

# EQUITABLE

TSX: EQB / EQB.PR.C

## First Quarter 2016

May 2016



# 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.eqbank.ca](http://www.eqbank.ca)*

# Why Invest?



Growing and differentiated financial services company, operating through our bank subsidiary



Long-term record of solid financial strength and low credit losses



Most efficient Schedule I Bank in Canada due to branchless operating model



Disciplined capital allocation and growing dividend

# Company Overview

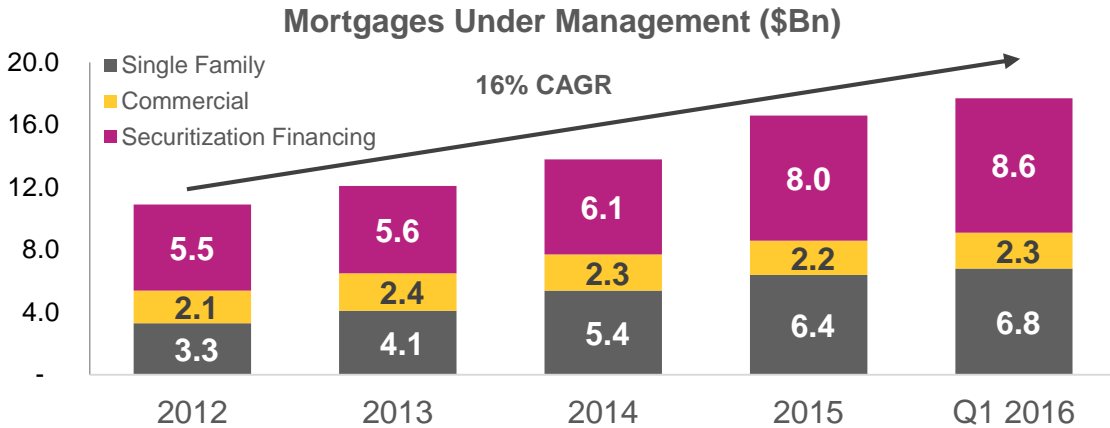
## Who We Are

- 9<sup>th</sup> largest independent Schedule I bank in Canada by assets
- Proven lending and deposit-taking capabilities
- 45+ year track record
- 144<sup>th</sup> most profitable company in Canada (*Globe & Mail, 2014*)

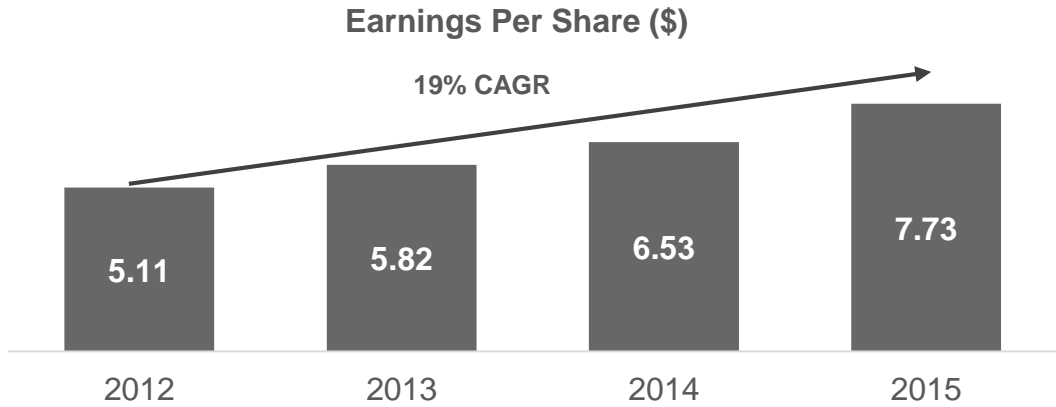
## Our Vision

- Become Canada’s leading branchless bank...
- ...by delivering the best customer service experience of any bank in Canada
- Nurture a distinctive culture that engages our employees
- Diversify the bank by leveraging our service quality and efficient, branchless operations

