



# Investor Presentation

## Q2 2014

September 4<sup>th</sup>, 2014



# Forward-Looking Statements

Certain forward-looking statements may be made in this presentation, including statements regarding possible future business, financing and growth objectives. Investors are cautioned that such forward-looking statements involve risks and uncertainties detailed from time to time in the Company's periodic reports filed with Canadian regulatory authorities. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Equitable Group Inc. does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf except in accordance with applicable securities laws.

[www.equitablebank.ca](http://www.equitablebank.ca)

# Business Profile

- **9<sup>th</sup> largest independent Schedule I bank in Canada by assets**
- **Proven lending and deposit-taking capabilities**
- **Diversified across residential and commercial markets**
- **40+ year track record**
- **144<sup>th</sup> most profitable company in Canada**  
(Globe & Mail, 2013)



Metric	EQB	CWB	LB
ROE (%)	18.0%	14.5%	11.8%
EPS Growth	18%	16%	1%
Assets	\$12Bn	\$20Bn	\$34Bn
CET1 Ratio	13.4%	8.1%	7.6%

Notes:

All performance figures are for YTD Q2 2014

ROE and EPS Growth for LB represent adjusted figures

# Extensive asset and funding distribution channels

## Broad Origination Channels

Mortgage Brokers

Bank Referrals

Partner Relationships



Deposits  
(GICs and HISAs)

Warehouse Line

Deposit Notes

Securitization  
(NHA programs)

