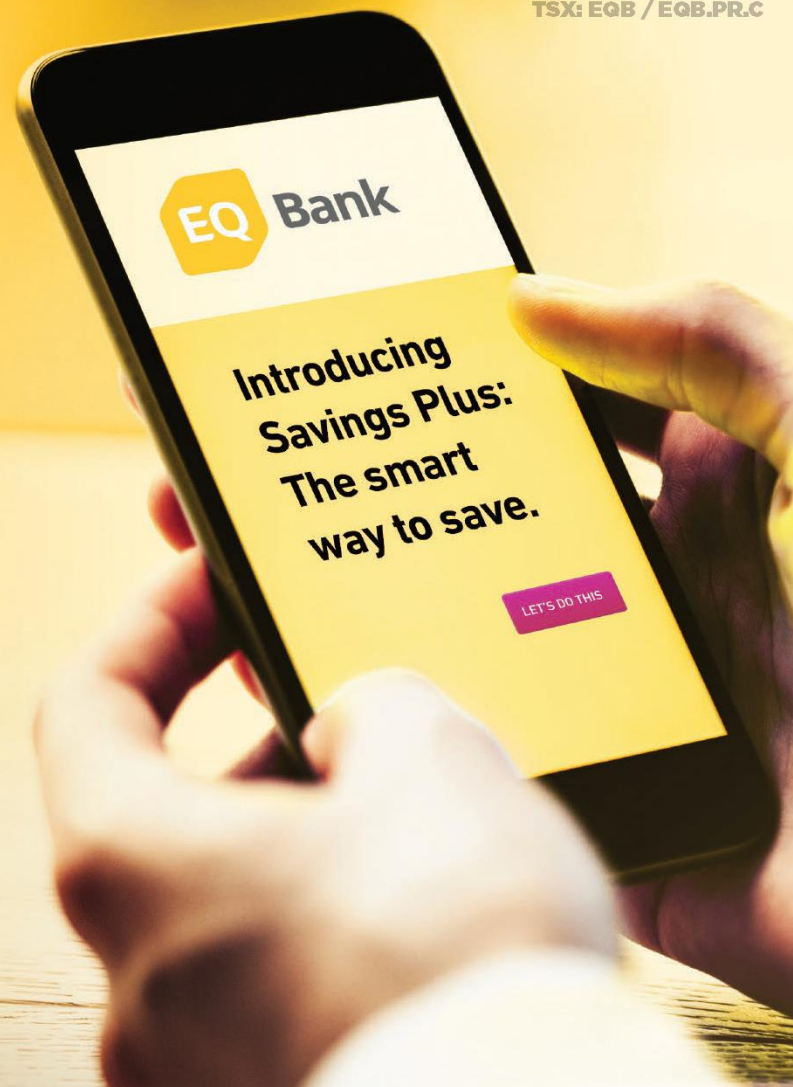


# Second Quarter 2016

August 2016

# EQUITABLE

TSX: EQB / EQB.PR.C



# 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

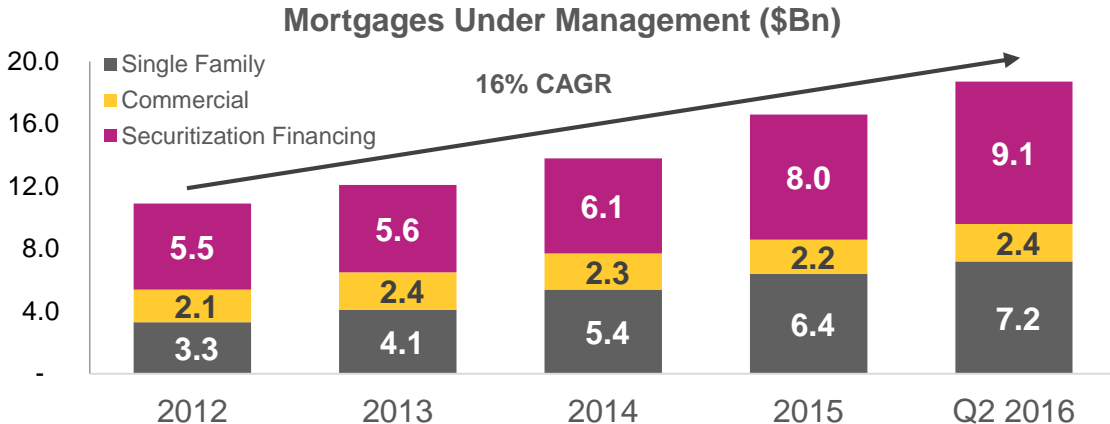
## Who We Are

- 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*)

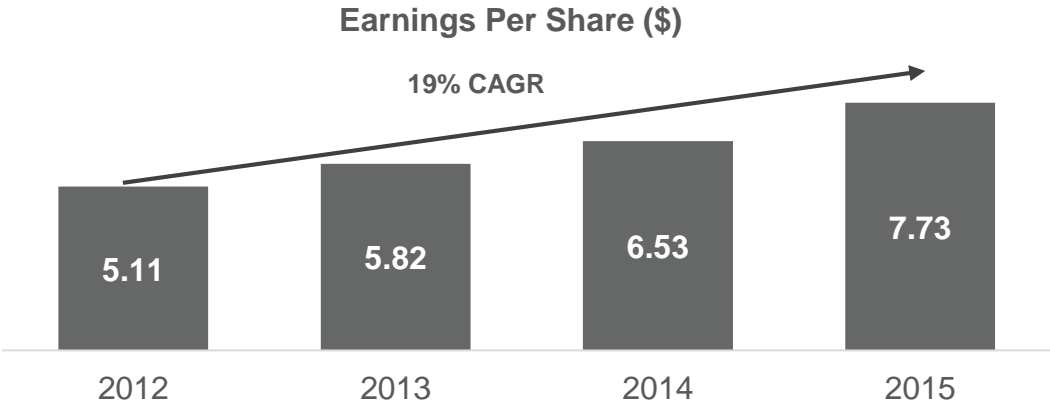
## Our Vision

- 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



# Canada is a uniquely concentrated banking industry

## 9 Publicly Traded Canadian Banks



## Hundreds of Publicly Traded U.S. Banks



▶ Equitable's differentiated position in Canada's concentrated banking industry has driven considerable value for our shareholders

