and outstanding Common Shares of the Corporation, (iii) the price of approximately C$10.30 per Common Share in the Berkshire Second Tranche represents a 23.79% discount to the 5-day VWAP at the close of trading on August 9, 2017 (the last trading
day prior to the date of this Circular) and is greater than the maximum 15% discount permitted under section 607(e) of the TSX Company Manual without Shareholder approval, and (iv) completion of the Berkshire Second Tranche will result in the issuance of 23,955,420 Common Shares, which is greater than the 25% (calculated on a pre-issuance basis) permitted without Shareholder approval under section 607(g) of the TSX Company Manual.

Other Business

Management is not aware of nor does Management intend to present any other business at the Special Meeting of Shareholders.

RISK FACTORS

Risk Factors Relating to the Berkshire Second Tranche

Dilution of Shareholders of the Corporation

If the Berkshire Second Tranche is completed, the Corporation will issue 23,955,420 Common Shares (22.99% of the outstanding Common Shares of the Corporation upon completion of the Berkshire Second Tranche) at a discount to the market price. As a result, the current holdings of the Shareholders of the Corporation will be diluted following the completion of the Berkshire Second Tranche.

**Berkshire will have significant influence over the Corporation on completion of the Berkshire Second Tranche.**

On completion of the Berkshire Second Tranche, Berkshire will beneficially own approximately 38.39% of the outstanding Common Shares, making it the Corporation’s single largest Shareholder by an extensive margin. Although Berkshire has undertaken not to vote Common Shares representing more than 25% of the outstanding Common Shares without obtaining the required regulatory approvals and has expressed no intention to obtain those approvals, Berkshire may determine to seek those approvals in the future. For so long as Berkshire has the right to vote at least 25% of the outstanding Common Shares represented at a meeting of Shareholders, it will be in a position to exercise significant influence over matters requiring Shareholder approval, including the election of directors and the determination of significant corporate actions. Should Berkshire determine to seek the required regulatory approvals, for so long as it has the right to vote 33-1/3% of the outstanding Common Shares represented at a meeting of Shareholders, it will have the ability to veto any fundamental transactions that would require the vote of Shareholders. As well, under the Berkshire Credit Facility, which must remain in place until at least June 29, 2018, Berkshire’s consent to a change of control is required. Accordingly, on completion of the Berkshire Second Tranche, Berkshire will have significant influence over the Corporation and there can be no assurance that Berkshire’s interests will align with the interests of the Corporation or other Shareholders.

**There can be no certainty that all conditions to the Berkshire Second Tranche will be satisfied.**

The completion of the Berkshire Second Tranche is subject to certain conditions which are outside the control of the Corporation, including Shareholder approval. There can be no certainty, nor can the Corporation provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

If the Berkshire Second Tranche is not completed, the market price of the Common Shares may be impacted to the extent that the market price reflects a market assumption that the Berkshire Second Tranche will be completed. If the Berkshire Second Tranche is not completed and the Board decides to seek another strategic transaction, there can be no assurance that it will be able to find an equivalent or more attractive alternative.
While the Berkshire Second Tranche is pending, the Corporation is restricted from taking certain actions.

The Investment Agreement restricts the Corporation from taking specified actions relating to Alternative Transactions until the Berkshire Second Tranche is completed. These restrictions may prevent the Corporation from pursuing attractive business opportunities that may arise prior to the completion of the Berkshire Second Tranche. See “Business of the Meeting – Investment Agreement – Non-Solicitation Provisions”.

Berkshire may not maintain its equity interest.

Berkshire is not contractually committed to maintaining its equity stake in the Corporation at current levels or at all. The Corporation and Berkshire have entered into a registration rights agreement, on terms customary for a significant shareholder, pursuant to which the Corporation has agreed to facilitate sales of Common Shares by Berkshire. If Berkshire sells some or all of its Common Shares, including the Common Shares to be issued in the Berkshire Second Tranche, the Corporation may not realize the benefits of Berkshire’s sponsorship.

Use of proceeds from the Berkshire Second Tranche.

The Corporation cannot specify the particular uses of the net proceeds it will receive from the Berkshire Second Tranche and the Board will have broad discretion in the application of the net proceeds. Accordingly, Shareholders will have to rely upon the judgment of the Board with respect to the use of the proceeds, with only limited information concerning the Board’s specific intentions.

Risk Factors Related to the Business of the Corporation

Whether or not the Berkshire Second Tranche is completed, the Corporation will continue to face many of the risks that it currently faces with respect to its business and affairs. A description of the risk factors (incorporated by reference into this Circular) applicable to the Corporation is contained under the headings “Risk Factors” in the Annual Information Form and under the heading “Overview of the Second Quarter and Outlook” and “Risk Management” in the Management’s Discussion and Analysis for the three months and six months ended June 30, 2017 and in the Corporation’s other filings with securities authorities.

AUDITORS

Ernst & Young LLP are the auditors of the Corporation and are independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

OTHER INFORMATION AND MATTERS

There is no information or matter not disclosed in this Circular but known to the Corporation that would be reasonably expected to affect the decision of Shareholders to vote for or against the Shareholder Resolution.
Financial information of the Corporation is provided in the Corporation’s consolidated financial statements for the year ended December 31, 2016 and Management’s Discussion and Analysis for 2016.

To obtain a copy of the Corporation’s latest Annual Information Form, the audited annual financial statements, Management’s Discussion and Analysis, any interim financial statements filed after the most recent annual financial statements, this Circular, or other information on the Corporation, please visit the Corporation’s profile on www.sedar.com or the Corporation’s website at www.homecapital.com.

**Contacting the Board**

Shareholders, employees and other interested parties may communicate directly with the Board through the Chair of the Board by writing to:

Chair of the Board  
Home Capital Group Inc.  
145 King Street West  
Suite 2300  
Toronto, Ontario M5H 1J8
Certificate

The Board of the Corporation has approved the contents of this Circular and its distribution to the Shareholders of the Corporation.

By order of the Board

Toronto, Ontario

August 10, 2017

Christer V. Ahlvik
Executive Vice President, Corporate Counsel & Corporate Secretary
CONSENT OF BLAIR FRANKLIN CAPITAL PARTNERS INC.

August 10, 2017

To: The Board of Directors of Home Capital Group Inc. (the “Corporation”)

Reference is made to the management information circular (the “Circular”) of the Corporation dated August 10, 2017 relating to the special meeting of Shareholders of the Corporation to approve a private placement of 23,955,420 Common Shares of the Corporation to Columbia Insurance Company, a wholly-owned subsidiary of Berkshire Hathaway Inc., at a price of approximately C$10.30 per Common Share. Blair Franklin Capital Partners Inc. ("Blair Franklin") consents to the inclusion in the Circular of the fairness opinion dated June 18, 2017 prepared by Blair Franklin for the Board of Directors of the Corporation (the “Blair Franklin Fairness Opinion”) and reference to Blair Franklin Fairness Opinion in the Circular. The Blair Franklin Fairness Opinion was given as of June 18, 2017 and remains subject to the assumptions, qualifications and limitations contained therein. In providing such consent, Blair Franklin does not intend that any person or persons other than the Board of Directors of the Corporation shall be entitled to rely upon the Blair Franklin Fairness Opinion.

(Signed) “Blair Franklin Capital Partners Inc.”
CONSENT OF BMO NESBITT BURNS INC.