## Diversified Business

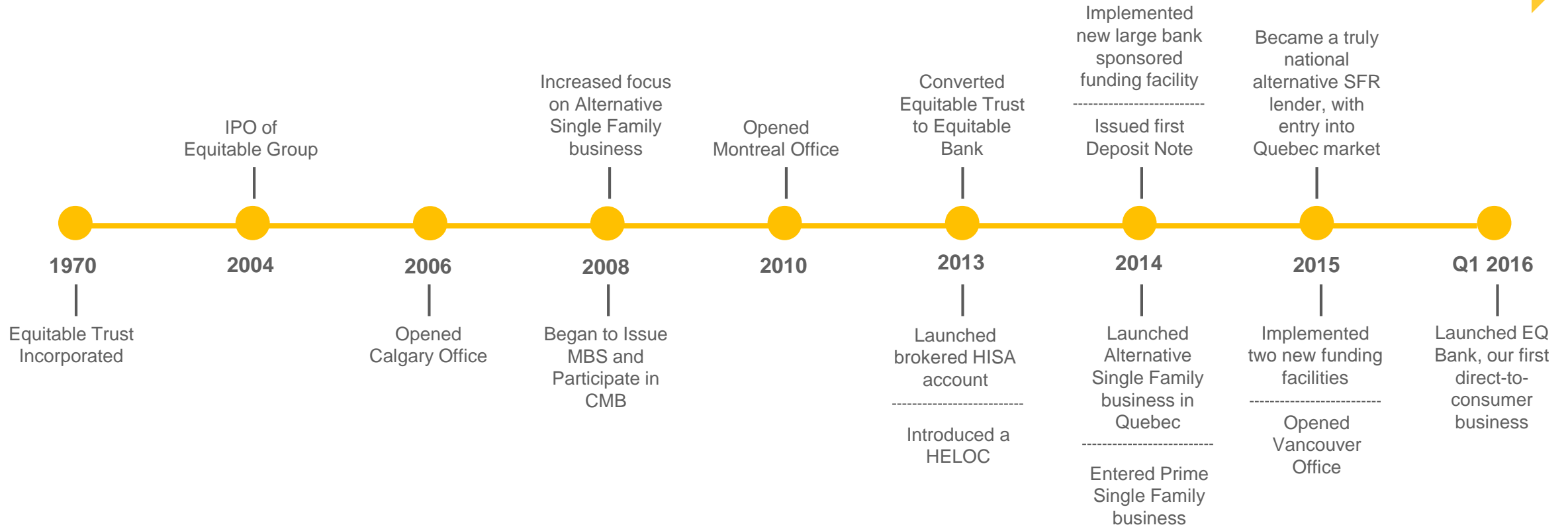


## Earnings Momentum



# Have Been Successfully Evolving the Business

## INCREASING GEOGRAPHIC COVERAGE AND PRODUCT BREADTH



Long History as a Regulated Canadian Financial Institution

# Outperform Mid-Sized Schedule I Bank Peers

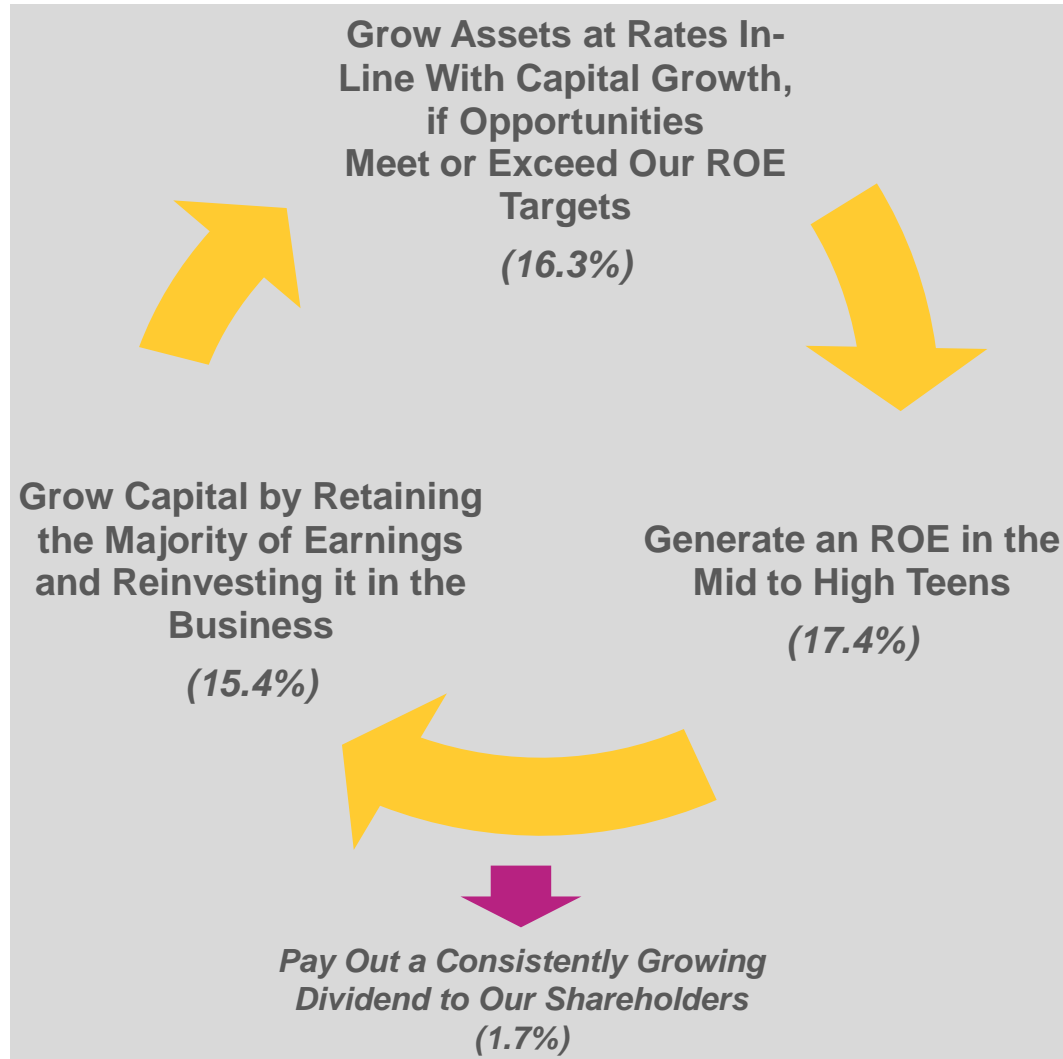
## Mid-Sized Canadian Banks Key Performance Metrics

| Metric                  | EQB    | CWB    | LB     | MB     |
|-------------------------|--------|--------|--------|--------|
| ROE (%)                 | 14.7%  | 11.5%  | 11.9%  | 10.7%  |
| EPS Growth/(Decrease)   | (6%)   | -%     | 5%     | (1%)   |
| Assets Under Management | \$19Bn | \$25Bn | \$40Bn | \$22Bn |
| CET1 Ratio              | 13.5%  | 8.6%   | 7.7%   | 16.5%  |

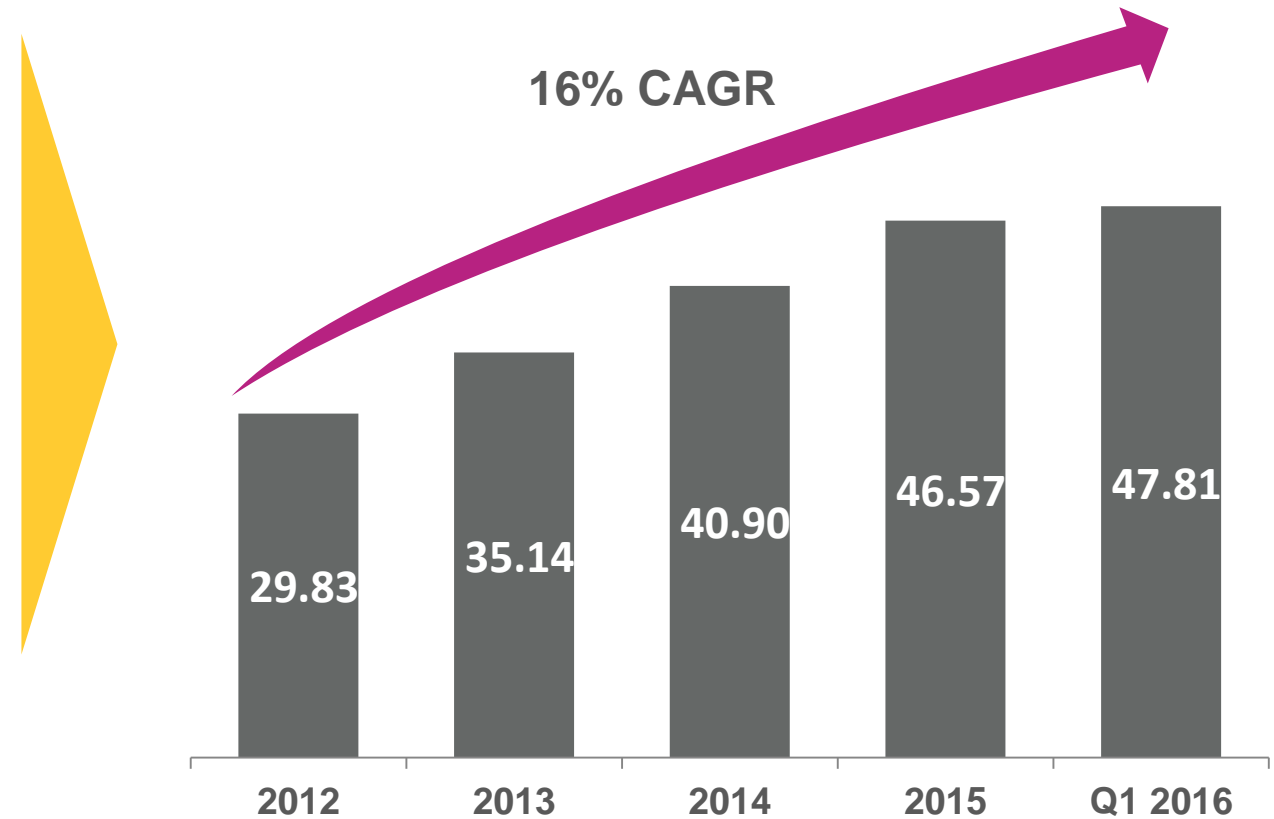
Notes: All performance figures are for YTD Q1 2016 except for Manulife Bank which is YTD Q4 2015. ROE and EPS growth represent adjusted figures for LB and continuing operations for CWB. Net Income growth used as a proxy for EPS growth for Manulife Bank.

Sources: Public reports, OSFI filings, Equitable Analysis

# Equitable's Value Creation Equation



Book Value Per Share (\$)



Note: % figures above represent previous 5-year average actual results

# Disciplined Capital Management

## Capital Management Framework

*Strong capital base has allowed us to pursue our growth objectives while returning capital to shareholders*

Capital Deployment

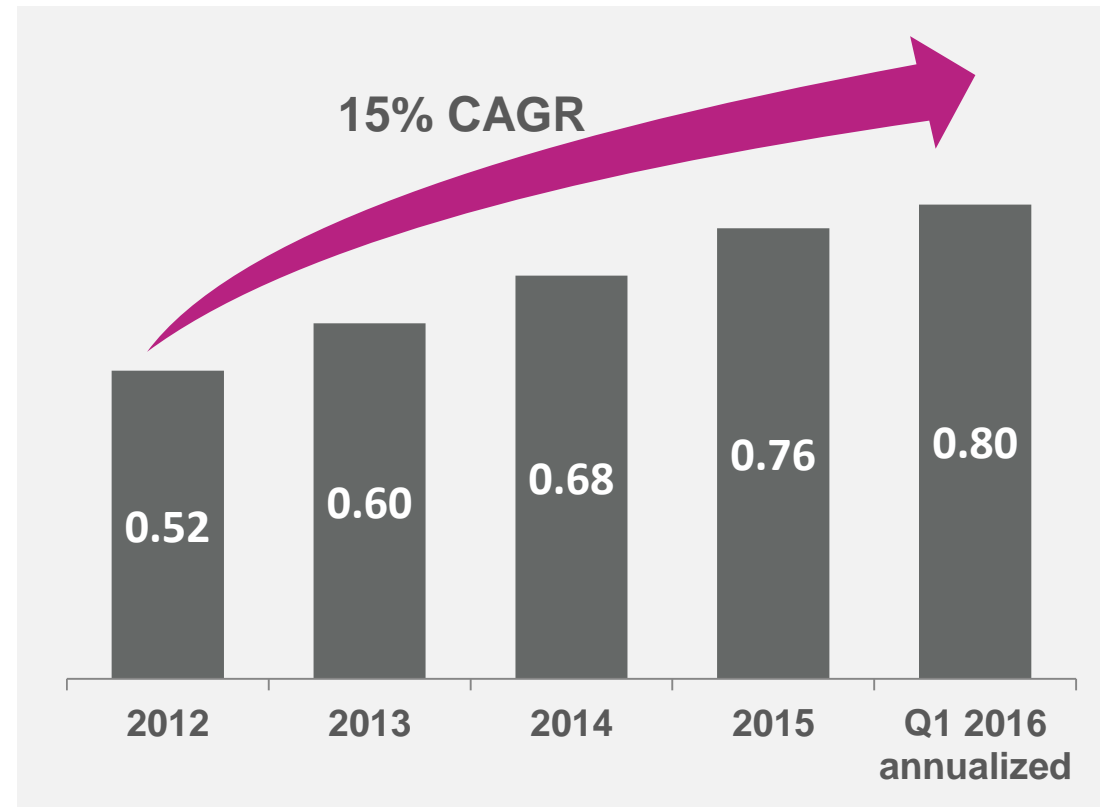
Maintain target CET1 and leverage ratios