# Equitable is one of only four mid-sized banks operating in Canada...a unique position

Mid-Sized Canadian Banks Key Performance Metrics

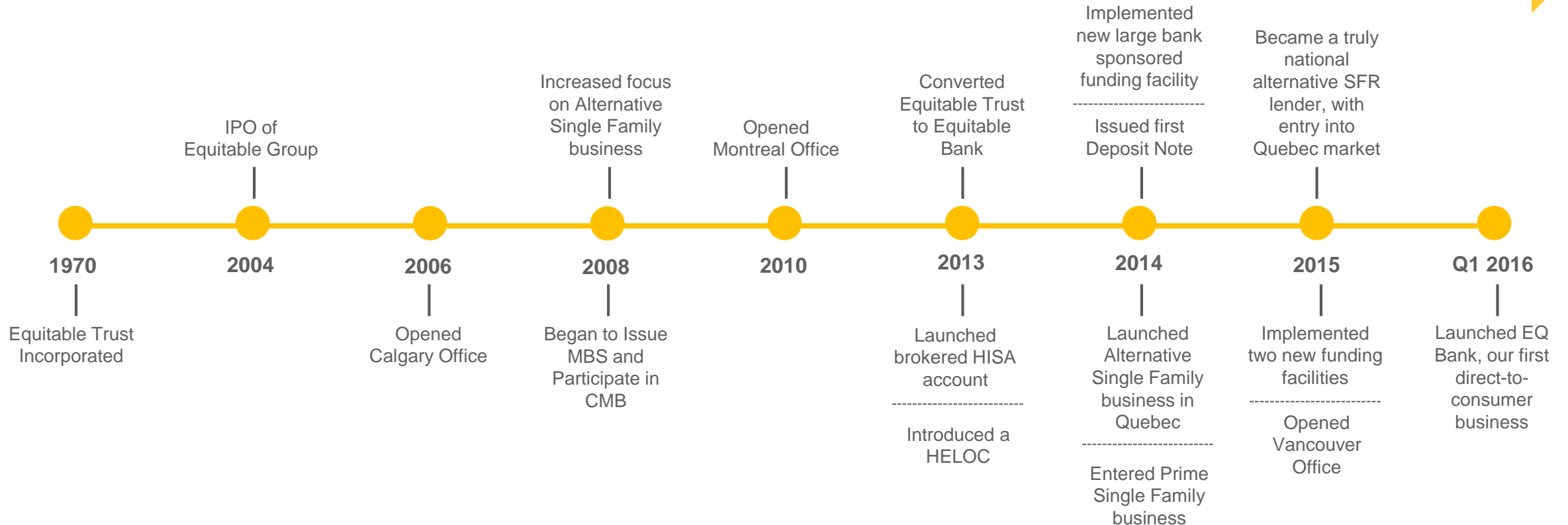
Metric	EQB	CWB	LB	MB
ROE (%)	15.9%	9.3%	12.3%	11.5%
EPS Growth/(Decrease)	(3%)	(19%)	6%	(9%)
Assets Under Management	\$20Bn	\$26Bn	\$41Bn	\$22Bn
CET1 Ratio	13.5%	8.2%	7.9%	16.6%