Debt and Equity  
Capital

## Strong and Stable Funding Sources

# Our Lines of Business

**Equitable Group**

TSX:EQB

↓ 100% ownership



**Single Family Residential**  
**\$4.2Bn**



- Business for self
- Newcomers
- Previously credit challenged

**Commercial**  
**\$2.3Bn**



- Real estate investors
- Self employed-owner operators

**Securitization Financing**  
**\$5.9Bn**



- Real estate investors
- Self employed-owner operators

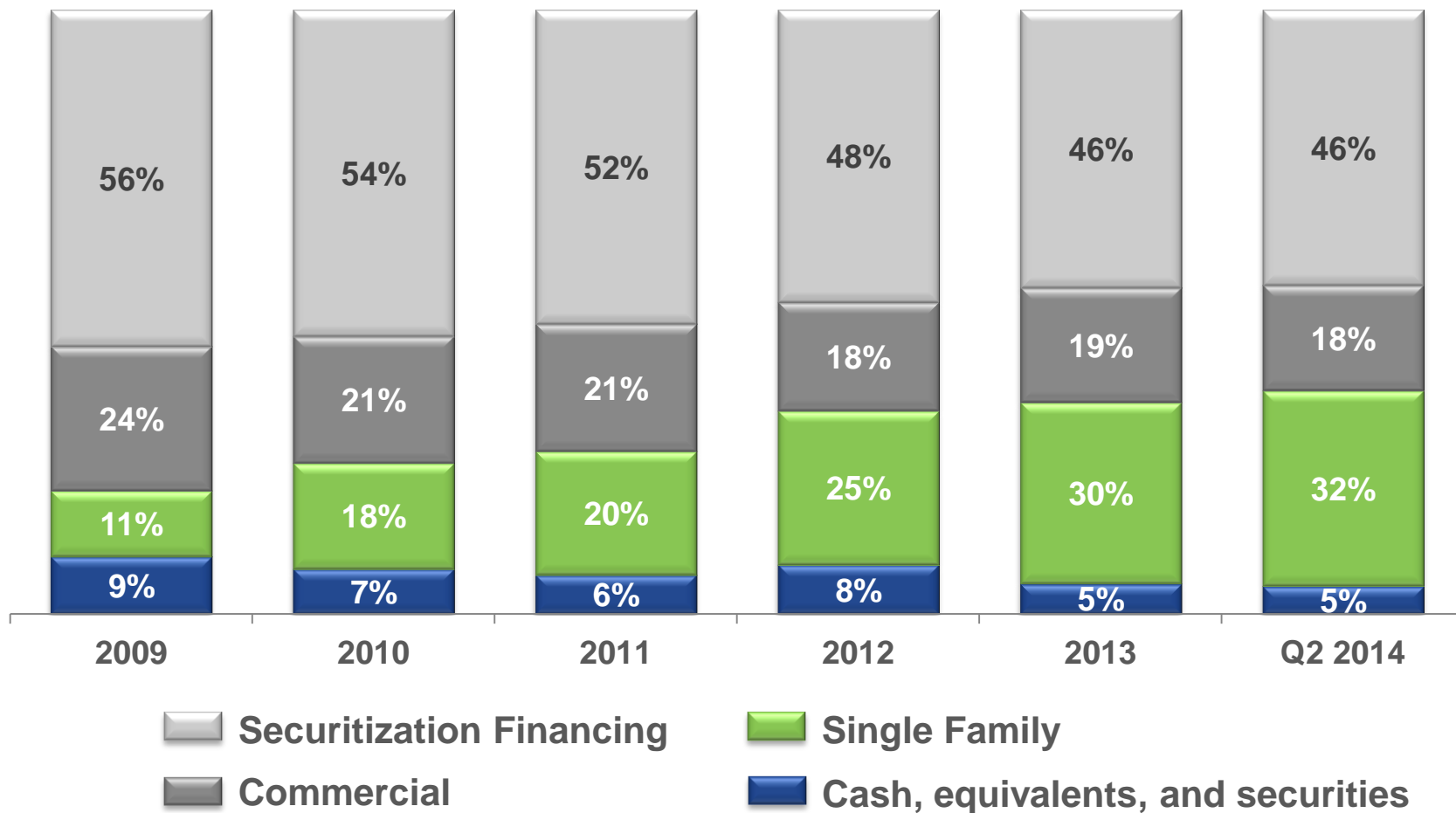
**Deposit Services**  
**\$6.5Bn**



- Canadian savers

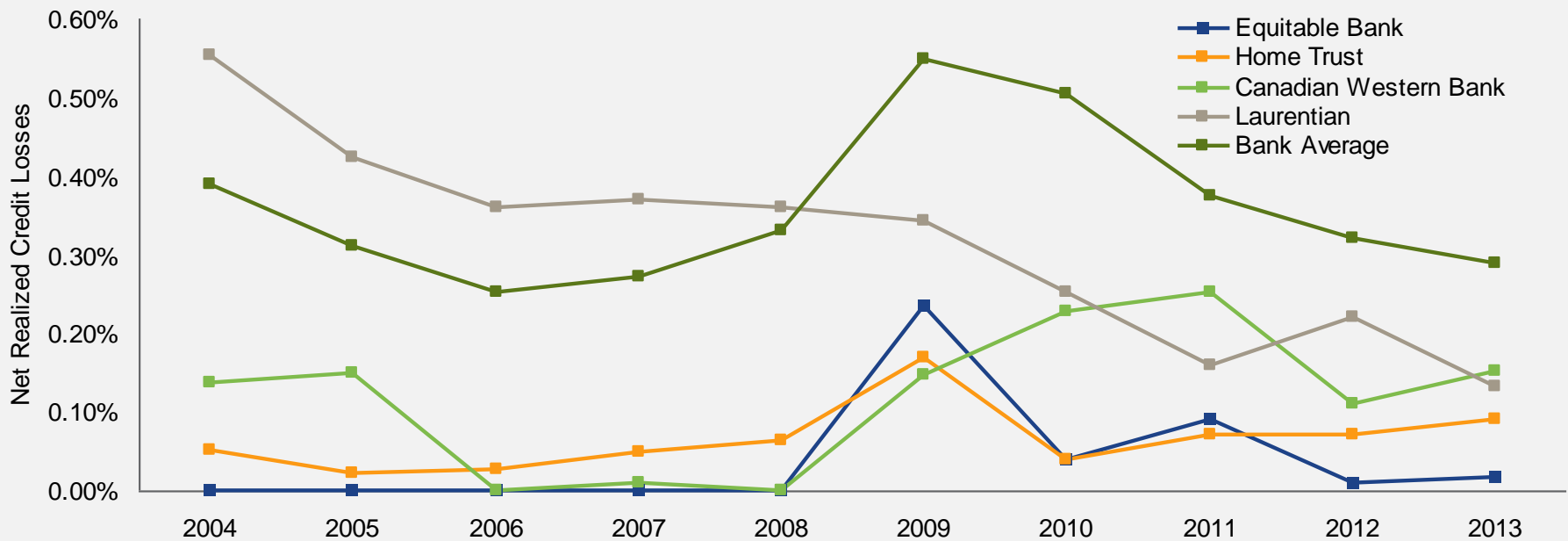
# A diversified and changing asset mix

## Distribution of Assets Under Management



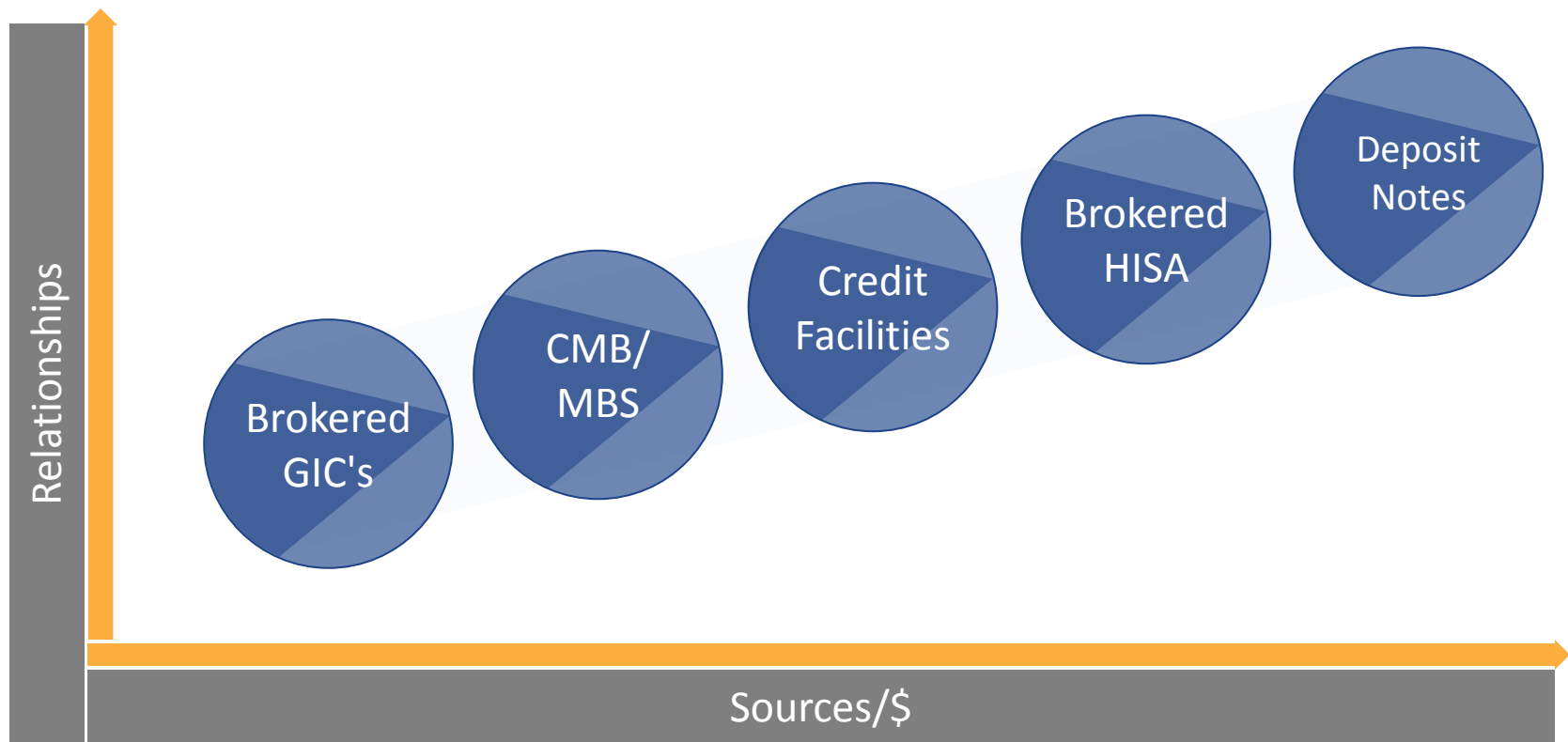
# A strong risk management framework and low loss levels