Find attractive assets within existing markets; deploy to highest ROE opportunities first

Consistently grow dividends

Invest in growth and diversification initiatives that meet return thresholds

## History of Consistent Dividend Growth





# Balance Sheet Strength

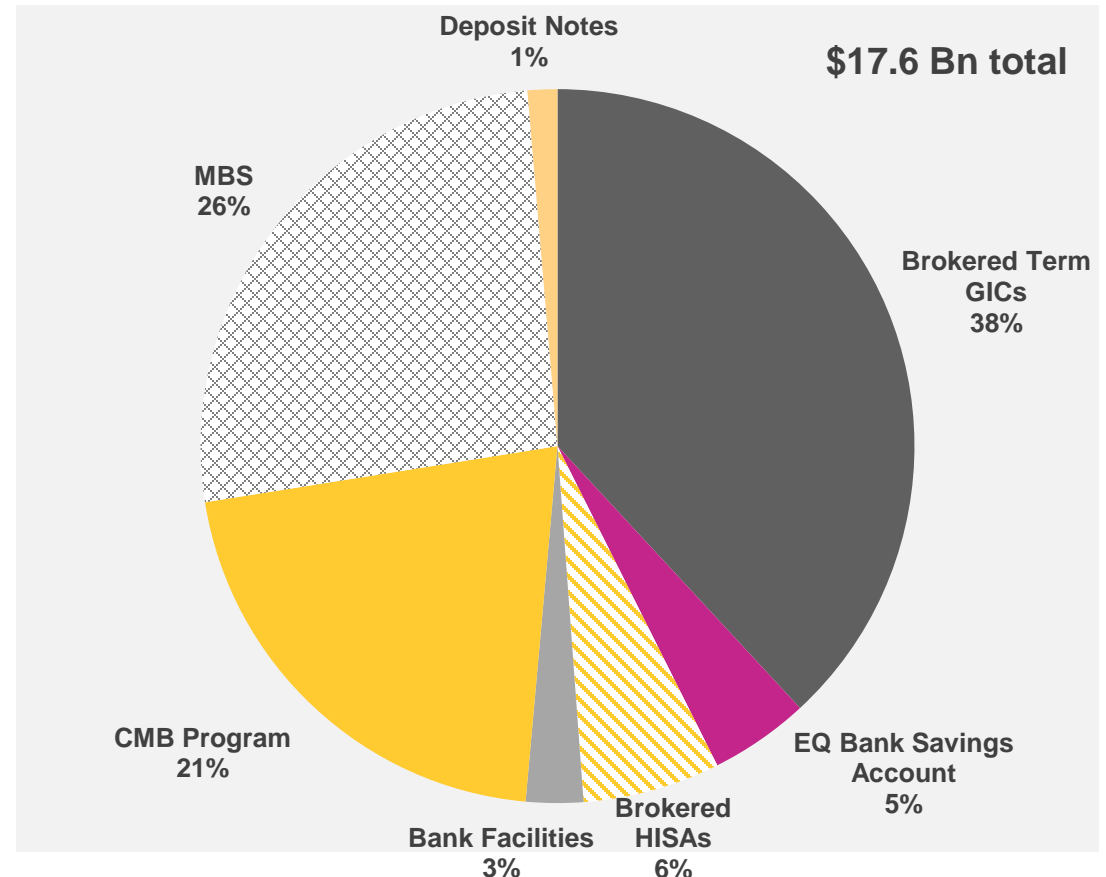
## Strong Regulatory Capital Position

- Higher CET1 and Total Capital ratios than any other publicly traded Canadian Bank...
  - ...even though we use the standardized approach to risk weight our assets
- 81% of regulatory capital in common equity

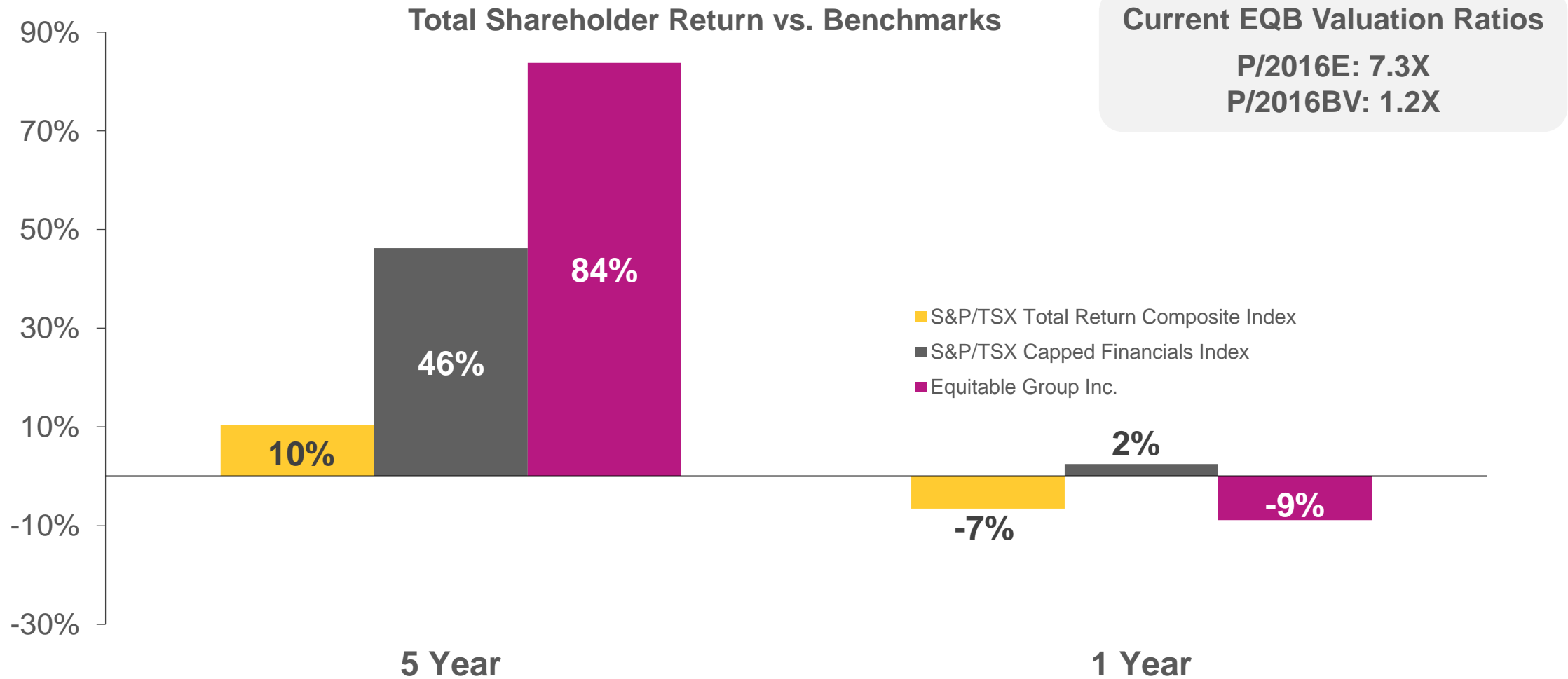
## High-Quality Liquid Asset Portfolio

- \$0.9 Bn or 5.7% of total assets at March 2016
- 86% is cash held at big-6 Canadian banks or in government guaranteed accounts/instruments
- LCR well in excess of regulatory minimum
- 99% of securities investments are preferred shares rated P-3(mid) or higher, with 49% rated P2(low) or higher