Notes: All performance figures are for YTD Q2 2016 except for Manulife Bank which is YTD Q1 2016. ROE and EPS growth represent continuing operations for CWB and adjusted figures for LB. Net Income growth used as a proxy for EPS growth for Manulife Bank.

Sources: Public reports, OSFI filings, Equitable Analysis

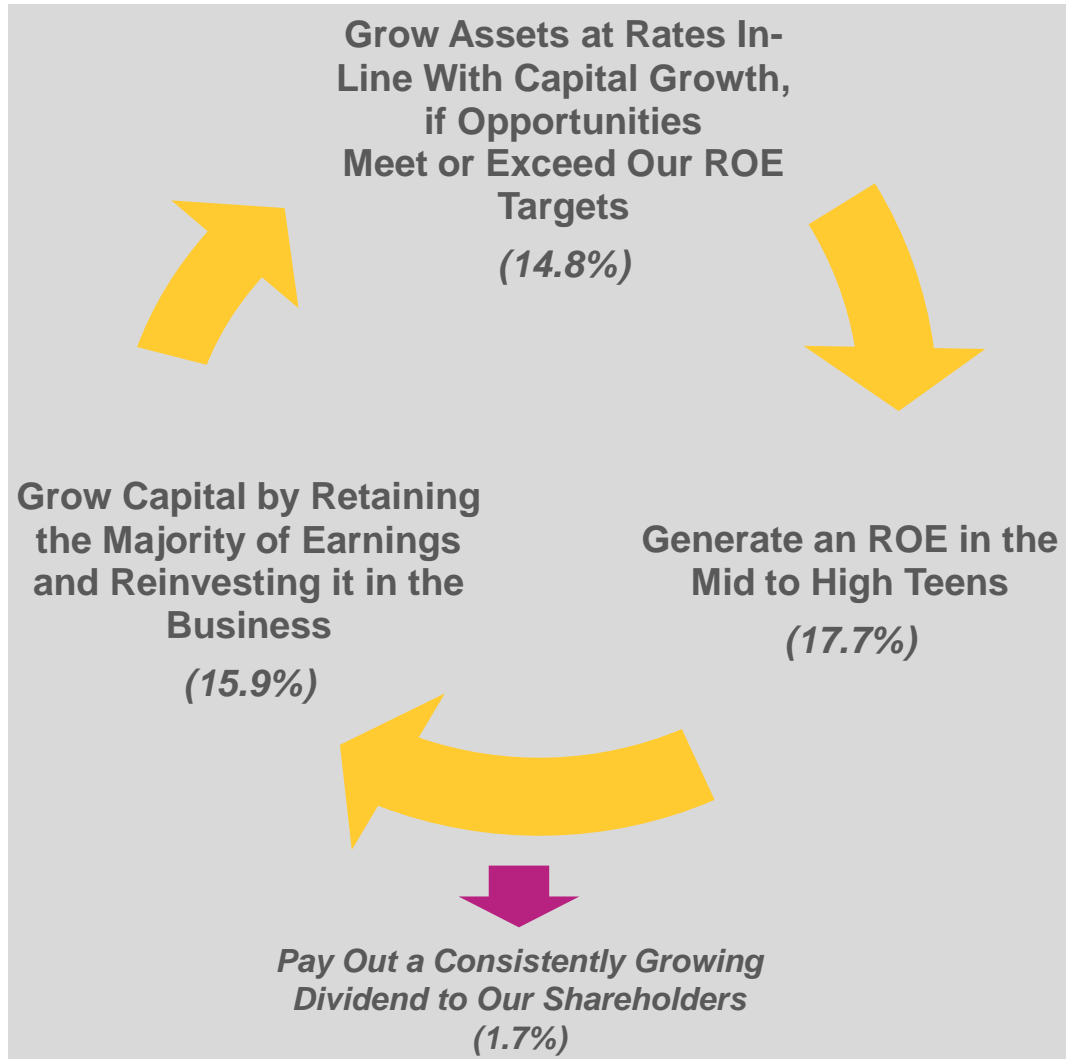
# Have Been Successfully Evolving the Business