Net Realized Credit Losses as a % of Total Loans



Minimal Credit Losses and Strong Relative Performance Highlight Portfolio Quality

# Broadening our funding sources







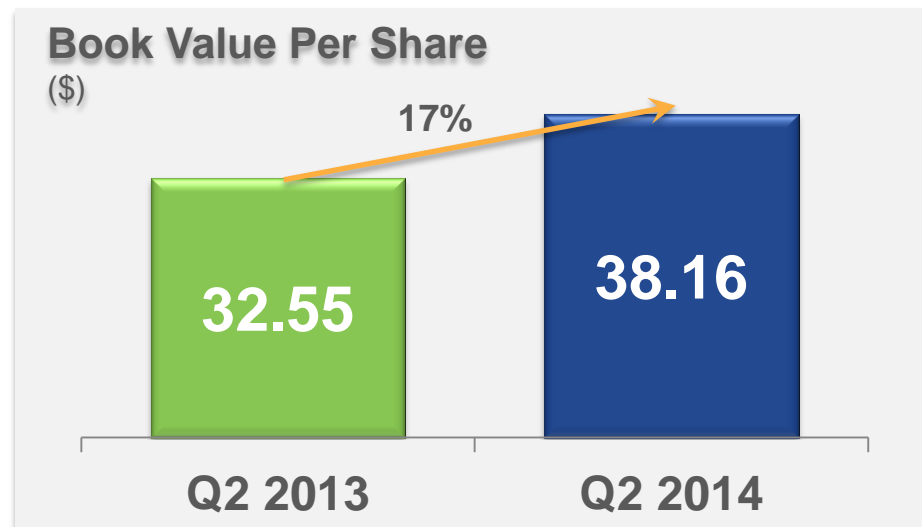
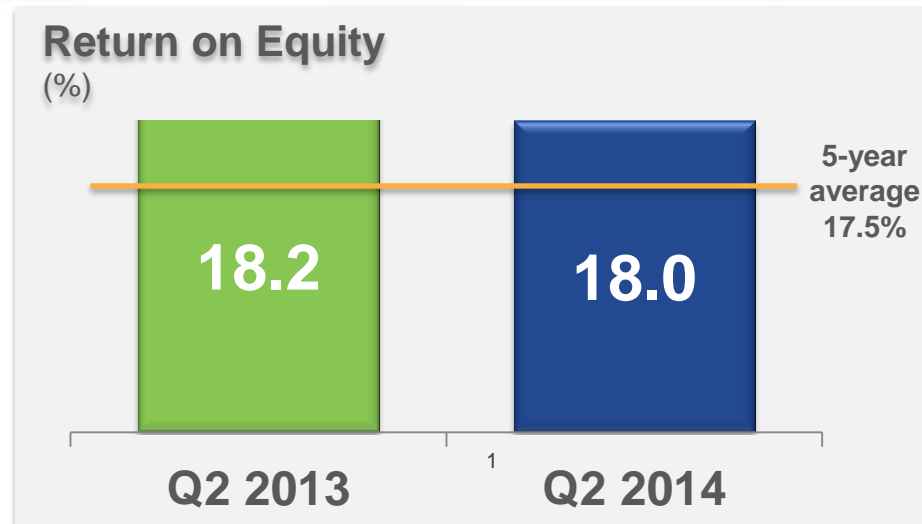
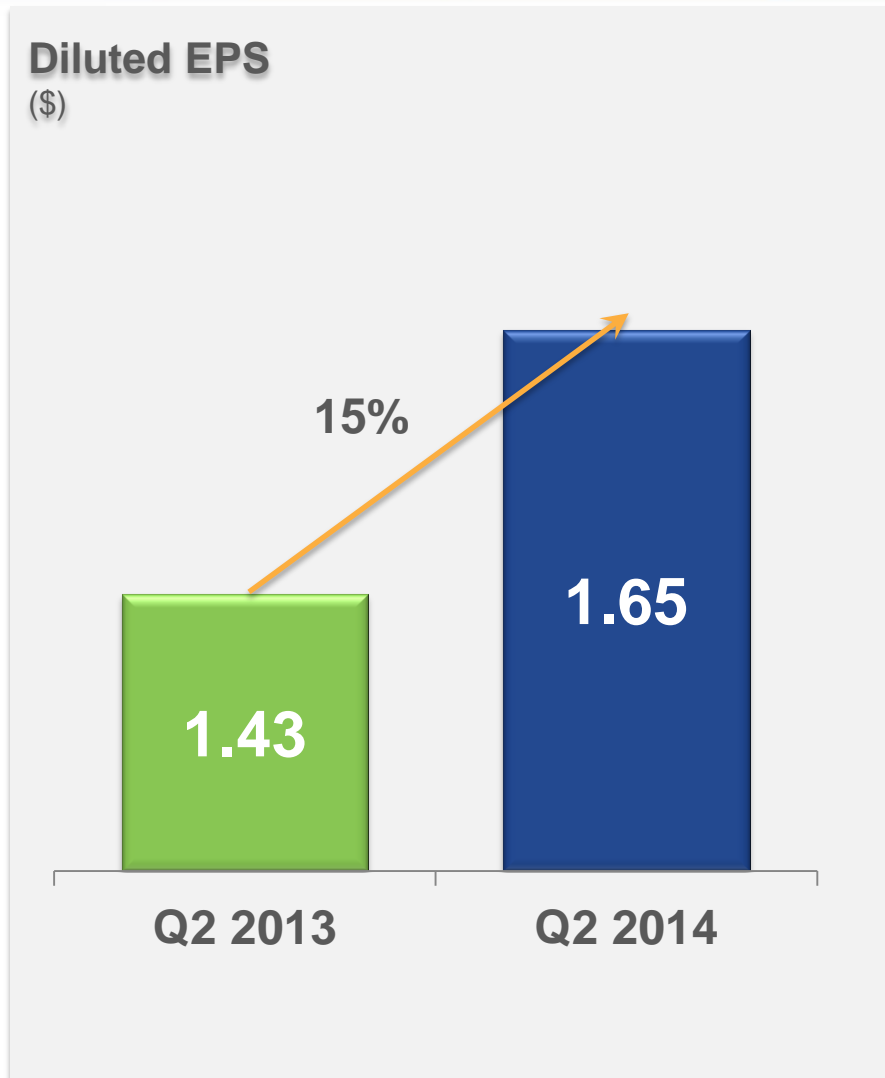
# Q2 2014 Results

