NEWS RELEASE

HOME CAPITAL REACHES AGREEMENT WITH BERKSHIRE HATHAWAY FOR INVESTMENT OF UP TO C$400 MILLION IN COMMON EQUITY AND PROVISION OF NEW C$2 BILLION CREDIT FACILITY

• Represents a very strong validation and endorsement of Home Capital from world-renowned long-term value investor
• Relationship enhances Home Capital’s progress in capital and deposit markets
• Proceeds from common equity investment provide additional liquidity and capital in the near term
• Replacement of existing emergency credit facility on improved terms, providing the Company with a lower cost backstop facility
• Approximately C$247 million of the C$400 million equity investment is subject to shareholder approval

For Immediate Release

TORONTO, June 21, 2017 – Home Capital Group Inc. (TSX: HCG) (“Home Capital” or the “Company”) is pleased to announce that Berkshire Hathaway Inc. (“Berkshire”) has agreed to indirectly acquire C$400 million of the Company’s common shares on a private placement basis and provide a new C$2 billion line of credit facility to Home Trust Company (together, the “Transaction”).

“Berkshire’s investment in Home Capital is a strong vote of confidence in the fundamental, long-term value of our business,” said Brenda Epriile, Chair of the Home Capital Board of Directors. “We are pleased to partner with such a renowned institution in a transaction that we believe will reward all our investors for their patience and loyalty by enhancing the value of Home Capital over time.”

Ms. Epriile added: “Since April, the Board has been diligently exploring solutions to restore the confidence of depositors and shareholders and to create stability and value for all of the Company’s stakeholders. This is a very important step on that road. This investment from Berkshire not only addresses Home Capital’s near-term requirements for additional liquidity and a lower-cost credit agreement, but also facilitates what the Board feels is the best available path to long-term success.”

“Home Capital’s strong assets, its ability to originate and underwrite well-performing mortgages, and its leading position in a growing market sector make this a very attractive investment,” said Warren E. Buffett, Berkshire Chairman and Chief Executive Officer.
After considering numerous alternative proposals, the Board determined that the Berkshire transaction provides current shareholders with the best available combination of transaction certainty and the potential for enhanced shareholder value, and is in the best interests of the Company, taking into account the interests of its stakeholders including depositors.

Terms of Equity Investment

Initial Investment

Berkshire, through its wholly-owned subsidiary Columbia Insurance Company, has agreed to make an initial investment (the “Initial Investment”) of C$153,225,739 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 (25% on a pre-issuance basis). Each common share in the Initial Investment will be 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 on which Berkshire made its final proposal to the Company (a 20% discount to the 20-day VWAP at the close of trading prior to this announcement).

Subject to TSX approval for reliance on the “financial hardship” provisions of the TSX Company Manual (as described below), the Initial Investment will not require approval of the Company’s shareholders and is expected to close on June 29, 2017. The Initial Investment is subject to customary closing conditions and is not subject to any financing or diligence condition.

Additional Investment

Berkshire, through its wholly-owned subsidiary Columbia Insurance Company, has agreed to make an additional investment (the “Additional Investment”) of C$246,774,261 to acquire 23,955,420 common shares on a private placement basis, which, together with its Initial Investment, would represent an approximate 38.39% equity stake in the Company. Each common share in the Additional Investment 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 Company (a 14% discount to the 20-day VWAP at the close of trading prior to this announcement).

On completion of the Additional Investment, Berkshire will have acquired 40 million common shares at an average price of approximately C$10.00 per common share and will indirectly hold an approximate 38.39% economic interest in the Company on a post-issuance basis (62% on a pre-issuance basis). However, Berkshire has agreed that for as long as it owns more than 25% of the outstanding Common Shares it will only be entitled to vote that number of shares that represents 25% of the outstanding Common Shares, unless and until it obtains the required regulatory approvals to enable it to vote greater than a 25% interest.

The Additional 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 Investment is also subject to Canadian Competition Act clearance and other customary closing conditions. The Additional Investment is not subject to any financing or diligence condition. If approved by the Company’s shareholders, it is anticipated that the Additional Investment by Berkshire would close shortly after the required special shareholders meeting.
Replacement of Existing Credit Agreement

The Company has caused Home Trust Company, as borrower, to agree to enter into a new C$2 billion loan facility (the “New 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 Company. The New Credit Agreement will replace the C$2 billion loan facility made as of May 1, 2017 between Home Trust Company, as borrower, and a major institutional investor (the “Existing Credit Agreement”), and is expected to be effective on June 29, 2017.