## INCREASING GEOGRAPHIC COVERAGE AND PRODUCT BREADTH

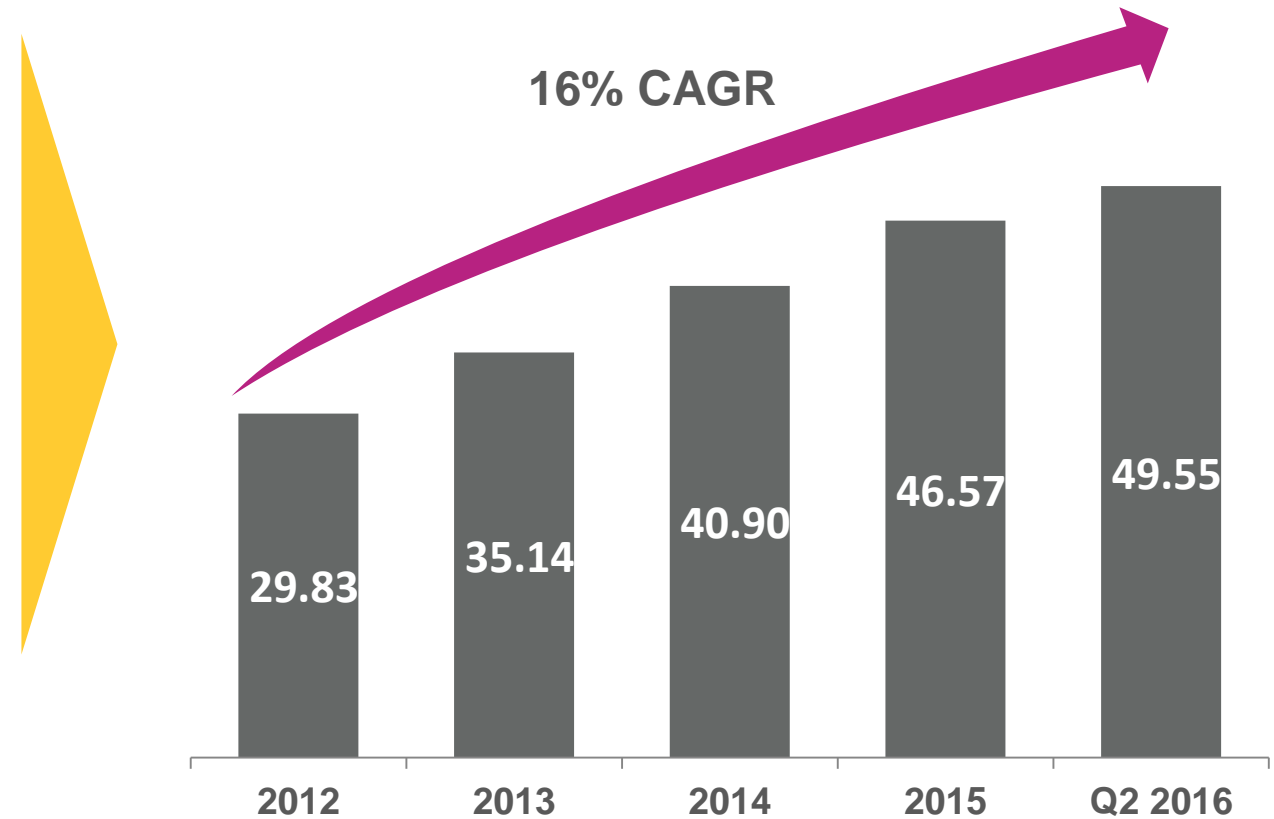


Long History as a Regulated Canadian Financial Institution