# Accomplishments During Q2 2014

Objectives	Results
<p><b>Consistently create shareholder value</b></p>	<ul style="list-style-type: none"> <li>✓ Record net income and book value</li> <li>✓ ROE of 18%; above 5 year average of 17.5%</li> <li>✓ Successfully completed \$75 million Preferred Share offering to support growth without dilution</li> <li>✓ Crested \$1Bn of market capitalization in July</li> </ul>
<p><b>Grow by providing effective service, competitive products and cost-efficient operations</b></p>	<ul style="list-style-type: none"> <li>✓ Q2 Single Family production record of \$501M (up 25% over Q2 2013)</li> <li>✓ 23% y-o-y growth in Single Family mortgage principal</li> <li>✓ Grew HELOC balances</li> </ul>
<p><b>Build our capabilities and brand</b></p>	<ul style="list-style-type: none"> <li>✓ Broadened deposit base (HISA and \$150M Deposit Note)</li> <li>✓ Prepared for imminent launch of prime lending business</li> </ul>

## Record Quarterly Results

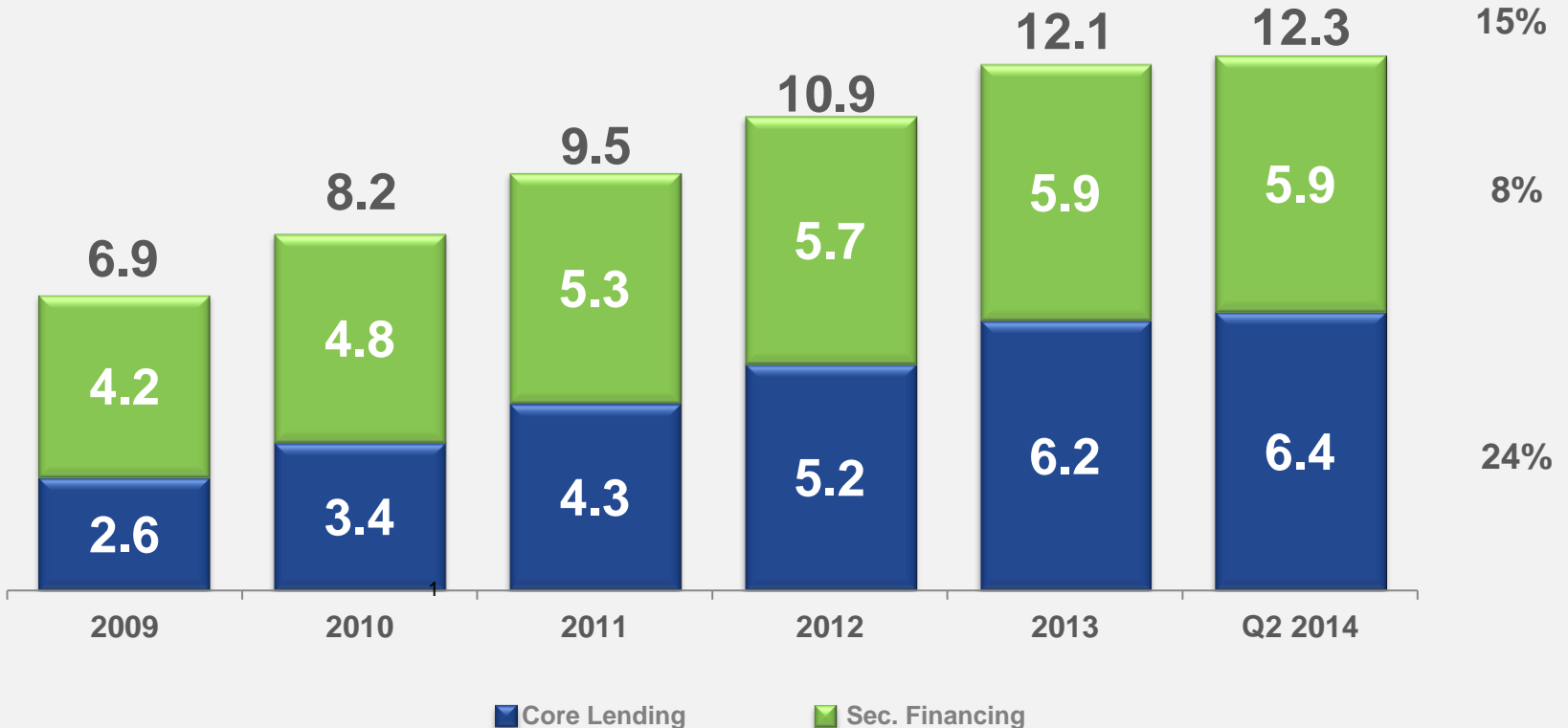
# Growth in our key financial metrics



# A consistently strengthening franchise

**Mortgages Under Management**  
(\$billions)

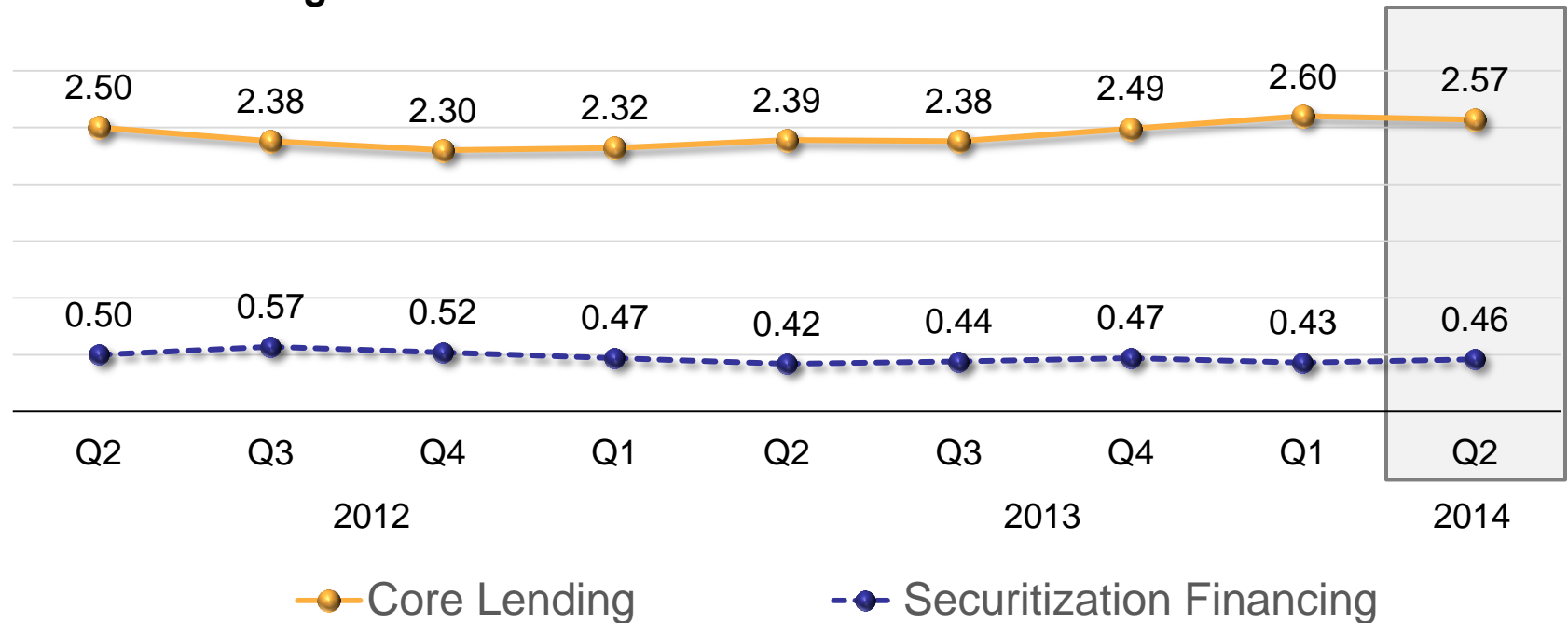
CAGR



**Service Drives Growth and Market Share Gains**

# Margin expansion continues

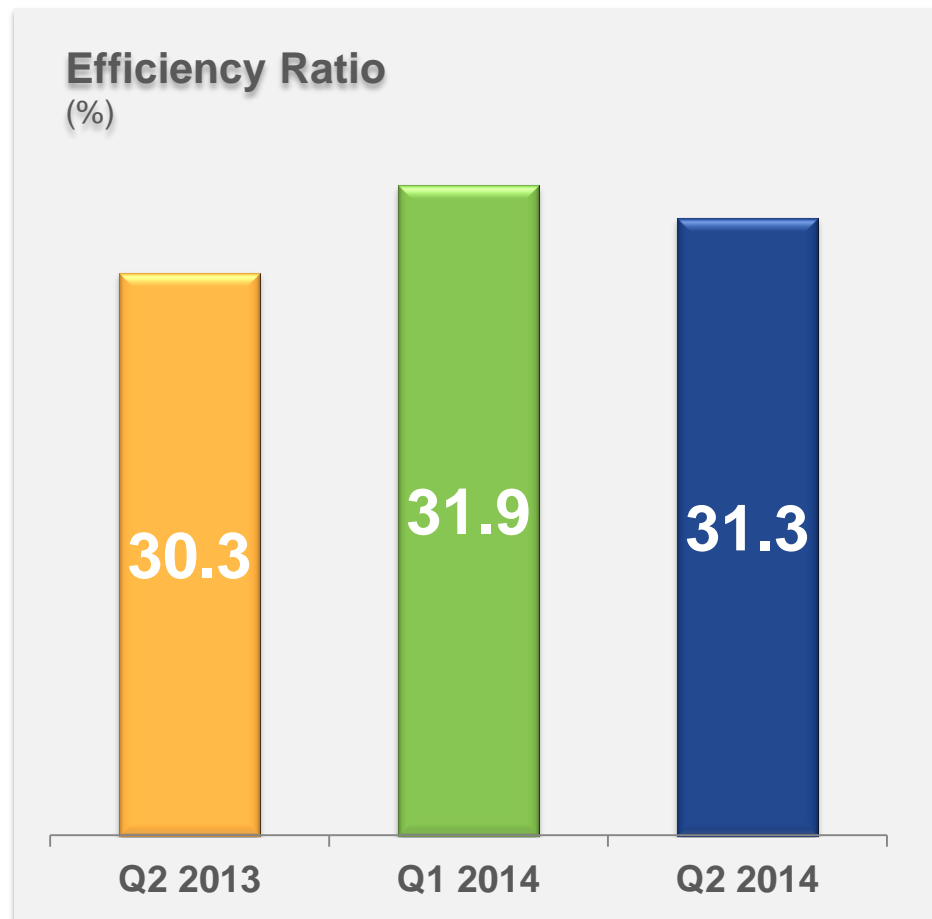
Net Interest Margin – TEB



Total	1.49%	1.49%	1.44%	1.42%	1.46%	1.50%	1.60%	1.67%	1.69%
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# Advantage of Non-Branch Business Model

- Improvement over Q1 due to reduced rate of expense growth
- Year-over-year change consistent with our expectations and due to:
  - 19% FTE growth and stock appreciation (adding \$2.2 million of cost)
  - \$0.3 million for deferred HELOC product development amortization