August 10, 2017

To: The Board of Directors of Home Capital Group Inc. (the “Corporation”)

Reference is made to the management information circular (the “Circular”) of the Corporation dated August 10, 2017 relating to the special meeting of Shareholders of the Corporation to approve a private placement of 23,955,420 Common Shares of the Corporation to Columbia Insurance Company, a wholly-owned subsidiary of Berkshire Hathaway Inc., at a price of approximately C$10.30 per Common Share. BMO Nesbitt Burns Inc. (“BMO Capital Markets”) consents to the inclusion in the Circular of the fairness opinion dated June 18, 2017 prepared by BMO Capital Markets for the Board of Directors of the Corporation (the “BMO Capital Markets Fairness Opinion”) and reference to BMO Capital Markets and the BMO Capital Markets Fairness Opinion in the Circular. The BMO Capital Markets Fairness Opinion was given as of June 18, 2017 and remains subject to the assumptions, qualifications and limitations contained therein. In providing such consent, BMO Capital Markets does not intend that any person or persons other than the Board of Directors of the Corporation shall be entitled to rely upon the BMO Capital Markets Fairness Opinion.

(Signed) “BMO Nesbitt Burns Inc.”
CONSENT OF RBC DOMINION SECURITIES INC.

August 10, 2017

To: The Board of Directors of Home Capital Group Inc. (the “Corporation”)

Reference is made to the management information circular (the “Circular”) of the Corporation dated August 10, 2017 relating to the special meeting of Shareholders of the Corporation to approve a private placement of 23,955,420 Common Shares of the Corporation to Columbia Insurance Company, a wholly-owned subsidiary of Berkshire Hathaway Inc., at a price of approximately C$10.30 per Common Share. RBC Dominion Securities Inc. (“RBC”) consents to the inclusion in the Circular of the fairness opinion dated June 18, 2017 prepared by RBC for the Board of Directors of the Corporation (the “RBC Fairness Opinion”) and reference to RBC and the RBC Fairness Opinion in the Circular. The RBC Fairness Opinion was given as of June 18, 2017 and remains subject to the assumptions, qualifications and limitations contained therein. In providing such consent, RBC does not intend that any person or persons other than the Board of Directors of the Corporation shall be entitled to rely upon the RBC Fairness Opinion.

(Signed) “RBC Dominion Securities Inc.”
RESOLVED THAT:

1. Home Capital Group Inc. (the “Corporation”) is hereby authorized to issue an aggregate of 23,955,420 Common Shares in the capital of the Corporation (the “Common Shares”) at a price of approximately C$10.30 per Common Share on a private placement basis to Columbia Insurance Company (the “Investor”), a wholly-owned subsidiary of Berkshire Hathaway Inc., pursuant to the terms of an investment agreement between the Corporation and the Investor dated June 21, 2017, all as more particularly described in the management information circular dated August 10, 2017.

2. Any director or officer of the Corporation is hereby authorized and directed for and on behalf of and in the name of the Corporation to do and perform all such acts and things and to execute, deliver and file all such applications, documents or other instruments in writing, whether under the seal of the Corporation or otherwise as may be necessary or advisable in order to give full effect to the foregoing resolutions.

3. All acts performed and any documents executed, delivered, filed or registered prior to the date of these resolutions by any director or officer of the Corporation relating to matters dealt with in these resolutions are approved, ratified and confirmed.
June 18, 2017

The Board of Directors

Home Capital Group Inc.
145 King Street West, Suite 2300
Toronto, Ontario
M5H 1J8

To the Board of Directors:

Blair Franklin Capital Partners Inc. (“Blair Franklin”) understands that Home Capital Group Inc. (together with its subsidiaries, “Home Capital” or the “Company”) and Berkshire Hathaway Inc. (“Berkshire”) propose to enter into a transaction (the “Transaction”), the principal terms of which are as follows:

1. Initial Equity Investment

Berkshire, through its wholly-owned subsidiary Columbia Insurance Company (“Columbia”), will agree to make an initial investment (the “Initial Equity Investment”) of $153,255,739 to acquire 16,044,580 common shares on a private placement basis, representing an approximate 19.99% equity stake in the Company on a post-issuance basis. Subject to TSX approval for reliance on the “financial hardship” provisions of the TSX Company Manual, the Initial Equity Investment will not require approval of the Company’s shareholders and is expected to close on June 29, 2017. The Initial Equity Investment is subject to customary closing conditions and is not subject to any financing or due diligence condition;

2. Additional Equity Investment

Berkshire, through Columbia, will agree to make an additional investment (the “Additional Equity Investment”) of $246,774,261 to acquire 23,955,420 common shares on a private placement basis, which, together with its Initial Equity Investment, would represent an approximate 38.39% equity stake in the Company. The Additional Equity Investment will be subject to approval by not less than a majority of the votes cast by the Company’s shareholders (excluding the common shares beneficially held by Berkshire, or over which it exercises control or direction) at a special meeting of shareholders that is expected to take place in September 2017. The Additional Equity Investment is also subject to Canadian Competition Act...
clearance and other customary closing conditions. The Additional Equity Investment is not subject to any financing or diligence condition; and

3. **Replacement of Existing Credit Facility**

The Company will cause its wholly owned subsidiary, Home Trust Company (“Home Trust”), as borrower, to agree to enter into a new $2 billion loan facility (the “BH Credit Agreement”) with a wholly-owned subsidiary of Berkshire, as the agent and initial lender, to be secured against a portfolio of mortgages originated by Home Trust. The BH Credit Agreement will replace the $2 billion loan facility made as of May 1, 2017 between Home Trust, as borrower, and a major Canadian institutional investor, as the agent and initial lender (the “May 2017 Credit Agreement”), and is expected to be effective on June 29, 2017.

The BH Credit Agreement is on substantially the same terms as the May 2017 Credit Agreement, except that the interest rates and standby fee on undrawn fees will be reduced, there will be no upfront commitment fee, and the facility will mature in one year from the initial funding and may not be terminated for one year.

The Board of Directors of Home Capital (the “Board”) has retained Blair Franklin to provide its opinion (the “Opinion”) as to the fairness, from a financial point of view, of the terms of the Transaction to the Company. Blair Franklin has not been asked to prepare, and has not prepared, a formal valuation of Home Capital and the Opinion should not be construed as such.

**Engagement of Blair Franklin**

The Board initially contacted Blair Franklin regarding submitting its credentials for a potential independent advisory assignment on June 4, 2017. Blair Franklin was formally engaged by the Board pursuant to an engagement agreement dated June 6, 2017 (the “Engagement Agreement”). The Engagement Agreement provides for the payment to Blair Franklin of a fixed fee in respect of the preparation and delivery of the Opinion. Blair Franklin’s fees are not contingent on the completion of the Transaction, any other transaction of the Company, or on the conclusions reached herein. Under the terms of the Engagement Agreement, Blair Franklin has received fixed payments totalling $525,000 from the Company for work prior to the rendering of the Opinion, and will receive $200,000 from the Company for rendering the Opinion. In addition, Blair Franklin is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company in certain circumstances.

**Relationship with Related Parties**

Blair Franklin is not an insider, associate or affiliate (as such terms are defined in the Securities Act (Ontario)) of Home Capital, Berkshire or any of their respective associates or affiliates (the “Interested Parties”). Blair Franklin has not provided any financial advisory services or participated in any financing involving Home Capital or any of their respective associates or affiliates within the past twenty-four months, other than services
provided under the Engagement Agreement. There are no other understandings, agreements, or commitments between Blair Franklin and any of the Interested Parties with respect to any current or future business dealings which would be material to the Opinion.