# 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

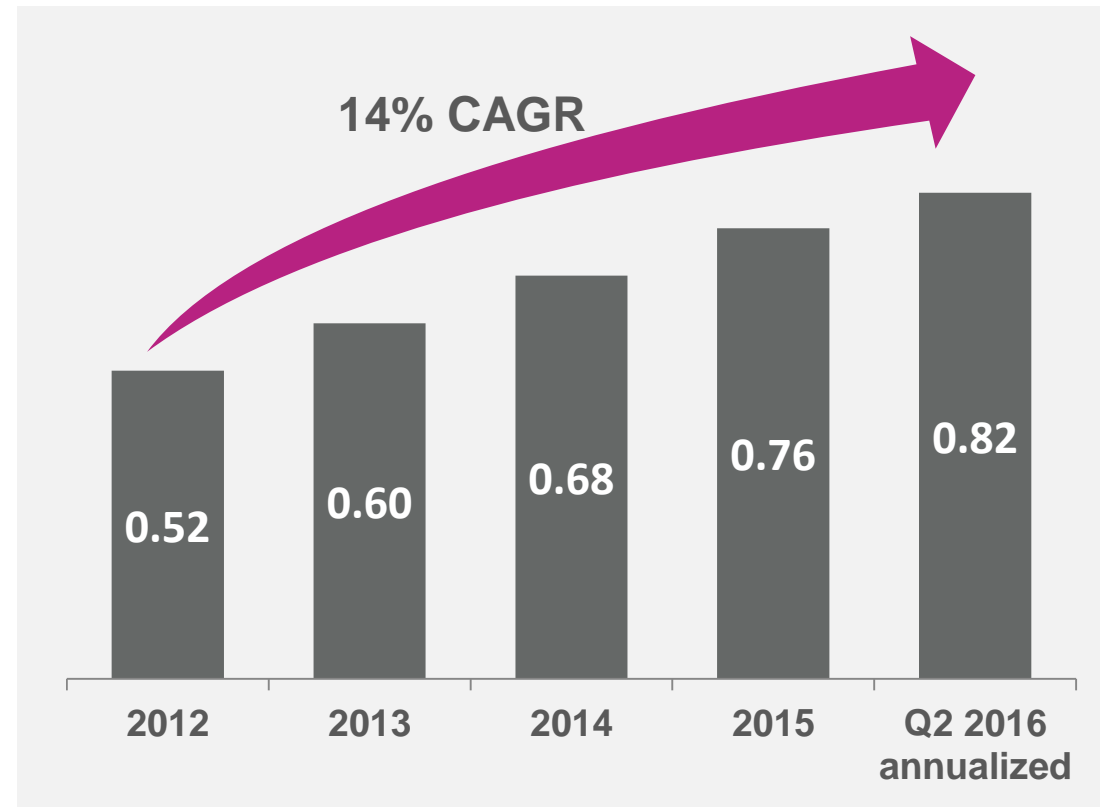
Maintain target CET1 and leverage ratios