The New Credit Agreement is on substantially the same terms as the Existing Credit Agreement, except as follows:

- the interest rate on outstanding balances will be decreased to 9.5% (from the current 10%) until completion of the Initial Investment, at which time it will be further decreased to 9%
- the standby fee on undrawn funds will be decreased to 1.75% (from the current 2.5%) until completion of the Initial Investment, at which time it will be further decreased to 1%
- there will be no upfront commitment fee
- funds drawn on the facility will continue to be pre-payable at any time
- the facility will mature in one year from the initial funding and may not be terminated for one year
- all other terms of the New Credit Agreement are substantially similar or identical to the Existing Credit Agreement

The Company will draw on the New Credit Agreement to repay all amounts outstanding under the Existing Credit Agreement and the Existing Credit Agreement will be terminated.

The Company does not currently intend to draw further on the New Credit Agreement, except to the extent that alternative sources of liquidity on better terms are unavailable to the Company. The Company expects to have sufficient liquidity over the coming months to repay all amounts outstanding under the New Credit Agreement through other sources of liquidity currently under consideration. However, there can be no assurance that such other sources of liquidity will materialize or when, and therefore the Company may be required to draw on the New Credit Agreement in greater amounts and for longer periods than currently anticipated.

Other Material Terms of Transaction

Berkshire will not be granted any rights to nominate directors of the Company or any governance rights as an equity holder. Berkshire will be granted customary registration rights for transactions with a significant shareholder.

The investment agreement contains non-solicitation covenants of the Company, subject to fiduciary obligations of the board of directors of the Company (the “Board”). The Board has agreed to recommend to the shareholders that they vote in favour of the Additional Investment. If the Board makes a change in its recommendation for any reason and shareholder approval of the Additional Investment by Berkshire is not obtained, then the terms of the New Credit Agreement will be on substantially the same terms as the Existing Credit Agreement, except as follows:

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The above is a summary of the material terms of the investment agreement. A copy of the investment agreement will be filed with Canadian securities regulators and will be available at www.sedar.com.

**Board Recommendation**

The Board, together with its legal and financial advisors, has been conducting an ongoing and robust process starting in April 2017, to explore a variety of solutions to regain the confidence of depositors and shareholders and create value for all of the Company’s stakeholders. Through this process, the Board has considered a wide range of alternatives, including potential equity and debt investments, sale transactions and replacement credit arrangements. While the Company received non-binding proposals of a wide-ranging nature, including those that would provide the potential for a sale of all of the shares of the Company, the Board determined that the proposal from Berkshire provides current 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 Board unanimously agreed that in order to reduce the risk to the Company of future potential economic downturns, policy and regulatory risk and to restore stakeholder confidence, a strong corporate sponsor was required.

Accordingly, the Board, after consultation with its legal and financial advisors, has unanimously determined that the Transaction is in the best interests of the Company and recommends that shareholders vote in favour of the Additional Investment by Columbia Insurance Company.

The Company obtained fairness opinions dated as of June 18, 2017 from each of its financial advisors, BMO Capital Markets and RBC Capital Markets and from its independent financial advisor, Blair Franklin Capital Partners, that, based upon and subject to the limitations and qualifications therein, the terms of the Transaction are fair, from a financial point of view, to the Company.

The Company will continue over the next year to refine its approach to liquidity and capital management, including by exploring further asset sales and financing transactions, but has concluded its strategic review.

**Toronto Stock Exchange Financial Hardship Exemption**

Based on the 5-day VWAP of the common shares as of the close of trading immediately prior to the execution of the investment agreement, the common shares issued in the Initial Investment would be issued at a 34% discount to the market price. Since the price of C$9.55 per common
share for the Initial Investment is below the allowable discount to market price under the Toronto Stock Exchange (“TSX”) rules, shareholder approval would normally be required by TSX.