Blair Franklin believes that it is “independent” (as such term is used in Part 6 of MI 61-101) of all interested parties in the Transaction and that it has disclosed to the Board of Directors all material facts known to it that could reasonably be considered to be relevant to its independence status under Part 6 of MI 61-101.

**Credentials of Blair Franklin**

Blair Franklin is an independent investment bank providing a full range of financial advisory services related to mergers and acquisitions, divestitures, minority investments, fairness opinions, valuations and financial restructuring. Blair Franklin has been a financial advisor in a significant number of transactions throughout Canada and North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions and in transactions similar to the Transaction. The Opinion expressed herein is the opinion of Blair Franklin as a firm and the form and content herein has been approved for release by a committee of our principals, each of whom is experienced in mergers and acquisitions, divestitures, restructurings, minority investments, capital markets, fairness opinions and valuation matters.

**Scope of Review:**

In preparing the Opinion, Blair Franklin has reviewed and relied upon, among other things:

1. Certain public disclosure of Home Capital as filed on the System for Electronic Document Analysis and Retrieval (“SEDAR”) including, but not limited to, annual reports, quarterly reports, press releases and other material documents;
2. Public information relating to the business, operations, financial performance and share price trading history of Home Capital;
3. Certain internal financial, operational, corporate and other information with respect to the Company;
4. Certain internal analyses, business plans, presentations, financial forecasts and models as prepared by the management of Home Capital (“Management”) and the Company’s advisors;
5. Detailed information on the Company’s existing funding instruments including terms, maturities and rates;
6. Detailed information on the composition of the Company’s residential mortgage, commercial mortgage and retail portfolios;
7. Selected public market trading statistics and financial information of comparable companies;
8. Equity research and general industry reports;
9. Access to a datasite containing non-public material relating to Home Capital including financial details, forecasts, loan portfolio information, and other items;
11. May 2017 Credit Agreement;
12. Daily updates provided by Management on the funding status of the Company;
13. Discussions with Management relating to the funding ability and outlook of the Company;
14. Discussions with Management relating to the core mortgage origination and renewal business outlook of the Company;
15. Discussions with members of the Company’s Board of Directors;
16. Discussions with Management and its advisors relating to the review of strategic and funding alternatives undertaken by the Company and the solicitation of non-binding proposals for Liquidity Support Transactions and Strategic Partnerships (as defined herein);
17. Various non-binding proposals received by the Company from third-parties pursuant to the process referenced above;
18. Certain internal financial analyses and forecasts prepared by Management and the Company’s financial advisors;
19. Other publicly available information considered relevant;
20. A letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by the senior officers of the Company; and
21. Such other information, documentation, analyses and discussions that we considered relevant in the circumstances.

We have also participated in various discussions with Torys LLP, legal counsel to the Board, concerning the Transaction and related matters. Blair Franklin has not, to the best of its knowledge, been denied access by Home Capital to any information that has been requested, other than information which Home Capital has confirmed to us could not reasonably be expected to have a material effect on the Opinion.

Blair Franklin has conducted such analyses, investigations and testing of assumptions as were considered by Blair Franklin to be appropriate in the circumstances for the purposes of arriving at its opinion as to the fairness, from a financial point of view, of the terms of the Transaction to the Company.
Prior Valuations

The Interim CEO, the Interim CFO, and the EVP of Enterprise Risk Management & Chief Risk Officer of the Company have represented to Blair Franklin that, to the best of their knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to the Company or any of its subsidiaries or any of their respective securities, material assets or liabilities that have been prepared in the two years preceding the date hereof and which have not been provided to Blair Franklin.

Assumptions and Limitations

The Opinion is subject to the assumptions, explanations and limitations hereinbefore described and as set forth below.

We have not been asked to prepare, and have not prepared, a formal valuation or appraisal of Home Capital or any of its securities or assets and this Opinion should not be construed as such. We have, however, conducted such analyses as we considered necessary in the circumstances. In addition, the Opinion is not, and should not be construed as, advice as to the price at which Home Capital common shares may trade at any time. Blair Franklin was not engaged to review any legal, tax or regulatory aspects of the Transaction and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal advisors with respect to such matters. Blair Franklin was not requested to solicit, and did not solicit, interest from other parties with respect to any alternative transaction.

With the Board’s approval and as provided in the Engagement Agreement, Blair Franklin has relied, without independent verification, upon the completeness, accuracy and fair presentation in all material respects of all financial information and the completeness and accuracy of the other information, data, advice, opinions and representations obtained by it from public sources, management of Home Capital (“Management”) and its associates and affiliates and advisors or otherwise (collectively, the “Information”) and we have assumed that the historical information included in the Information did not omit to state any material fact or any fact necessary to be stated or necessary to make that Information not misleading in light of the circumstances in which it was made. This Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as described herein, Blair Franklin has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information. With respect to the forecasts, projections or estimates provided to Blair Franklin and used in the analysis supporting the Opinion, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of Home Capital as to the matters covered thereby at the time of preparation and, in rendering the Opinion, we express no view as to the reasonableness of such forecasts or budgets or the assumptions on which they are based.
Senior Officers of Home Capital have represented to Blair Franklin in a letter of representatives delivered as at the date hereof, among other things, that (i) the Information provided orally by, or in writing by, the Company or any of its subsidiaries or its agents to Blair Franklin relating to the Company for the purpose of preparing this Opinion was, at the date that the Information was provided to Blair Franklin, and is, at the date hereof, together with all other documents which have been filed by Home Capital in compliance with its obligations under applicable securities laws (and to the extent not superseded by a subsequent filing), complete, true and correct in all material respects and did not and does not contain any untrue statement of a material fact in respect of Home Capital or the Transaction and did not and does not omit to state a material fact in respect of Home Capital or the Transaction necessary to make the Information not misleading in light of the circumstances under which the Information was made or provided; and that (ii) since those dates on which the Information was provided to Blair Franklin, except as was disclosed in writing to Blair Franklin, or as publicly disclosed, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Home Capital and no material change has occurred in the Information or any part thereof which would have, or which would reasonably be expected to have, a material effect on the Opinion.

Blair Franklin relied upon the judgment of the Board that, given the uncertainties and risks inherent in the execution of the Company’s business plan, a strategic investment or strategic partnership, such as the Transaction, was necessary under the circumstances at the time.

Blair Franklin has made several assumptions in connection with its Opinion that it considers reasonable, including that, the conditions required to implement the Transaction will be met including the receipt of a financial hardship exemption from the Toronto Stock Exchange. In preparing the Opinion, we have assumed that the executed agreements regarding the Transaction will not differ in any material respect from the forms that we reviewed, and that the Transaction will be consummated in accordance with the terms and conditions of the Draft Investment Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of the securities markets, economic, financial and general business conditions prevailing as at the date hereof and the conditions, financial and otherwise, of Home Capital, and its subsidiaries and affiliates, as they were reflected in the Information and as they were represented to Blair Franklin in discussions with Management. In its analyses and in preparing the Opinion, Blair Franklin made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Blair Franklin or any party involved in the Transaction.

The Opinion has been provided to the Board of Home Capital for its exclusive use only in considering the Transaction and may not be used or relied upon by any other person without the express prior written consent of Blair Franklin. The Opinion does not
constitute a recommendation as to how any shareholder of Home Capital should vote or act on any matter relating to the Transaction. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the management information circular provided to shareholders in connection with the Transaction (the “Circular”) and the submission by the Company of the Opinion to any relevant court or regulatory agency in connection with the approval of the Transaction, the Opinion is not to be disclosed, summarized or quoted from without our prior written consent.