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

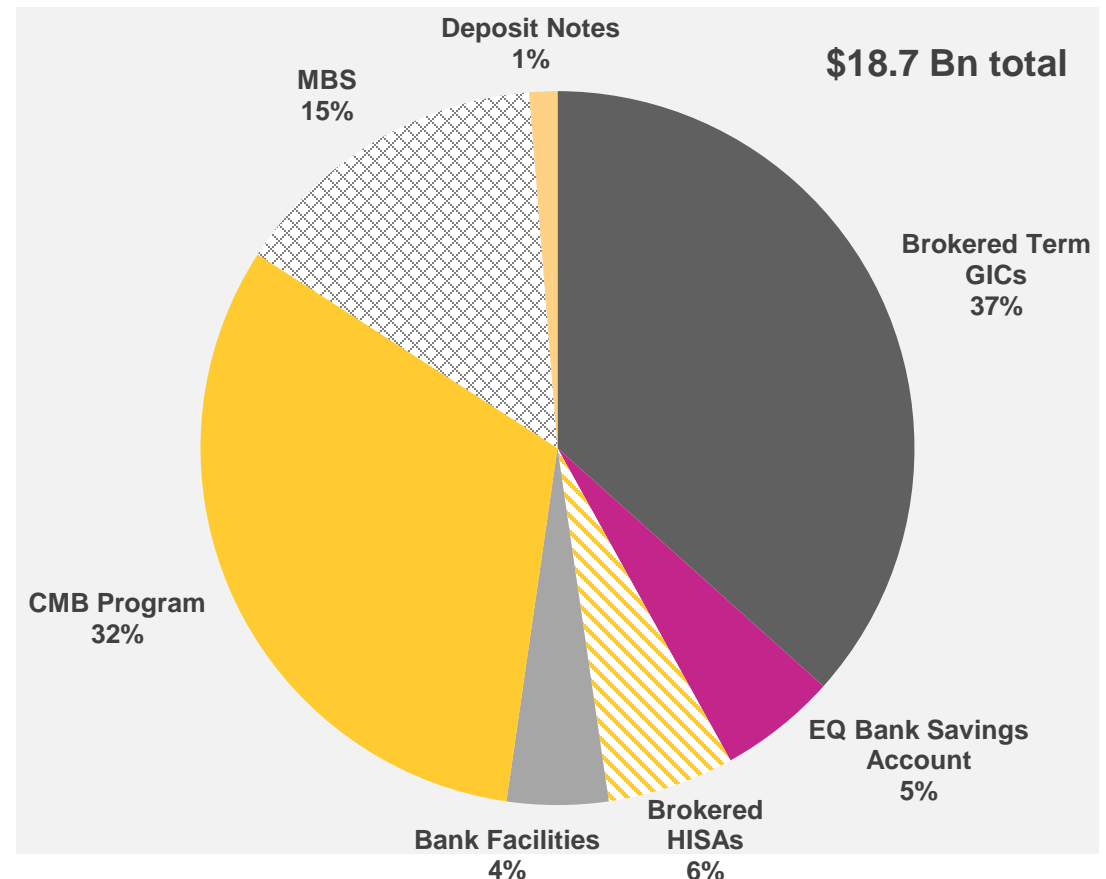
## Strong Regulatory Capital Position

- 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
- 82% of regulatory capital in common equity

## High-Quality Liquid Asset Portfolio

- \$1.0 Bn or 6.0% of total assets at June 2016
- 88% 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 50% rated P2(low) or higher