## Diversified Funding Sources



# Total Shareholder Return Exceeds Benchmarks Over the Long-Term



# Our Performance

# Q1 2016 performance highlights

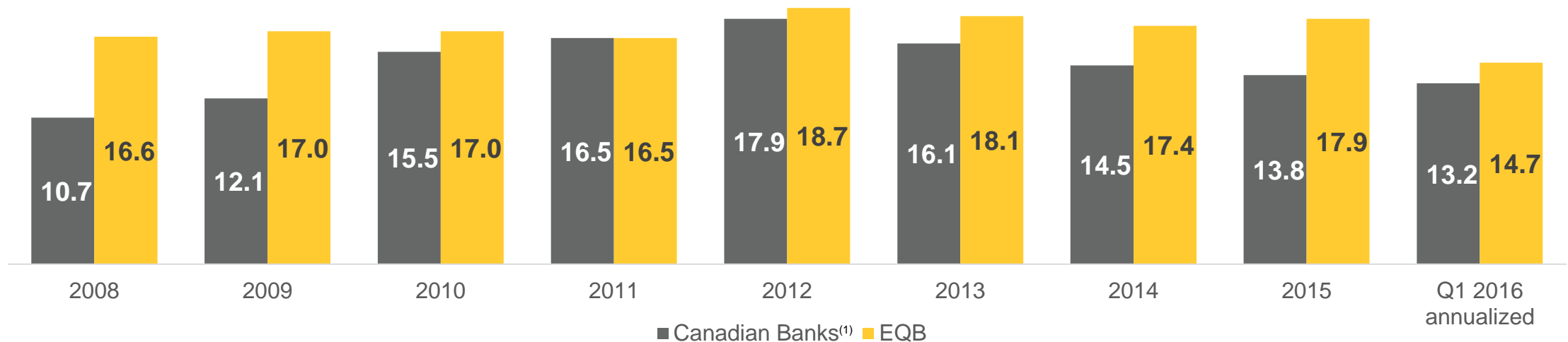
| Objectives  | Results   |
|---|---|
| Consistently create shareholder value   | <ul style="list-style-type: none"> <li>✓ Grew book value per share by 13% from Q1 of last year</li> <li>✓ Declared \$0.20 per share common share dividend in February, 11% higher than Q1 2015</li> </ul>   |
| Grow by providing effective service, competitive products and cost-efficient operations | <ul style="list-style-type: none"> <li>✓ Diversified our funding profile through brokered HISA growth and the launch of <i>EQ Bank</i> which attracted almost \$800 million deposits</li> </ul>   |
| Build our capabilities and brand  | <ul style="list-style-type: none"> <li>✓ Increased Mortgages Under Management by 22% from a year ago</li> <li>✓ Originated a Q1 record \$1.6 billion of mortgages, a 26% increase over 2015 – includes \$444 million of Prime Single Family</li> </ul>  |
| Maintain a low risk profile   | <ul style="list-style-type: none"> <li>✓ Sustained low loss levels, recording a provision of \$0.2 million or 1 bp of average loan balances, 72% lower than the Q1 2015 level</li> <li>✓ Reported a CET1 Ratio of 13.5%, which was well ahead of regulatory minimums and most competitive benchmarks</li> </ul> |

**Q1 2016 financial and operating metrics remained strong**

# Continued Industry Outperformance

|   |   |  |   |   |   |
|---|---|--|---|---|---|
|  |  |  |  |  |  |
| <b>Superior Customer Service</b>  | <b>Specialized Underwriting Process</b>   | <b>Sophisticated Risk Management Framework</b>                                     | <b>Deep Broker Relationships</b>  | <b>Efficient Branchless Operations</b>  | <b>Diverse, Low Cost Funding</b>  |

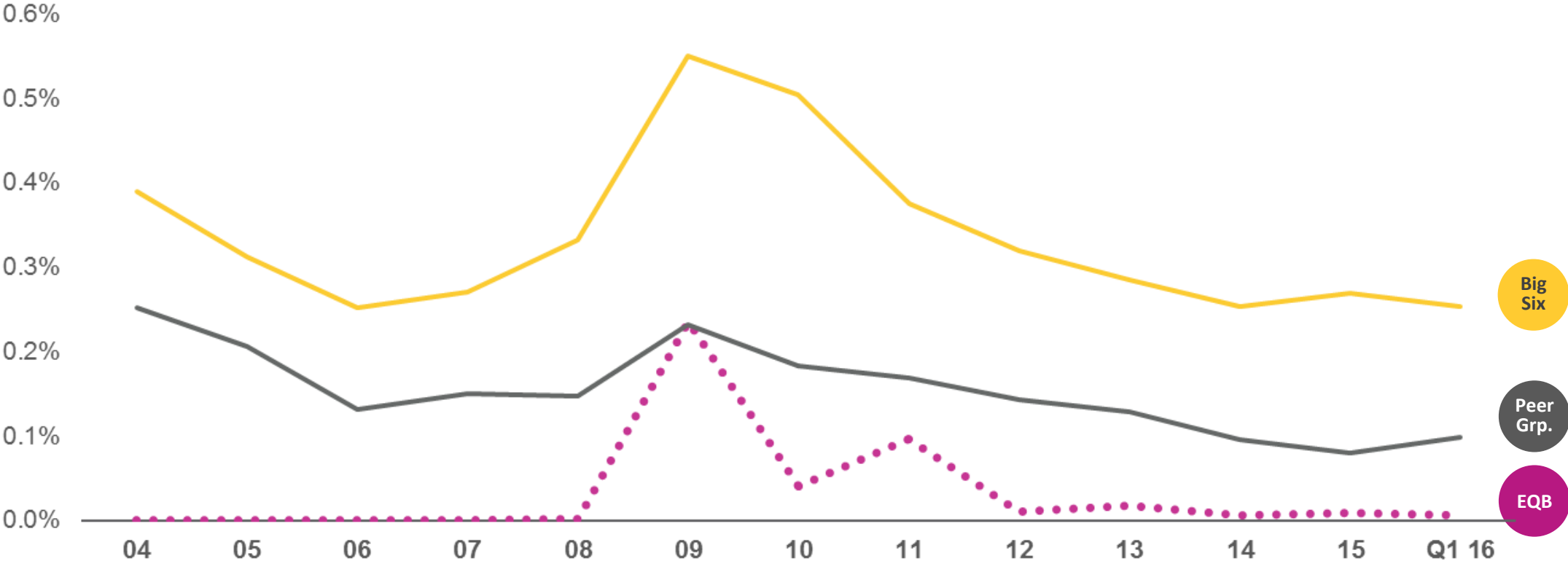
## Higher Return on Equity Than Benchmarks



<sup>(1)</sup> Includes all publically traded Canadian banks

# A Strong Risk Management Framework and Low Loss Levels

Actual Credit Loss Rates, Selected Canadian Banks and Trust Companies



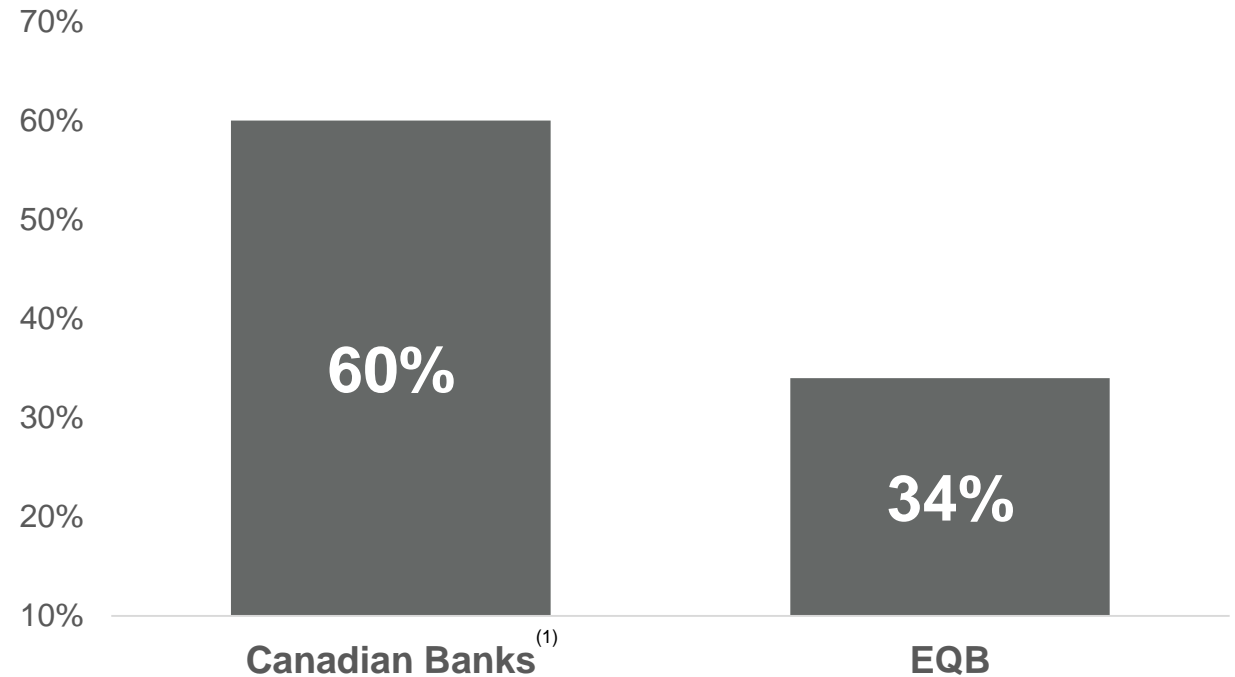
Minimal Credit Losses and Strong Relative Performance Highlight Portfolio Quality