Blair Franklin believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by us, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. This opinion letter should be read in its entirety.

The Opinion is given as of the date hereof and Blair Franklin disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of Blair Franklin after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, Blair Franklin reserves the right to change, modify or withdraw the Opinion.

All amounts herein are expressed in Canadian dollars, unless otherwise stated.

**Overview of Home Capital and Background to Transaction**

Founded in 1977, Home Capital is a holding company that, through its subsidiary Home Trust, provides deposits, mortgage lending, retail credit, and credit card issuing services in Canada. The Company’s primary operations involve issuing mortgages to residential, prime residential and commercial borrowers. Funding for the operations of Home Capital is provided through a retail offering of guaranteed investment certificates (“GICs”) and high interest savings accounts (“HISAs”) (collectively, “Deposits”) as well as debt issued at the corporate level, among other sources. The primary funding product of Home Capital is GICs which are distributed through brokers as well as through the Company’s direct to consumer deposit brand, Oaken Financial.

Leading up to the week of April 24, 2017, Home Trust had (i) liquid assets of approximately $1.5 billion, plus an additional portfolio of available for sale securities totaling approximately $200 million, (ii) a total HISA balance of approximately $1.4 billion and (iii) GIC deposits of approximately $13.01 billion.

Starting in the week of April 24, 2017, Home Capital began to experience a crisis of market confidence leading to, among other things, a run on deposits, funding limitations from certain of its brokers, a reduction in new funding secured and significant declines in the trading price of the Company’s common shares. Consequently, the Company began to experience significant liquidity issues that threatened to materially impact its ability to
continue as a going concern. By April 25, Home Trust’s liquid assets had fallen by approximately $1.3 billion. By April 26, total GIC deposits had declined slightly to $12.97 billion. By April 27, Home Trust’s liquid assets had fallen to approximately $750 million, and total HISA deposit balances had declined to approximately $814 million. By the end of the week, on April 28, total HISA deposit balances dropped to approximately $521 million and total GIC deposits had declined to $12.86 billion.

On April 27, 2017, to address the decline in the Company's HISA balances and the expected continuation of the declines in net funding, Home Capital obtained a commitment for a funding facility, resulting in the Company entering into the May 2017 Credit Agreement on May 1, 2017 secured against a portfolio of mortgages. The Company made an initial draw of $1 billion on this Facility, with an interest rate on outstanding balances of 10%, a 2.5% standby fee on undrawn amounts, and an upfront fee of $100 million. The expense of the May 2017 Credit Agreement, entered into on an emergency basis, was expected to have a material impact on Home Capital's future earnings, leaving it unable to meet previously announced financial targets.

In response to the liquidity crisis that began in late April 2017, in addition to the entering into of the May 2017 Credit Agreement, the Company undertook various initiatives to restore market confidence and liquidity including changes to the Board, a search for a
new CEO and CFO, the suspension of dividends, increases to rates offered on Deposits that coincided with a large marketing campaign aimed at investors, and the sale of certain assets and packages of mortgages. As a result of these efforts, the Company entered into a non-binding arrangement with a third-party to purchase funded mortgages and/or accept mortgage commitments and renewals, came to an agreement on the settlement of claims related to the OSC as well as a putative class action lawsuit (subject to certain conditions), and is negotiating a transaction which would result in the sale of up to $1.2 billion of commercial mortgages. These measures have and will assist in providing liquidity and will assist in paying down part of the drawn balance of the May 2017 Credit Facility.

With regard to longer-term alternatives, pursuant to a process run by financial advisors RBC Capital Markets (“RBC”) and BMO Capital Markets (“BMO”) initiated in early May, 2017, the Company solicited non-binding proposals for the sale or financing of non-core and mortgage assets as well as for long-term economic liquidity funding (“Liquidity Support Transaction”) and/or minority equity sponsorship (“Strategic Partnership”). Pursuant to this process, approximately 88 strategic and financial parties were contacted with 55 of those parties executing Non-Disclosure Agreements. In response to this process, by the June 2nd deadline for proposals, the Company received from parties other than Berkshire, alternative, non-binding written proposals for various types of Liquidity Support Transactions and Strategic Partnerships, including: (i) separate proposals from two parties for liquidity facilities to replace the May 2017 Credit Facility; (ii) three equity sponsorship proposals involving an investment in convertible preferred shares or debt of the Company; and (iii) an unsolicited proposal to acquire 100% of the shares of the Company. Following receipt of the non-binding proposal for the acquisition of all of the shares of the Company, RBC and BMO invited certain other parties previously contacted in the process to submit acquisition proposals or enhance their existing proposals with a deadline of June 12. As part of this subsequent outreach, one additional party submitted a non-binding proposal to acquire 100% of the shares of the Company and certain other parties updated their proposals. All of the proposals received as part of this process were subject to various conditions surrounding financing, exclusivity, due diligence on the Company and/or certain of its assets, and in some cases, approval of relevant governmental or regulatory bodies.

On June 12, 2017, in response to the Company’s process to solicit proposals from third parties, Berkshire made a proposal to enter into a transaction based on a two-step structure similar to the terms of the Transaction, including an initial equity investment representing 19.99% of Home Capital common shares pro forma, an additional equity investment which would take its ownership of Home Capital common shares to 38.39%, for a total equity investment of $400 million at an average price of $10 per share. Notably, the proposed transaction was not subject to any financing, diligence or other material conditions (the “Initial Berkshire Proposal”). Berkshire indicated that this proposal was non-negotiable and would expire on June 14, 2017. Upon receipt and review of this proposal, the Company sought to have Berkshire extend its deadline, but Berkshire turned down the request on the basis that it did not want to risk having its proposal used to attract competing proposals.
After the Board reviewed the structure of the Initial Berkshire Proposal with its advisors, BMO, at the request of the Board, communicated to Berkshire on June 14, 2017 that the first tranche was priced below the maximum discount to the market price allowable under TSX rules and the proposal would therefore require shareholder approval. On June 14, 2017, Berkshire made an alternative proposal which priced the first tranche at $9.55 per share (which was within the allowable discount on that date) and the second tranche at $10.30 per share, maintaining the originally proposed average price of $10 per share; the alternative proposal also included replacing the May 2017 Credit Agreement (the “Final Berkshire Proposal”). On June 15, 2017, staff of TSX advised Home Capital that price protection would likely not be available given recent and pending announcements by Home Capital. Absent an exemption, Home Capital would not be able to complete the first tranche of the Berkshire investment without shareholder approval.

The Board, in consultation with its advisors, determined that it was critical to execute a strategic transaction in as short a timeframe as possible in order to restore confidence, improve liquidity and strengthen its ability to withstand potential future shocks to its business. Based on this, the Board authorized the Company to discuss with the TSX the possibility of obtaining an exemption on the basis of financial hardship from the requirement to obtain shareholder approval for the first tranche of the proposed Berkshire investment. The Final Berkshire Proposal went on to form the basis of the Transaction.

**Overview of Berkshire**

Berkshire is an American multinational conglomerate holding company with a diversified set of majority and minority holdings. Berkshire is recognized for its control and leadership by Warren Buffett, who is the Chairman of the Board, President, and Chief Executive Officer. Berkshire is currently one of the largest public companies in the world with a market capitalization of over US$400 billion. Over the last 52 years, Berkshire’s management has grown per-share book value at a rate of 19%, compounded annually.