While the Company intends to seek shareholder approval of the Additional Investment, Berkshire has required under the terms of the Transaction that the Initial Investment not be subject to the delay and uncertainty of shareholder approval. Additionally, as noted above, at the time the proposal was made by Berkshire, the price of C$9.55 per common share represented a 15% discount to the market price and would have been within the allowable discount under TSX rules at such time. However, following receipt of Berkshire’s proposal, the Company announced its settlement with the Ontario Securities Commission and of the related class action, and an agreement to sell assets to enhance liquidity, and the market price of the common shares increased.

The Transaction is designed to improve the Company’s financial situation, was negotiated at arm’s length, and was considered by the Board, all of whom are free from any interest in the Transaction and unrelated to Berkshire. The Board noted that the Company has suffered an extraordinary and well-publicized loss of stakeholder confidence since April 2017, which led to a liquidity crisis that seriously threatened the Company’s ability to continue to operate, and which has resulted in ongoing instability. In addition, there has been significant public discussion and commentary regarding possible steps that Home Trust Company’s and Home Bank’s prudential regulator and other government agencies may take to cool the housing and mortgage market. Any such regulatory steps could happen in the near term and could have a serious and adverse effect on the Company’s business. In connection with its application to TSX, the Board determined that, due to the significant uncertainty created, the Company is in serious financial difficulty and, after consultation with its legal and financial advisors, that the Transaction is reasonable for the Company in the circumstances and is in the best interests of the Company. It provides access to lower cost debt financing than under the Existing Credit Facility, and it is designed to restore confidence in the Company, particularly by its depositors, and therefore ultimately improves the Company’s future prospects. The Company intends to use the net proceeds of the Initial Investment for general corporate purposes, which may include investing in securities or instruments that qualify as regulatory capital of Home Trust Company and/or deposit notes or other debt instruments of Home Trust Company.

For the reasons above, the Company has applied to TSX pursuant to the “financial hardship” provisions of section 604(e) of the TSX Company Manual for an exemption from the requirement under section 607(e) of the TSX Company Manual to obtain shareholder approval for the Initial Investment. The completion of the Initial Investment is subject to the acceptance of notice of the investment by TSX with an exemption from the requirement to obtain shareholder approval pursuant to the aforementioned section 604(e).

BMO Capital Markets and RBC Capital Markets acted as financial advisors, and Blair Franklin Capital Partners has provided an independent fairness opinion, to Home Capital in connection with the Transaction.

Conference Call

Home Capital Group Inc. (TSX:HCG) will host a conference call for analysts on Thursday, June 22, 2017 at 8:30 a.m. ET to discuss this transaction followed by a question and answer period.
The conference call will be made available by dialing (647) 427-7450 or 1 (888) 231-8191 (toll-free in North America). Please call 10 minutes before the start of the call. To listen to the call via live audio webcast, visit Home Capital’s website at www.homecapital.com

A replay of the call will be available at 11:30 am ET on Thursday, June 22, 2017 until midnight ET on June 29, 2017. To listen to the replay, call 1 (855) 859-2056, passcode 43805862.

Caution Regarding Forward-looking Statements

This press release contains forward-looking information within the meaning of applicable Canadian securities legislation, including relating to the timing, completion and consequences of the Transaction and the Company’s expectations regarding its future liquidity and access to debt financing. Please refer to the Home Capital’s 2016 Annual Report, available on Home Capital's website at www.homecapital.com, and on the Canadian Securities Administrators’ website at www.sedar.com, for Home Capital’s Caution Regarding Forward-looking Statements.

About Home Capital Group Inc.

Home Capital Group Inc. is a public company, traded on the Toronto Stock Exchange (HCG), operating through its principal subsidiary, Home Trust Company. Home Trust is a federally regulated trust company offering residential and non-residential mortgage lending, securitization of insured residential mortgage products, consumer lending and credit card services. In addition, Home Trust offers deposits via brokers and financial planners, and through its direct to consumer deposit brand, Oaken Financial. Home Trust also conducts business through its wholly owned subsidiary, Home Bank. Licensed to conduct business across Canada, Home Trust has offices in Ontario, Alberta, British Columbia, Nova Scotia, Quebec and Manitoba.

About Berkshire Hathaway Inc.

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, finance, manufacturing, retailing and services. Common stock of Berkshire is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

FOR FURTHER INFORMATION:

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