# Efficient Non-Branch Business Model

- **Branchless Business Model**
- **Cost Conscious Culture**
- **Strategic Investments Adding to Cost Base**



Efficiency Ratio, 2012-Q1 2016 Average

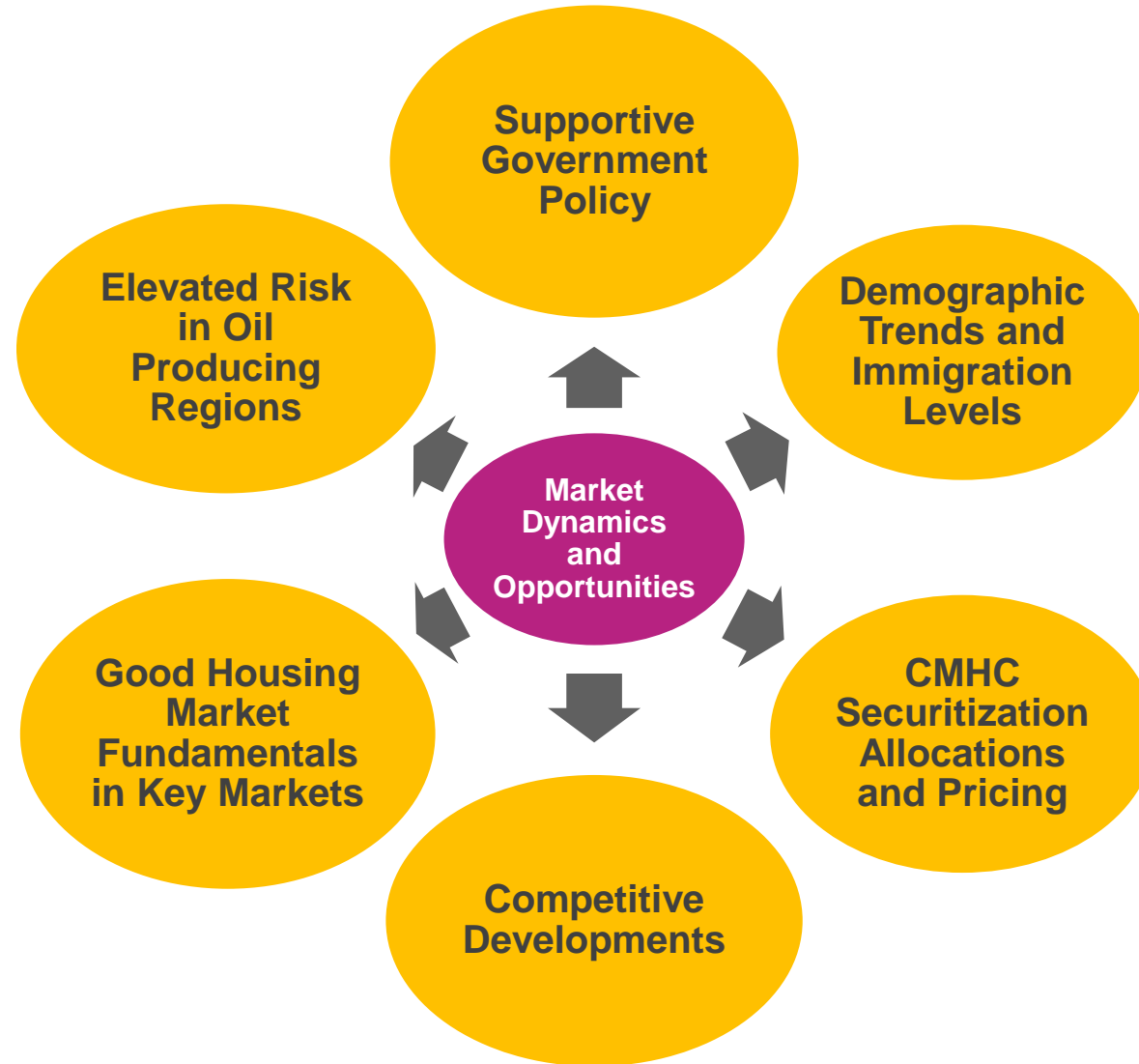


<sup>(1)</sup> Includes all publically traded Canadian banks

# Looking Forward



# Key Market Developments



# Our 2016 objectives build on our success last year and on our market opportunities

1

Grow our *EQ Bank* Savings Account

2

Grow our Alternative Single Family Portfolio

3

Continue to Build our Prime Single Family Business

4

Further Enhance our Commercial Strategy

5

Advance our Mortgage Servicing Capabilities

# Celebrating a Successful Launch

← → C Equitable Bank [CA] https://www.eqbank.ca

**EQ Bank** PERSONAL BANKING | HOW IT WORKS | COMPANY [JOIN NOW](#) [SIGN IN](#) FR Q

## Money Well Banked

Track your savings goals and manage your account anywhere, anytime with the EQ Bank mobile app. Available for both Android and iPhone.

[SIGN UP TODAY](#)

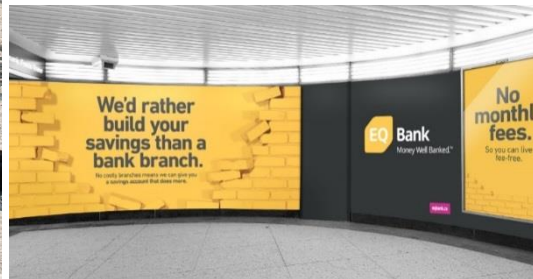
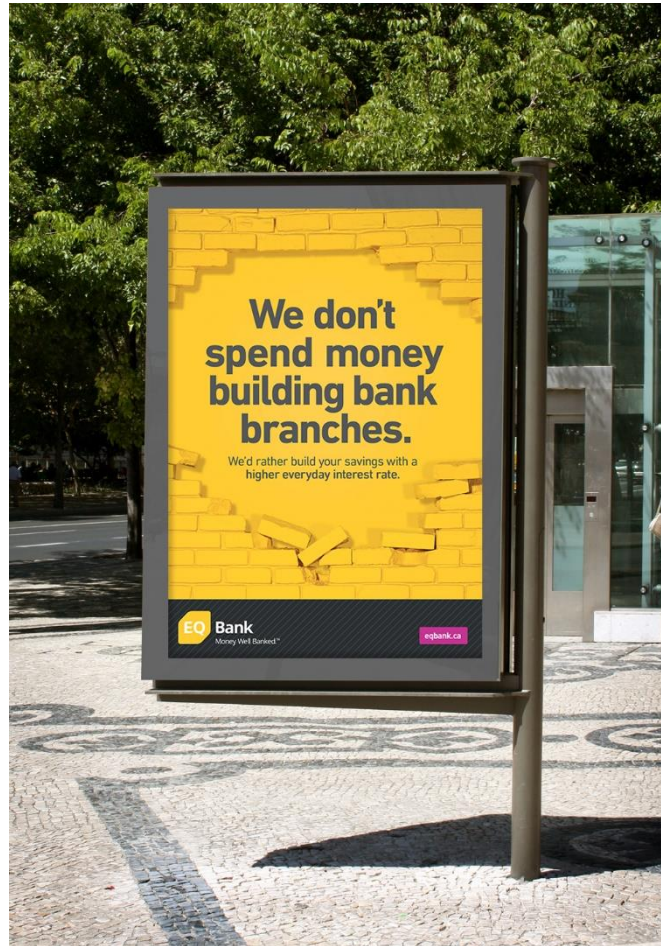
**%**  
**A better rate, every day**  
Open an EQ Bank Savings Plus Account and enjoy a 3.00% annual interest rate<sup>1</sup> on your entire balance, with no minimum balance to maintain and no promotional period to worry about.