**Fairness Considerations**

In support of the Opinion, Blair Franklin has performed certain financial analyses with respect to Home Capital, based on those methodologies and assumptions that we considered appropriate in the circumstances.

Among other things, Blair Franklin has applied certain methodologies in arriving at implied prices for Home Capital common shares under the terms of the Transaction (“Investment Scenario”) and on a standalone basis absent the Transaction (“Standalone Scenario”) in which the Company continues to pursue its business plan and various liquidity alternatives without involving an equity sponsor. The methodologies consist of a dividend discount model approach (the “DDM Approach”) and an analysis of comparable trading multiples (the “Comparable Company Trading Approach”). A precedent transaction approach was considered, but given the lack of information of a comparable nature, this approach was determined by Blair Franklin not to be of material benefit to the analysis. In the context of the Opinion, Blair Franklin has considered the DDM Approach as the principal financial analytical methodology.
Blair Franklin has reviewed and conducted due diligence on a detailed financial model prepared by Management and the Company’s advisors which forecasts the operations and profitability of the Company and includes assumptions on, among other things, GIC funding levels, HISA funding levels, mortgage originations, mortgage renewals, credit facilities, funding costs, mortgage interest rates, required regulatory capital and corporate costs. Blair Franklin has held numerous discussions with Management to clarify assumptions used in the model and to understand recent and expected developments with respect to the Company. Blair Franklin has arrived at its own forecast based on independently determined assumptions for the Standalone Scenario and applied them to the model prepared by Management with a focus on the future funding ability of the Company.

Under the Standalone Scenario, Blair Franklin has assumed that the Company’s funding ability and future cashflows remain, to a certain extent, constrained due to a slow return of confidence in the funding market given the liquidity crisis experienced by Home Capital (as described in the “Home Capital Overview” and “Background to the Transaction” sections above).

Blair Franklin understands that in pursuing a sponsored transaction, Home Capital sought certain benefits that a sponsor could bring to the Company alongside any equity injection proposed. These benefits include a validation and endorsement of the business model, a restoration of depositor confidence, and an enhanced ability to withstand the consequences of an economic downturn and regulatory changes. Further to discussions with Management and the Board, and our own assessment of the facts, Blair Franklin believes that the Transaction and the association with Berkshire will help accomplish these related objectives. As such, under the Investment Scenario, Blair Franklin believes that it is appropriate to alter a number of the underlying model assumptions (in addition to the lower cost associated with the BH Credit Agreement) including, among others:

- an accelerated restoration of the Company’s GIC funding;
- a reduction in GIC funding costs, thereby improving the interest rate spread between mortgage lending and GIC funding; and
- a reduced level of risk in the business.

According to the terms of the Transaction, Berkshire will agree to make two separate equity investments in the Company, the Initial Equity Investment and the Additional Equity Investment. The completion of each of these investments has its own implications regarding the Company’s business risk going forward as well as returns to existing shareholders, the effects of which Blair Franklin has considered in its analysis. In the event of the completion of the Initial Equity Investment, the Additional Equity Investment is not a certainty as it will be subject to majority approval of the Company’s common shareholders, approximately two to three months following the Initial Equity Investment. The indicative share price range implied for the Investment Scenario by each of the methodologies described below incorporates both the case where the Additional Equity Investment is approved by common shareholders and the case where it is not approved.
DDM Approach

Blair Franklin’s DDM Approach involves the development of a forecast cashflow to equity (dividends) for each of the Standalone and Investment Scenarios. Blair Franklin created a comprehensive forecast which included assumptions regarding macro-economic, market specific, and Company specific factors; such assumptions were developed through discussions with Management, as well as Blair Franklin’s independent analysis of the Company’s historical performance and a general industry assessment.

Blair Franklin considered a number of key factors when evaluating the Company under each Scenario including, but not limited to, (i) the amount and timing of GICs and other Deposits the Company would be able to raise throughout the forecast, (ii) the amount and timing of mortgages and other loans the Company would be able to originate with the given funding constraints, (iii) the amount and timing of dividends that the Company would choose to and be able to pay given the funding constraints, regulatory requirements, earnings, and amount of distributable or excess capital on the Company’s balance sheet.

Blair Franklin then employed a cost of equity to discount the expected dividend flows for each Scenario back to the present day and then applied a terminal Price to Book Value of Equity (“P/BV”) multiple (the “Terminal Multiple”) on the Company’s residual book value and discounted this value back to the present. A range of discount rates was used to reflect the equity risk in each scenario. The Terminal Multiple was selected in accordance with a regression analysis of the relationship between comparable companies’ Return on Equity (“ROE”) and P/BV (as described in the Comparable Company Trading Approach section), including an assumed takeover premium.

Standalone Scenario

For the Standalone Scenario, Blair Franklin’s key base case assumptions consisted of the following:

(i) the Company is able to generate Deposit inflows of approximately $400 million per month for the remainder of 2017, increasing to $450 million per month in 2018 and $500 million per month in 2019, with similar growth for the remainder of the five-year forecast;

(ii) total mortgage originations are approximately $325 million per month through the remainder of 2017, increasing to $420 million per month in 2018 and $470 million per month in 2019, with additional gradual increases thereafter. Under the Standalone Scenario, the Company would continue to build its deposit and liquidity base before increasing the amount of capital it would utilize for loan originations;

(iii) the Company reinstates its quarterly dividend policy in the fourth quarter of 2019 at 25% of trailing earnings, with additional special dividends to distribute excess capital in subsequent quarters throughout the forecast period.
Discount rates for the Standalone Scenario were estimated considering the significant risk of operating the business without a strong sponsor, particularly in light of the crisis of confidence that the Company experienced. Blair Franklin considered, among other things, the spread of Home Capital’s historical cost of equity over its cost of debt pre-crisis, and applied this spread to various current reference points, including the May 2017 Credit Agreement interest rate, and interest rates on facilities that formed part of non-binding written proposals submitted in the strategic review process; Blair Franklin also reviewed the implied cost of capital for distressed North American companies and researched target returns of equity investors in distressed situations. Based upon our analysis we selected a range of equity discount rates under the Standalone Scenario of 15.0% to 20.0%.

Based on the ROE generated in the Standalone Scenario base case, Blair Franklin assigned a terminal multiple of 1.0x to 1.2x the book value of equity.

The DDM analysis of the Standalone Scenario indicated an approximate implied price per common share of between $15.53 and $22.25.

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<thead>
<tr>
<th>DDM Approach Sensitivities</th>
<th>Change in Implied Share Price</th>
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<tbody>
<tr>
<td><strong>Standalone Scenario</strong></td>
<td><strong>Low Point of Range</strong></td>
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<tr>
<td>+/- 0.5% Discount Rate</td>
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<td>+/- 0.1x Terminal Multiple</td>
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<td>+/- $50mm / Month New Funding &amp; Mortgages¹</td>
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**Investment Scenario**

For the Investment Scenario, Blair Franklin’s key base case assumptions consisted of the following:

(i) the Company is able to generate Deposit inflows of $525 million per month immediately following the Initial Equity Investment. Funding would increase to $575 million per month in 2018 and $650 million per month in 2019, with additional gradual increases thereafter. The long-term funding levels are consistent with the Company’s long-term historical performance;

(ii) total mortgage originations are approximately $500 million per month through the remainder of 2017, increasing to $550 million per month in 2018 and $625 million per month in 2019, with additional gradual increases for the remainder of the forecast;

¹ Unadjusted for impact that changes in funding will have on the terminal multiple due to the resulting higher/lower ROE
(iii) the Company would reinstate its quarterly dividend policy in the fourth quarter of 2018 at 25% of trailing earnings, with additional special dividends to distribute excess capital in subsequent quarters throughout the forecast period.