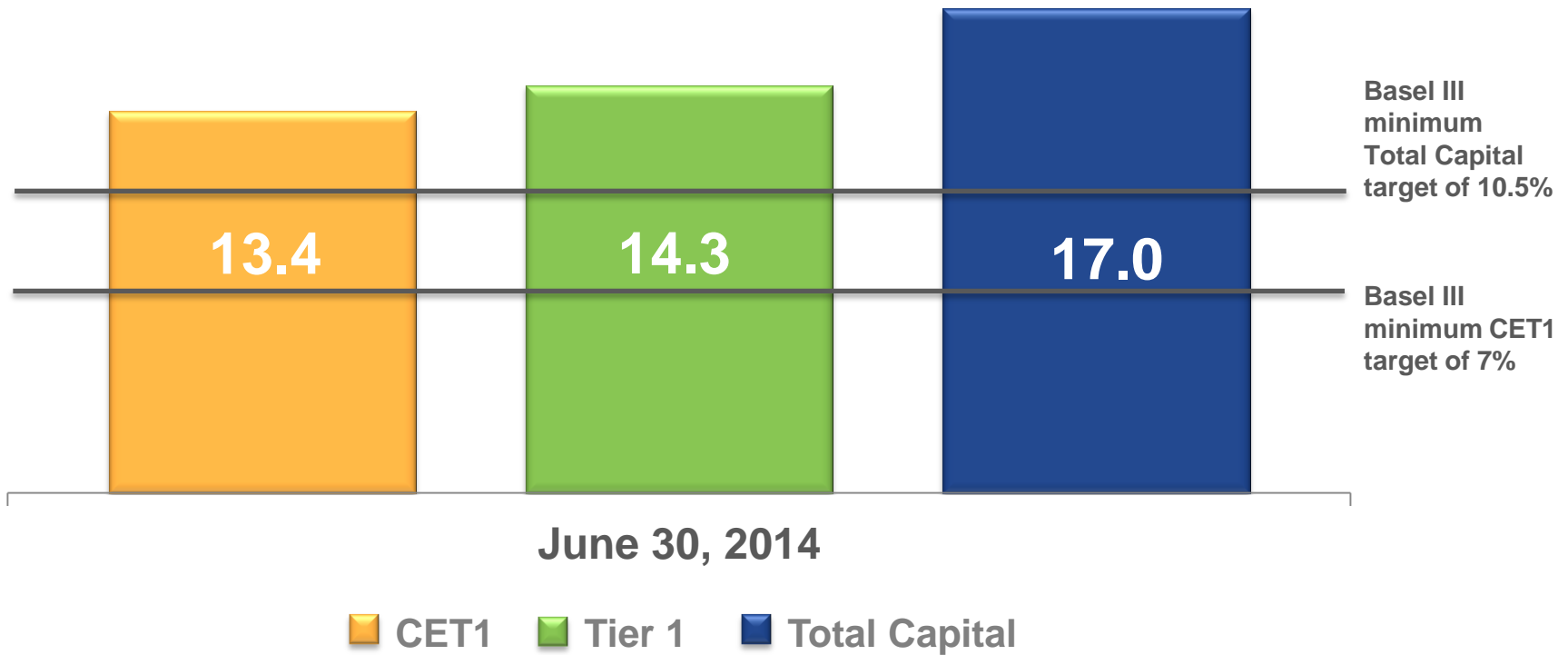
# High level of credit quality

Portfolio Credit Risk Metrics	Q2 2014	Q1 2014	Q2 2013
Average LTV of residential portfolio (current value)	68%	69%	69%
Insured mortgages as a % of total	45%	45%	50%
Uninsured Downtown Toronto condo exposure	\$49MM	\$50MM	\$51MM
Net impaired mortgages as a % of total	0.31%	0.35%	0.22%
Allowance for losses as a % of impaired loans	85%	75%	105%

**High Quality Portfolio Driven by a Culture of Risk Management**

# Solid capital ratios

## Equitable Bank Capital Ratios (%)





# Positive Outlook

**Regulatory Developments**

**Product Diversification**

**Geographic Expansion**

# Federal budget supports our objectives

*“Economic Action Plan 2014 will review the regulatory framework to ensure that new financial institutions can emerge, grow and compete to offer Canadians better products and services”*

- Promote the entry and growth of smaller institutions, while preserving the safety and soundness of the sector
- Improve the ability of smaller banks to access funding from CMHC
- Potentially require large bank-owned dealers to provide access to deposit distribution channels for small federally regulated banks and trusts

# Key Market Developments



- **Creates opportunities for Equitable to:**
  - Increase origination of insured mortgages
  - Enter the prime single family business
  - Insure conventional mortgages and access lower cost funding
- **May also create a shift in higher credit quality borrowers from the banks to alternative lenders**

# Entering Prime mortgage market

- Creates new growth channel
- Addresses needs of new borrowers and existing borrowers whose needs evolve
- Diversifies credit mix
- Funded at low-cost through CMHC NHA MBS allocations

**The entrepreneurial spirit starts at home.**

You're running a successful business and now it's time to find a place you can call home. Whether it's a place for your family or your home office, I can help you find a mortgage solution to refinance or purchase with a down payment starting at 5%.\*

Please contact me today to get started on financing your home mortgage.

\*Subject to credit review and restrictions.

FirstName LastName  
Mortgage Agent, Licence # xxxxxxxx  
Company Name  
TEL: xxx-xxx-xxxx  
FAX: xxx-xxx-xxxx  
Email: yourname@yourevents.com  
www.yourevents.com

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welcome2CAN mortgage  
staycation mortgage  
investure mortgage  
homeENTREPRENEUR mortgage

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**Service**

To ensure that you receive the level of service that you have come to expect from Equitable Bank, we've built an underwriting team just for the eqb evolution suite, and you still keep the existing relationship with your RBM. You'll get service and quick turn-around times from Equitable Bank; if you submit your deal before 1pm (ET), you'll receive a response before the end of that business day.