**Headset**  
**Exceeding your expectations**  
You'll get 24/7 customer care from our team right here in Canada. No voicemail or scripts, just friendly people that really know their stuff and are ready to help answer your questions any time.

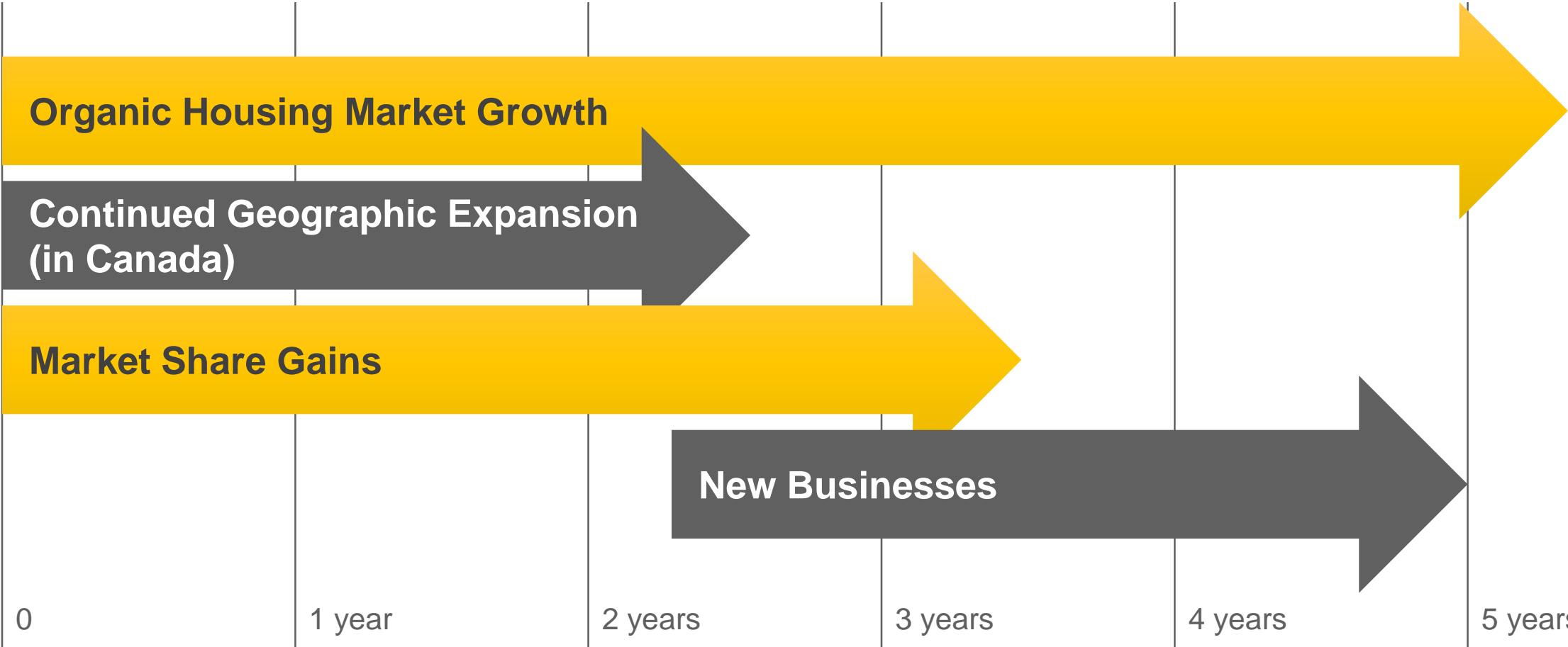
**ATM with dollar sign**  
**Move your money with ease**  
Get unlimited day-to-day transactions and 5 free Interac e-Transfers<sup>2</sup> a month with no monthly charges or hidden banking fees.

**Piggy bank**  
**Save money, faster**  
Whether you're saving towards a vacation, car or new laptop, the EQ Bank Savings Plus Account makes it easy to set and track your goals.