Discount rates for the Investment Scenario reflect a gradual restoration of confidence in the market. Blair Franklin considered Home Capital’s cost of equity for the period prior to the liquidity crisis, and the current and expected cost of debt. Based upon our review and analysis, we selected a range of equity discount rates under the Investment Scenario of 10.5% to 12.5% (with this range of discount rates adjusted downwards by 0.5% under the Tranche Two Case).

Based on the ROE generated in the Investment Scenario base case, Blair Franklin assigned a terminal multiple of 1.2x to 1.4x book value of equity.

The DDM analysis of the Investment Scenario indicated an approximate implied price per common share of between $21.16 and $29.61.

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<td><strong>Investment Scenario</strong></td>
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<td>+/- $50mm / Month New Funding &amp; Mortgages2</td>
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**Comparable Company Trading Approach**

Blair Franklin has reviewed the trading multiples and metrics of 12 Canadian financial institutions, including large and small Canadian banks as well as Canadian mortgage focused banks. We have also reviewed the historical trading multiples and metrics of Home Capital in the period prior to the liquidity crisis in relation to the group of comparable companies.

Blair Franklin conducted a regression analysis on the comparable public companies identified. The regression analysis was statistically significant and focused on the relationship between a company’s P/BV multiple and that company’s ROE. Using this relationship, an implied trading price of Home Capital as of the end of calendar 2018 was generated under both the Standalone Scenario and the Investment Scenario. These values were then discounted back to today at the equity discount rates described under the DDM Approach above.

**Standalone Scenario**

Based on the 2018 ROE generated in the Standalone Scenario base case, Blair Franklin assigned a terminal multiple of 0.8x to 1.0x book value of equity. The share prices

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2 Unadjusted for impact that changes in funding will have on the terminal multiple due to the resulting higher/lower ROE
implied by this were then discounted back to the present using the same cost of equity assumptions employed under the DDM Approach. The Comparable Company Trading Approach for the Standalone Scenario indicated an approximate implied price per common share of between $16.96 and $22.60.

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<td>+/- 0.1x Terminal Multiple</td>
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<td>+/- $50mm / Month New Funding &amp; Mortgages&lt;sup&gt;3&lt;/sup&gt;</td>
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**Investment Scenario**

Based on the 2018 ROE generated in the Investment Scenario base case, Blair Franklin assigned a terminal multiple of 1.1x to 1.3x book value of equity. The share prices implied by this were then discounted back to the present using the same cost of equity assumptions employed under the DDM Approach. The Comparable Company Trading Approach for the Investment Scenario indicated an approximate implied price per common share of between $20.26 and $28.20.

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<td>+/- $50mm / Month New Funding &amp; Mortgages&lt;sup&gt;4&lt;/sup&gt;</td>
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**Other Factors Considered**

Blair Franklin has considered a number of other factors in arriving at the Opinion:

- the historical trading prices of the common shares of Home Capital on the TSX over the 52-week period ending April 19, 2017, which indicate a share price range of $21.70 to $39.60;

<sup>3</sup> Unadjusted for impact that changes in funding will have on the terminal multiple due to the resulting higher/lower ROE

<sup>4</sup> Unadjusted for impact that changes in funding will have on the terminal multiple due to the resulting higher/lower ROE
• the historical trading prices of the common shares of Home Capital on the TSX over the period between the announcement of the OSC’s intentions on April 20, 2017 and June 16, 2017, with a share price range of $5.85 to $17.71; and

• the process in which RBC and BMO, on behalf of the Company, solicited non-binding proposals regarding a Liquidity Support Transaction and/or a Strategic Partnership, and the non-binding proposals received pursuant to that process.

• the Standalone Scenario gives rise to a number of cases, including those that would be more adverse to the Company than the base case described above. Certain of these adverse cases call into question Home Capital’s ability to continue as a going concern. On a Standalone basis, the Company would remain vulnerable to further funding and operational shocks that could be caused by internal or external factors which may be outside of the Company’s control.

• the Initial Equity Investment implies less share dilution than the case where the Additional Equity Investment is completed. As such, the higher end of the implied share price ranges identified in the previous section is reflective of the Initial Equity Investment. However, the Additional Equity Investment implies certain benefits beyond those available under the Initial Equity Investment only, including reduced risk as a result of more equity capital in the Company and the additional confidence generated by having a more financially committed partner of the strength and reputation of Berkshire.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, Blair Franklin is of the opinion that, as of the date hereof, the terms of the Transaction are fair, from a financial point of view, to the Company.

Yours very truly,

Blair Franklin Capital Partners Inc.

BLAIR FRANKLIN CAPITAL PARTNERS INC.
To the Board of Directors:

BMO Nesbitt Burns Inc. (“BMO Capital Markets” or “we” or “us”) understands that Home Capital Group Inc. (the “Company”) and Berkshire Hathaway Inc. (“Berkshire”) propose to enter into an investment agreement to be dated on or about June 21, 2017 (the “Investment Agreement”) pursuant to which, among other things, a wholly-owned subsidiary of Berkshire will acquire up to 40,000,000 common shares of the Company (“Shares”) and a wholly-owned subsidiary of Berkshire will enter into an agreement (the “Berkshire Credit Facility”) providing a $2 billion credit facility to Home Trust Company, a subsidiary of the Company that will replace the existing $2 billion credit facility led by a major Canadian institutional investor (the “May 2017 Credit Facility”) on terms that, save for select differences in rates, ability to terminate and term, are substantially similar to those of the May 2017 Credit Facility. The Shares would be acquired in two tranches, the first tranche consisting of 16,044,580 Shares at a price of $9.55 per Share and the second tranche consisting of 23,955,420 Shares at a price of $10.30 per Share for total consideration of $400,000,000. The first tranche will be subject to TSX approval for an exemption from the requirements to obtain shareholder approval, relying on the “financial hardship” provisions of the TSX Company Manual and the second tranche will be subject to approval by not less than a majority of the votes cast by the Company’s shareholders, excluding shares beneficially held by Berkshire or over which it exercises control or direction. The transactions contemplated by the Investment Agreement and the Berkshire Credit Facility are referred to herein as the “Transaction”. The terms and conditions of the Transaction will be summarized in the Company’s Material Change Report (the “MCR”) to be filed with Canadian securities regulatory authorities in connection with the announcement of the Transaction and in the Company’s management proxy circular (the “Circular”) to be mailed to its shareholders in connection with the special meeting of the shareholders to be held to consider, and if deemed advisable, to approve the second tranche of the issue of Shares.

We have been retained to provide financial advice to the Company, including our opinion (the “Opinion”) to the board of directors of the Company (the “Board of Directors”) as to the fairness from a financial point of view of the terms of the Transaction to the Company.