**Details**

FEATURES	INSURED UP TO 95% LTV	CONVENTIONAL UP TO 90% LTV
Down Payment	Minimum 5%	Minimum 20% equity
Purchase	✓	✓
Refinance	✓	✓
ENTREPRENEUR mortgage	(Qualified)	✓
Investure mortgage	✓	✓
staycation mortgage	(Maximum 90%)	✓
welcome2Can mortgage	✓	✓
Minimum Amortization	15 years	15 years
Maximum Amortization	25 years	25 years
New Construction (Extended Rate Guarantee)	120 days	120 days
Prepayment Penalties	15 x 15*	15 x 15*

\*For Adjustable Rate Mortgage terms, the prepayment privilege is limited to a maximum lump sum payment amount of 15% of the original principal balance, once per 12-month period.

**Compensation for Brokers**

Term Distribution	Finder Fee	Volume Bonus	Total Comp.
6 Month Conventional	25 BPS	5 BPS	30 BPS
1 Year Fixed	50 BPS	23 BPS	73 BPS
2 Year Fixed	55 BPS	23 BPS	78 BPS
3 Year Fixed and 3 Year Adjustable Rate	60 BPS	23 BPS	83 BPS
4 Year Fixed	60 BPS	23 BPS	83 BPS
5 Year Fixed and 3 Year Adjustable Rate	80 BPS	30 BPS	110 BPS

Volume bonus paid up front.

**evolution suite**

Your road map to prime mortgages

For rates or more information, please contact your Regional Business Manager.

30 St. Clair Avenue West, Suite 700  
Toronto, Ontario M4V 3A1  
Tel 416-515-7000 Fax 416-515-7001  
Toll Free 1-866-407-5858  
Toll Free Fax 1-866-407-5859

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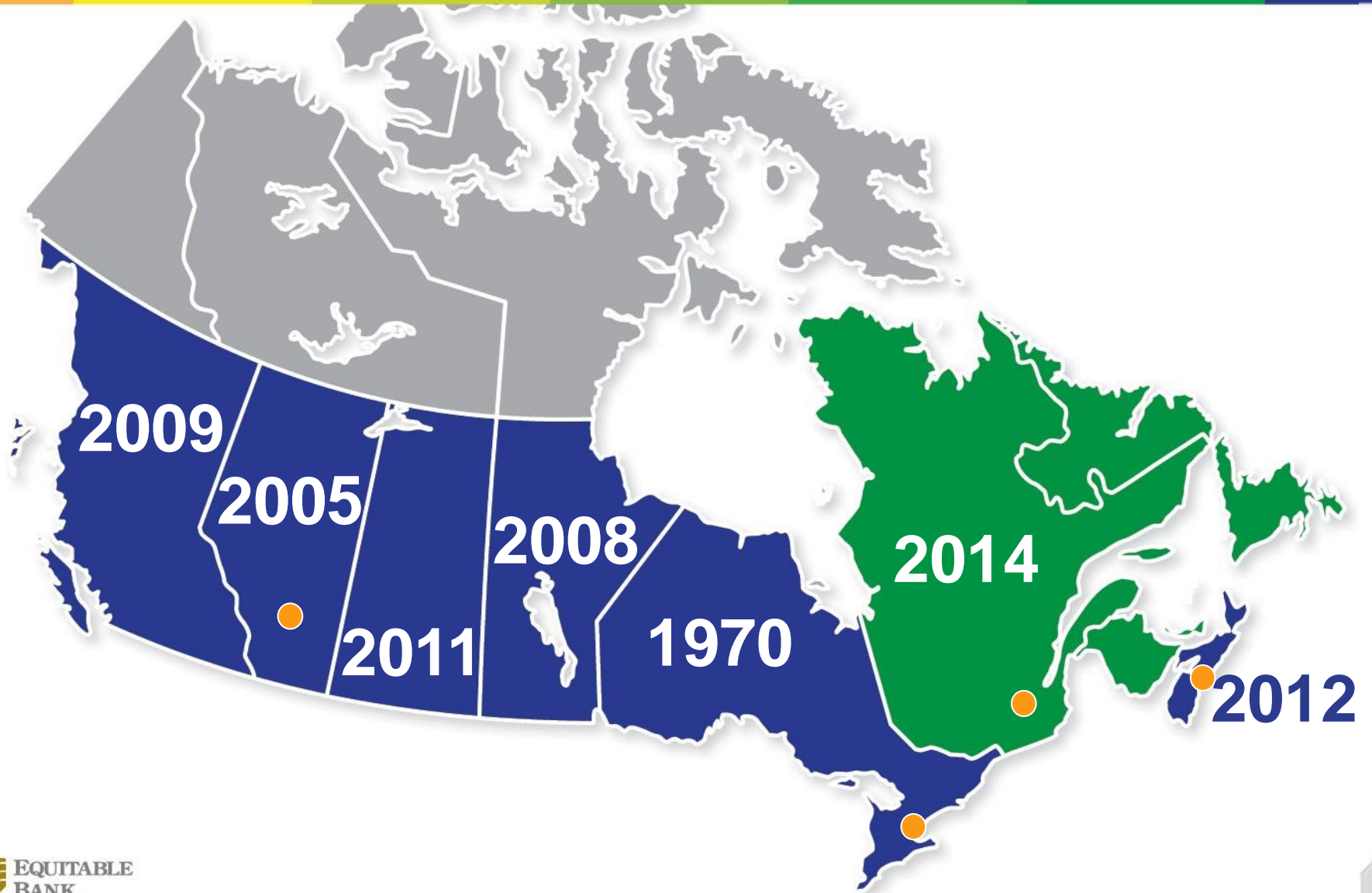
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now eligible for the

**2014 Incentives program**

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# Growing our national footprint