# Painting the Town Yellow



# Multiple Long-Term Growth Opportunities

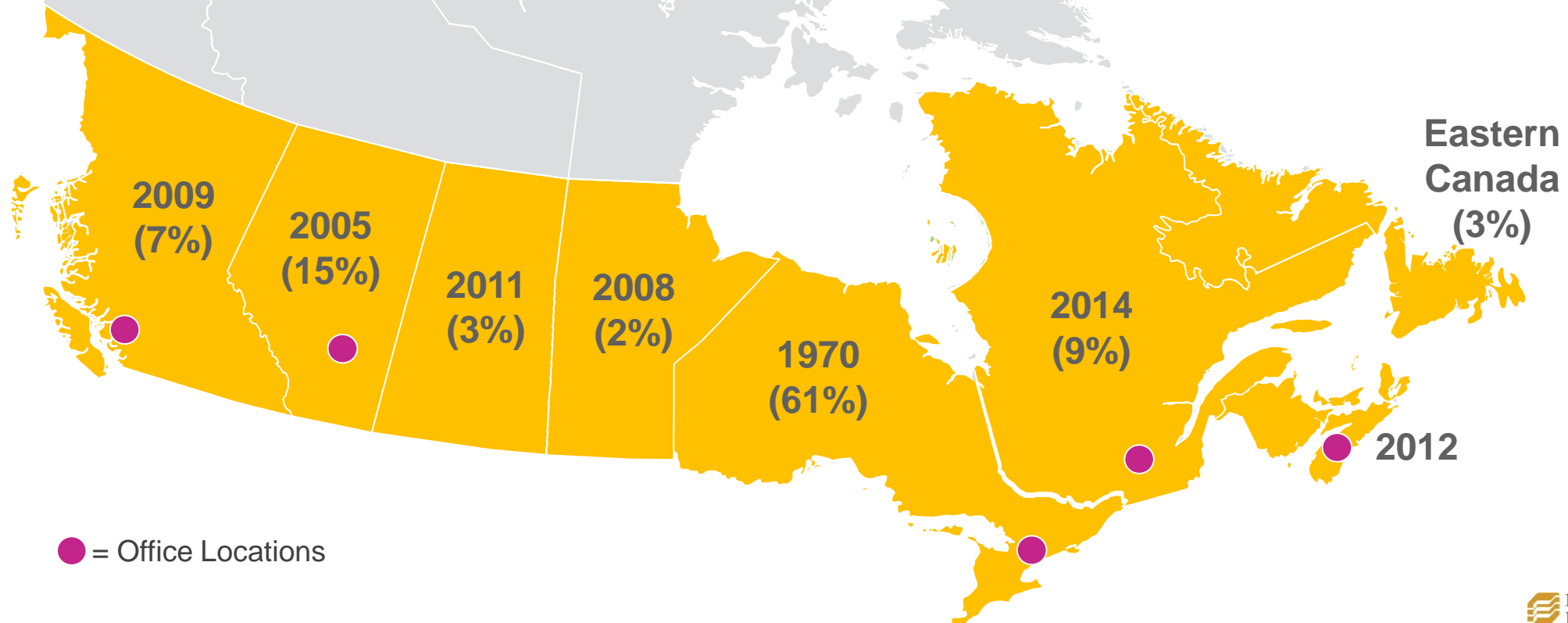


# Appendix

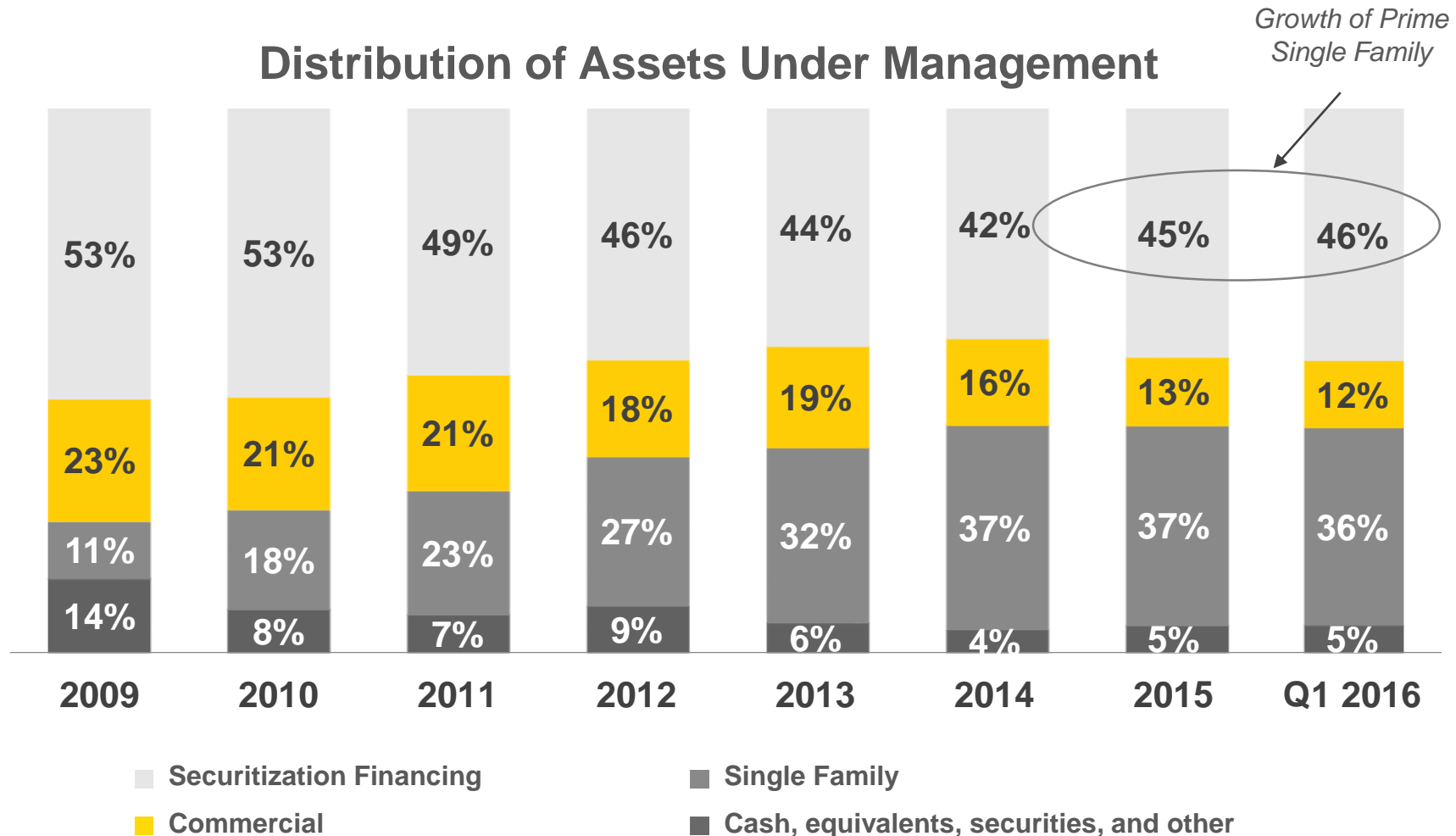
# Coast to Coast Lending Footprint

**% of Mortgage Principal Outstanding  
by Province (Q1 2016)**

- Growing national presence
- Lend only in urban centers with liquid real estate markets and diversified economies

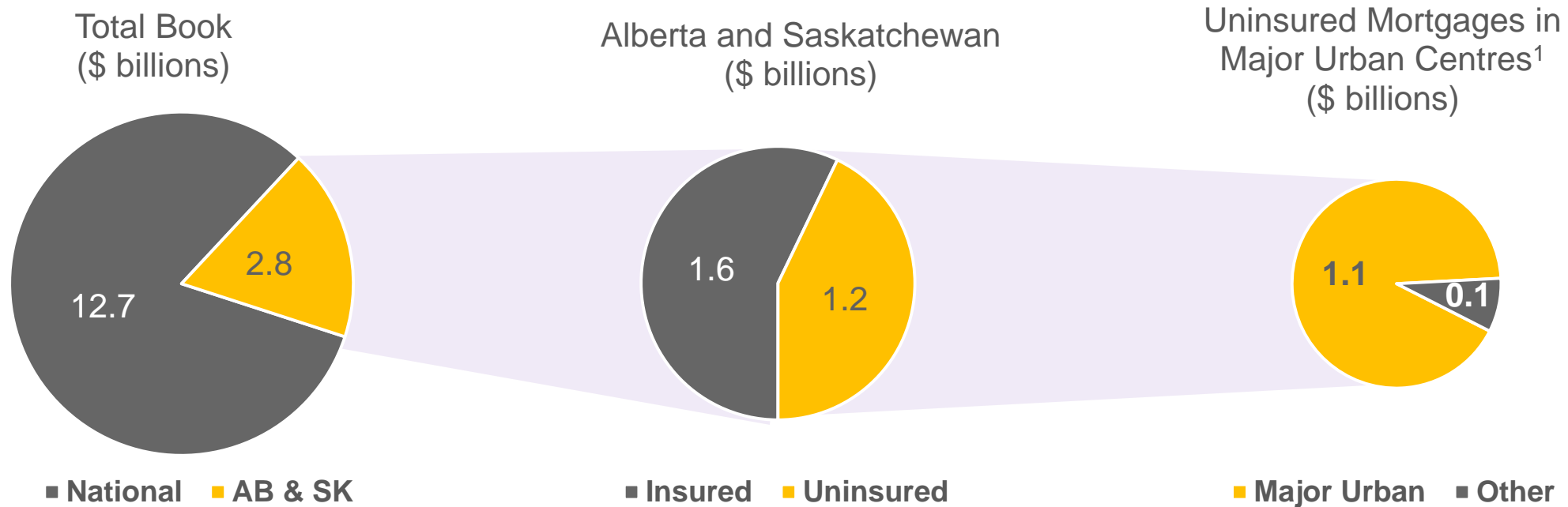


# Asset Mix Has Shifted Towards High ROE Single Family Business Since 2009





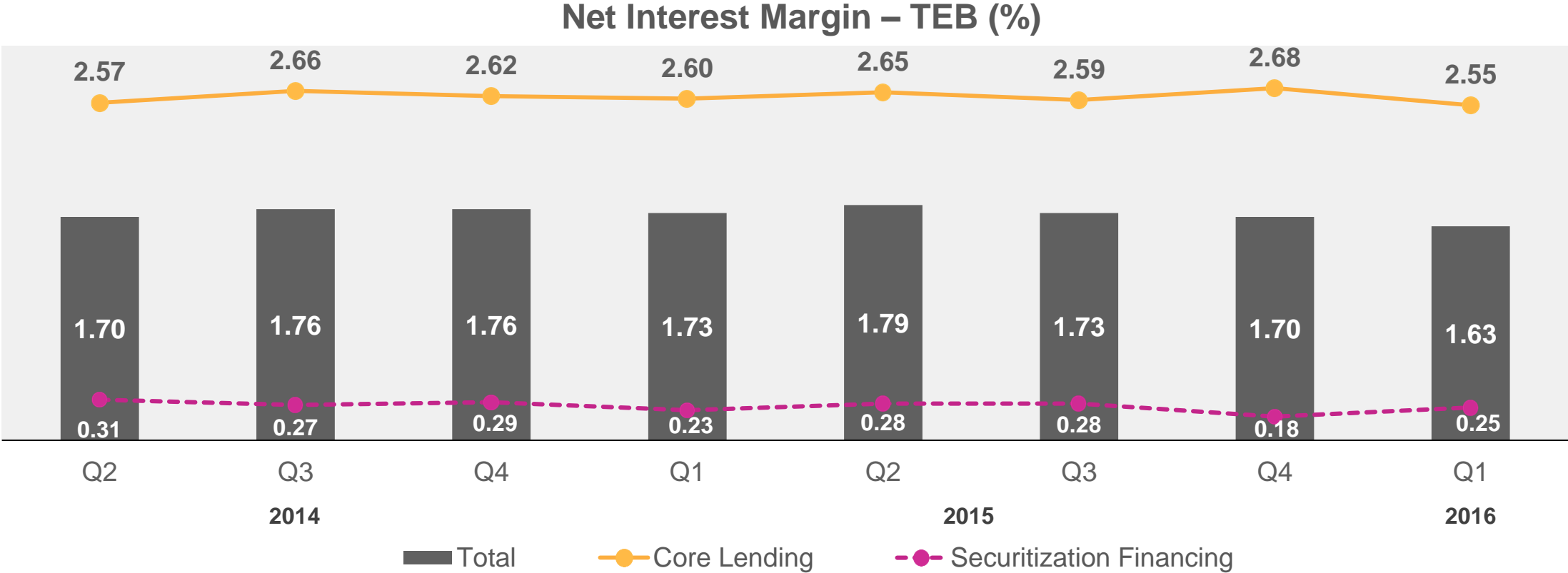
# High Quality Lending Portfolio in Alberta and Saskatchewan