ENGAGEMENT OF BMO CAPITAL MARKETS

The Company initially contacted BMO Capital Markets regarding a potential advisory assignment in late April, 2017. BMO Capital Markets was formally engaged by the Company pursuant to an engagement letter dated May 2, 2017 and effective as of April 25, 2017, as amended on June 21, 2017 (effective as of May 9, 2017) (as amended, the “Engagement Agreement”).
Under the terms of the Engagement Agreement, BMO Capital Markets agreed to provide the Company and the Board of Directors with various advisory services in connection with a review of strategic alternatives which may be available to the Company, including, among other things, the provision of the Opinion.

BMO Capital Markets will receive a fee for rendering the Opinion. We will also receive certain fees for our advisory services under the Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Transaction. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement.

**CREDENTIALS OF BMO CAPITAL MARKETS**

BMO Capital Markets is one of North America’s largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

**INDEPENDENCE OF BMO CAPITAL MARKETS**

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario) or the rules made thereunder) of the Company, Berkshire, or any of their respective associates or affiliates (collectively, the “Interested Parties”).

BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than: (i) acting as co-financial advisor to the Company pursuant to the Engagement Agreement; (ii) acting as joint-lead (left) bookrunner for the Company’s 1.35% NHA MBS Pool #97507599 due September 1, 2021 which closed on September 15, 2016; (iii) acting as joint-lead (right) bookrunner for the Company’s 1.30% NHA MBS Pool #97505799 due August 1, 2020 which closed on March 11, 2016; and (iv) acting as joint-lead (right) bookrunner for the Company’s 1.70% NHA MBS Pool #97506342 due December 1, 2020 which closed on December 15, 2016.

There are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.
BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Investment. In addition, Bank of Montreal (“BMO”), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

SCOPE OF REVIEW

In connection with rendering the Opinion, we have reviewed, relied upon, or carried out, among other things, the following:

1. a draft of the Investment Agreement dated June 18, 2017;
2. the May 2017 Credit Facility and an understanding of the select changes to its terms that would be implemented by the Berkshire Credit Facility;
3. certain publicly available information relating to the business, operations, financial condition and trading history of the Company and other selected public companies we considered relevant;
4. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company relating to the business, operations and financial condition of the Company;
5. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company;
6. various alternative proposals (the “Alternate Proposals”) from third parties with respect to potential equity and debt investments, asset sale and asset-backed financing transactions, replacement credit arrangements and change of control transactions, together with assessments by management and the Board of Directors of the financial merits as well as the certainty of the terms of such proposals and their respective impacts on investor confidence in the Company, all relative to their risks of completion;
7. resolutions of the Board of Directors in respect of the Transaction;
8. the application to the Toronto Stock Exchange by Torys LLP for an exemption from the requirements to obtain shareholder approval for the issuance of the first tranche of Shares to Berkshire;
9. discussions with management of the Company relating to the Company’s current business plan, financial condition and prospects;

10. public information with respect to selected precedent transactions we considered relevant;

11. a letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by senior officers of the Company; and

12. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company’s control requested by BMO Capital Markets, other than certain information which the Company has confirmed to us could not reasonably be expected to have a material effect on the Opinion.

ASSUMPTIONS AND LIMITATIONS

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources or provided to us by or on behalf of the Company or otherwise obtained by us in connection with our engagement (the “Information”). The Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company and the Board of Directors, having regard to the Company’s business, plans, financial condition and prospects.

Senior officers of the Company have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets orally by, or in the presence of, an officer or employee of, the Company, or in writing by the Company or any of its subsidiaries (as defined in National Instrument 45-106 – Prospectus and Registration Exemptions) or any of its or their representatives in connection with our engagement was, at the date the Information was provided to BMO Capital Markets, and is, as of the date hereof, complete (subject to the above limitation with respect to certain information), true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the Securities Act (Ontario)); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed publicly or to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries, and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.
In preparing the Opinion, we have assumed that the executed Investment Agreement will not differ in any material respect from the draft that we reviewed, that the Berkshire Credit Facility will be substantially similar to the May 2017 Credit Facility other than with respect to those elements that are understood to change, and that the Transaction will be consummated in accordance with the terms and conditions of the Investment Agreement and the Berkshire Credit Facility without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and the Board of Directors and their representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Transaction, including determining that an orderly wind-up of the Company was not a feasible or relevant alternative.

The Opinion is provided to the Board of Directors for its exclusive use only in considering the Transaction and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any shareholder should vote or act on any matter relating to the Transaction. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular and the submission by the Company of the Opinion to any relevant court or regulatory agency in connection with the approval of the Transaction, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company or of any of its affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Transaction and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal advisors with respect to such matters.

In considering the fairness of the terms of the Transaction, to the Company from a financial point of view, BMO Capital Markets relied upon the judgment of the Board that, given the uncertainties and risks inherent in the execution of the Company’s business plan, a strategic investment or strategic partnership, such as the Transaction, was necessary under the circumstances at the time.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the information we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.
APPROACH TO FAIRNESS

In considering the fairness of the terms of the Transaction to the Company from a financial point of view, BMO Capital Markets considered, among other things, the following:

1. the potential impact of the Transaction on the market’s confidence in Home Trust Company's capacity as a federally regulated trust company to successfully operate as an alternative lender offering deposit, mortgage lending, retail credit, and credit card issuing services;

2. the potential impact of the Transaction on the risk that the Company's cash flow from operations and available liquidity would be insufficient to finance the funding necessary to execute its operating strategy; and

3. that based on these criteria, the Transaction is more certain (based on the assessment of management and the Board of Directors) and better, from a financial point of view, than the Alternative Proposals.

CONCLUSION

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the terms of the Transaction are fair from a financial point of view to the Company.

Yours truly,

BMO Nesbitt Burns Inc.
To the Board:

RBC Dominion Securities Inc. (“RBC”), a member company of RBC Capital Markets, understands that Home Capital Group Inc. ("HCG" or “the Company”) and Columbia Insurance Company, a wholly-owned subsidiary of Berkshire Hathaway, Inc. ("Berkshire") propose to enter into an agreement to be dated on or about June 21, 2017 (the “Investment Agreement”) pursuant to which Berkshire, through its wholly-owned subsidiaries, will agree to purchase C$400 million of the Company’s common shares in a two-step private placement transaction and provide a new C$2 billion credit facility to Home Trust Company, a subsidiary of the Company (together, the “Transaction”).

In the first step of the private placement (the “Initial Investment”), Berkshire will indirectly purchase 16,044,580 common shares of the Company, representing approximately 19.99% of the pro-forma common shares to be outstanding upon completion of the Initial Investment, at a price of $9.55 per common share. The Initial Investment is subject to TSX approval for an exemption from the requirements to obtain shareholder approval, relying on the financial hardship provisions of the TSX Company Manual and is expected to close on June 29, 2017. In the second step of the private placement (the “Additional Investment”), Berkshire will indirectly purchase an additional 23,955,420 common shares of the Company at a price of C$10.30 per common share. Following completion of the Additional Investment, Berkshire will own, in aggregate, approximately 38.39% of the Company’s common shares. The Additional Investment will be subject to approval by holders of the Company’s common shares (other than Berkshire) at a special meeting of shareholders that is expected to take place in September 2017. A wholly-owned subsidiary of Berkshire will also enter into a new C$2 billion loan facility (the “New Credit Agreement”) with Home Trust Company, a subsidiary of the Company. The New Credit Agreement will replace the C$2 billion loan facility previously provided to Home Trust Company by a major Canadian institutional investor (the “Existing Credit Agreement”). The terms of the New Credit Agreement will be substantially the same as those of the Existing Credit Agreement, with the following exceptions:

- The interest rate on outstanding balances will be decreased to 9.5% (from 10.0% under the Existing Credit Agreement) until the completion of the Initial Investment, after which it will be further decreased to 9%
The standby fee on undrawn funds will be decreased to 1.75% (from 2.5% under the Existing Credit Agreement) until completion of the Initial Investment, at which time it will be further decreased to 1%

There will be no commitment fee

The facility will mature in one year from the initial funding and may not be terminated for one year

The terms of the Transaction will be more fully described in a Management Information Circular of the Company (the “Circular”), which will be mailed to shareholders of the Company in connection with the Additional Investment.