# Summary

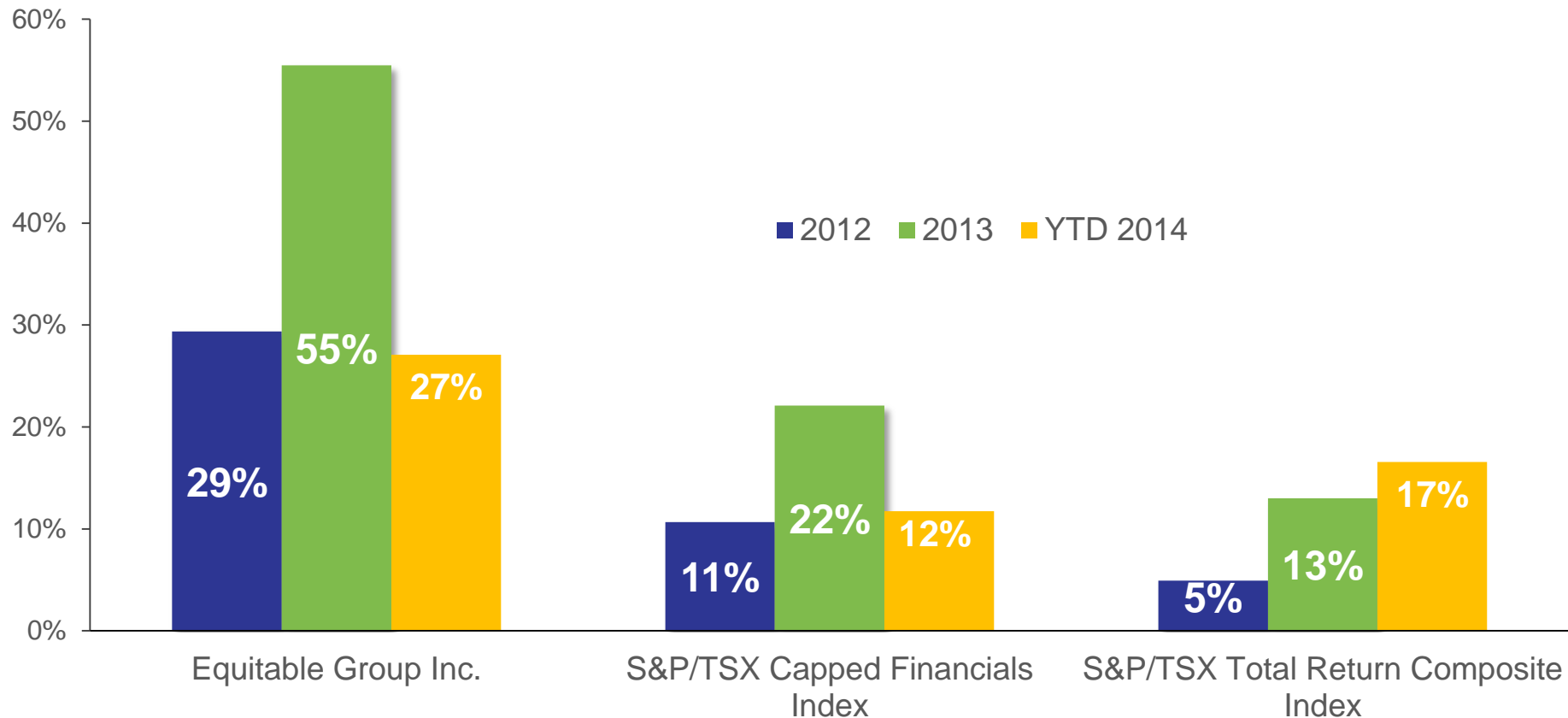
# Why invest?

-  **Growing and differentiated financial services company, operating through our bank subsidiary**
-  **Long-term record of consistently high returns and low credit losses**
-  **Compelling market and regulatory developments**
-  **Positive earnings momentum and disciplined capital allocation**



# Delivering high returns to shareholders

## Total Shareholder Return vs. Benchmarks



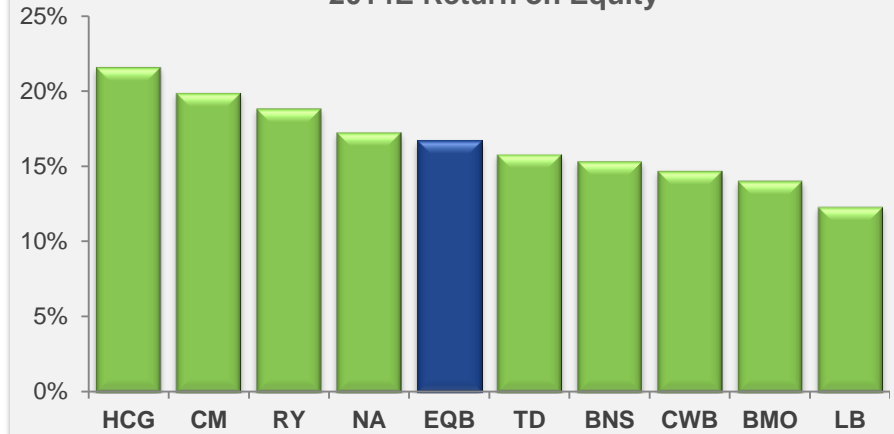


# Valuation Metrics vs. Other Canadian FIs

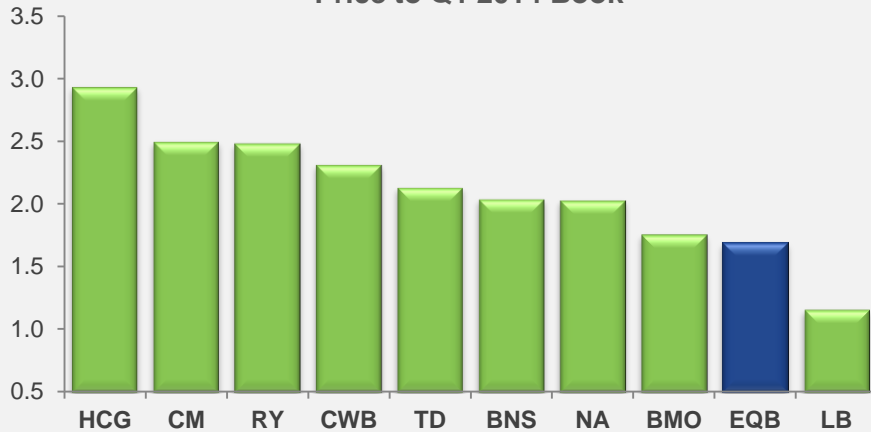
Price to Forward Earnings (4 quarter)



2014E Return on Equity



Price to Q1 2014 Book



Price to Book vs. Forward ROE