- Uninsured mortgages in Alberta and Saskatchewan represent 8% of total mortgages
- Do not anticipate material losses in either province
- 69% LTV on uninsured Single Family loans

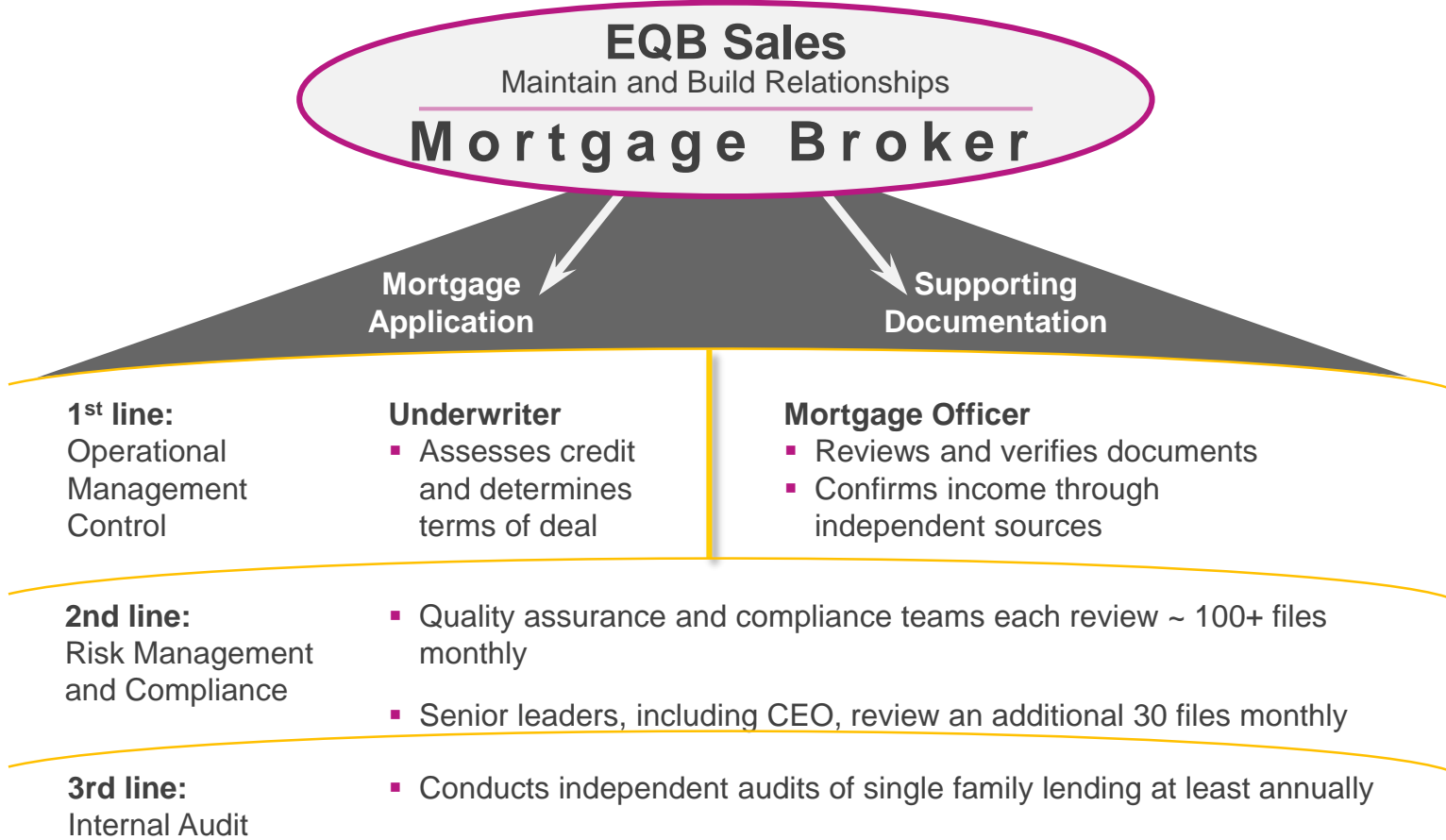
Numbers above may not add due to rounding  
<sup>1</sup> Includes Calgary, Edmonton, Saskatoon, and Regina

# Margins Have Recently Decreased Due To Changing Asset Mix



Asset mix has been shifting towards prime single family business since late 2014

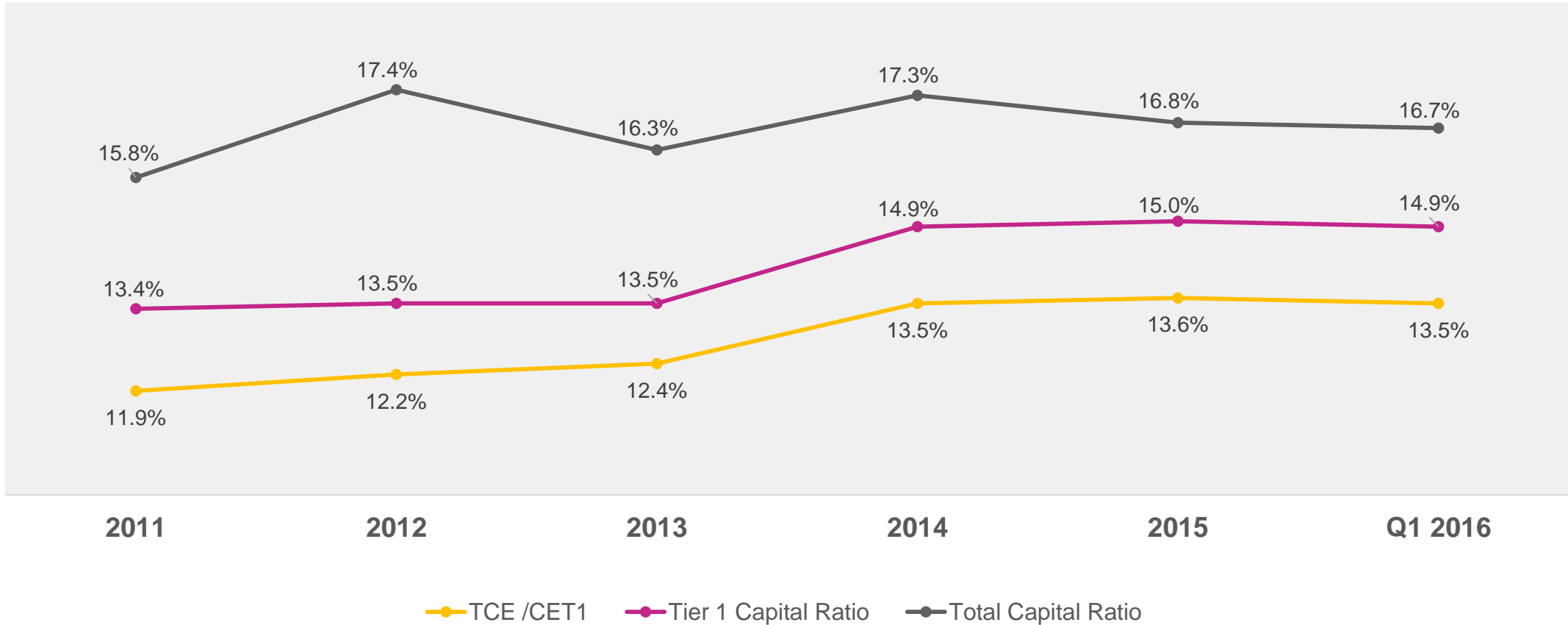
# A Comprehensive Risk Management Framework to Deter Fraud



*Supported by a culture of risk management awareness and integrity*

# High Capital Ratios

## Equitable Bank Capital Ratios, 5-Year History



Note: TCE ratio in 2011 and 2012, CET1 ratio from 2013 onward

# Valuation Metrics vs. Other Canadian FIs