The board of directors (the “Board”) of the Company has retained RBC to provide advice and assistance to the Board in evaluating the Transaction, including the preparation and delivery to the Board of RBC’s opinion (the “Fairness Opinion”) as to the fairness of the terms of the Transaction from a financial point of view to the Company. RBC has not prepared a valuation of the Company or any of its securities or assets and the Fairness Opinion should not be construed as such.

**Engagement**

The Board initially contacted RBC regarding a potential advisory assignment in April 2017, and RBC was formally engaged by the Board through an agreement between the Company and RBC (the “Engagement Agreement”) dated May 9, 2017. The terms of the Engagement Agreement provide that RBC is to be paid a fee for its services as financial advisor, including fees that are contingent on any equity or debt financing (including the Transaction), asset sales by the Company, change of control of the Company, or certain other events. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Company in certain circumstances. RBC consents to the inclusion of the Fairness Opinion in its entirety and a summary thereof in the Circular to be mailed to shareholders of the Company and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in each province of Canada.

**Relationship With Interested Parties**

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario)) of the Company, Berkshire, or any of their respective associates or affiliates. RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Company, Berkshire or any of their respective associates or affiliates, within the past two years, other than the services provided under the April 25, 2017 engagement letter relating to advising on a liquidity funding solution, the Engagement Agreement, and as disclosed herein. In the past two years, RBC acted as financial advisor to HCG in connection with its substantial issuer bid announced February 10, 2016. In the past two years, RBC has been engaged in the following capacities for Berkshire and its affiliates: (i) co-manager on MidAmerican Energy Company’s US$850 million debt offering in January 2017, (ii) bookrunner on AltaLink LP’s C$450 million debt offering in November 2016, (iii) bookrunner on AltaLink LP’s C$350 million debt offering in May 2016, (iv) co-manager on MidAmerican Energy Company’s US$650 million debt offering in October 2015, and (v) bookrunner on AltaLink LP’s C$350 million debt offering in June 2015. Other than pursuant to the Engagement Agreement, there are no understandings, agreements or commitments between RBC and the Company, Berkshire or any of their respective associates or affiliates with respect to any future business dealings. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Company, Berkshire or any of their respective associates or affiliates. Royal Bank of Canada, controlling shareholder of RBC, provides banking services to certain associates or affiliates of Berkshire in the normal course of business.
RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company, Berkshire or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, Berkshire, any of their respective associates or affiliates or the Transaction.

Credentials of RBC Capital Markets

RBC is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally. The Fairness Opinion expressed herein represents the opinion of RBC and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Scope of Review

In connection with our Fairness Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. the most recent draft, dated June 18, 2017 of the Investment Agreement;
2. the summary of the terms of the New Credit Agreement as presented to the Board, dated June 15, 2017;
3. audited financial statements of the Company for each of the five years ended December 31, 2012 through 2016;
4. the unaudited interim reports of the Company for the quarter ended March 31, 2017;
5. annual reports of the Company for each of the two years ended December 31, 2015 and 2016;
6. the Management Information Circular and Notice of Annual Meeting of Shareholders of the Company for each of the two years ended December 31, 2015 and 2016;
7. annual information forms of the Company for each of the two years ended December 31, 2015 and 2016;
8. unaudited projected financial statements for the Company on a consolidated basis and segmented by business unit prepared by management of the Company for the years ending December 31, 2017 through 2021;
9. discussions with senior management of the Company;
10. discussions with the Company’s legal counsel;
11. public information relating to the business, operations, financial performance and stock trading history of the Company and other selected public companies considered by us to be relevant;
12. public information with respect to other transactions of a comparable nature considered by us to be relevant;
13. public information regarding the Canadian mortgage lending industry;
14. public information regarding Berkshire;
15. representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of the Company as to the completeness and accuracy of the information upon which the Fairness Opinion is based; and
16. such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

RBC has not, to the best of its knowledge, been denied access by the Company to any information requested by RBC, other than confidential regulatory information which the Company has confirmed to us could not reasonably be expected to have a material effect on the Fairness Opinion.

Assumptions and Limitations

With the Board’s approval and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial (including, without limitation, the financial statements of the Company) and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Company, and their consultants and advisors (collectively, the “Information”). The Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Senior officers of the Company have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information (as defined above) provided to RBC orally by, or in the presence of, an officer or employee of the Company or in writing by the Company, any of its affiliates or any of their respective agents or advisors for the purpose of preparing the Fairness Opinion was, at the date provided to RBC, and is at the date hereof, complete, true and correct in all material respects, did not and does not contain any untrue statement of a material fact and did not and does not omit to state any material fact necessary to make such Information, or any statement contained therein, not misleading in light of the circumstances in which it was provided to RBC; and that (ii) since the dates on which the Information was provided to RBC, except as disclosed publicly or in writing to RBC, there has been no material change or change in material facts, financial or otherwise, in or relating to the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries, material change in the Information, or other material change or change in material facts, in each case, that might reasonably be considered material to the Fairness Opinion.

In preparing the Fairness Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Transaction will be met.

In considering the fairness of the terms of the Transaction, from a financial point of view, to the Company, RBC relied on the judgment of the Board that, given the uncertainties and risks inherent in the execution of the Company’s business plan, a strategic investment or strategic partnership, such as the Transaction, is necessary under current circumstances.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of the Company. In its analyses and in preparing the Fairness Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Transaction.
The Fairness Opinion has been provided for the use of the Board and may not be used by any other person or relied upon by any other person other than the Board without the express prior written consent of RBC. The Fairness Opinion is given as of the date hereof and RBC disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to RBC’s attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, RBC reserves the right to change, modify or withdraw the Fairness Opinion.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any holder of the common shares of the Company as to whether to vote in favour of the Additional Investment.

Fairness Analysis

Approach to Fairness

In considering the fairness of the terms of the Transaction, from a financial point of view, to the Company, RBC principally considered and relied upon the following approaches:

1. an analysis of the potential pro-forma trading impact on the Company’s common shares as a result of the Transaction compared to alternative proposals received by the Company, based principally on price to book value multiples and other metrics we considered relevant, and taking into consideration comparable public companies in the Canadian mortgage lending industry and broader financial sector; and,

2. an analysis of the potential financial impact of the Transaction on the Company’s access to and cost of deposit funding.

Fairness Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the terms of the Transaction are fair from a financial point of view to the Company.

Yours very truly,

RBC DOMINION SECURITIES INC.
Questions? Need Help Voting?

Please contact our Strategic Shareholder Advisor and Proxy Solicitation Agent, Kingsdale Advisors

CONTACT US:

North American Toll Free Phone:

1-866-581-0510

E-mail: contactus@kingsdaleadvisors.com

Fax: 416-867-2271

Toll Free Fax: 1-866-545-5580

Outside North America, Banks and Brokers
Call Collect: 416-867-2272

KINGSDALE Advisors