## Diversified Funding Sources



# Our Digital Strategy

# Smaller banks like EQB win through differentiation

Focused  
Business  
Model



Risk Managed  
Growth



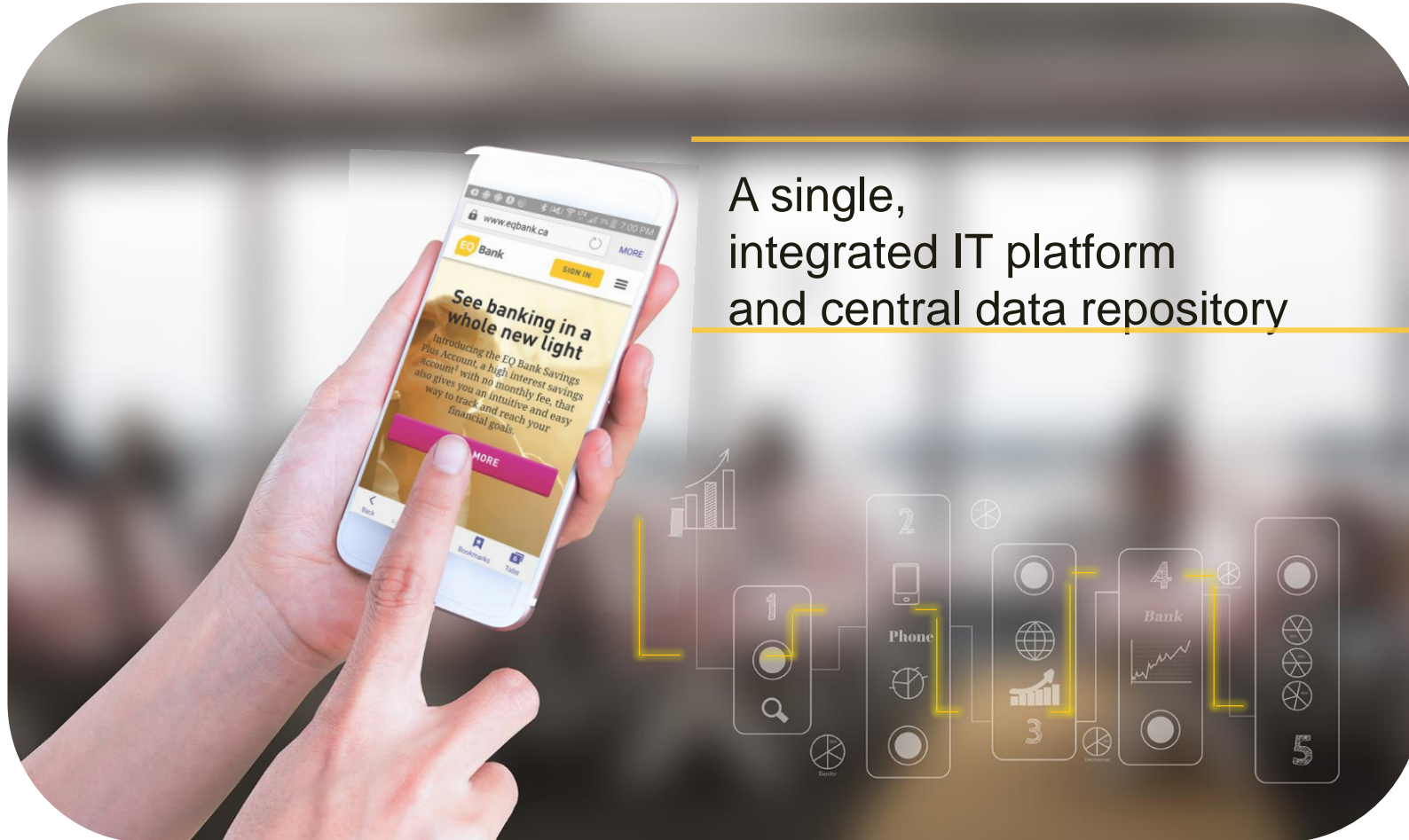
Branchless  
and  
Cashless



Digital  
Simplicity

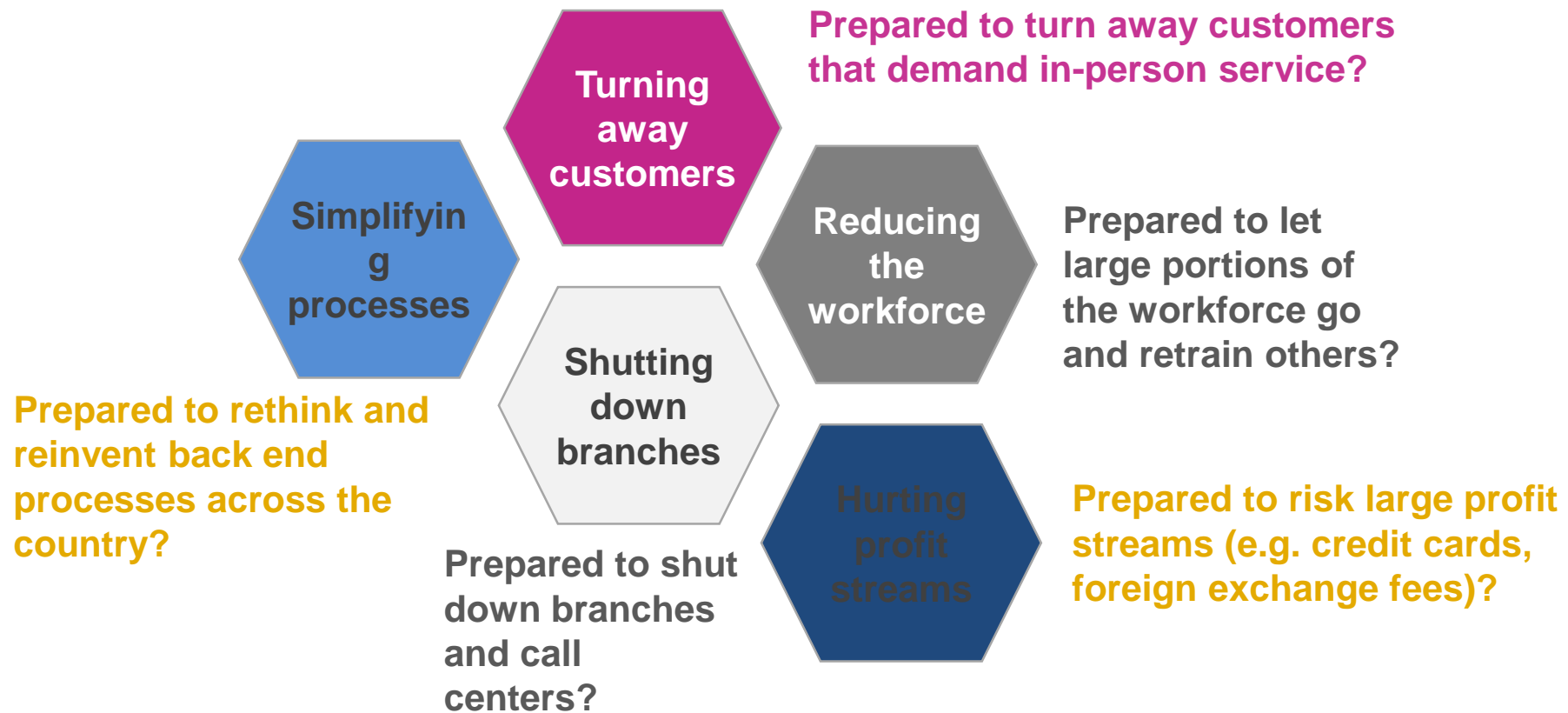


# Digital simplicity, absent of legacy infrastructure, enables innovation



A single,  
integrated IT platform  
and central data repository

# Technology is only part of the problem, rethinking the business model is difficult



# Core banking functions will remain with banks, not fintech companies



## Banks circa 2000 B.C.

- The first banks provided core functions of storing value and acting as intermediaries between depositors and borrowers
- Ancient civilizations needed safe warehouses (banks) to store farmers' grain
- Clay "deposit receipts" used to make debt payments



## Present-day Banks

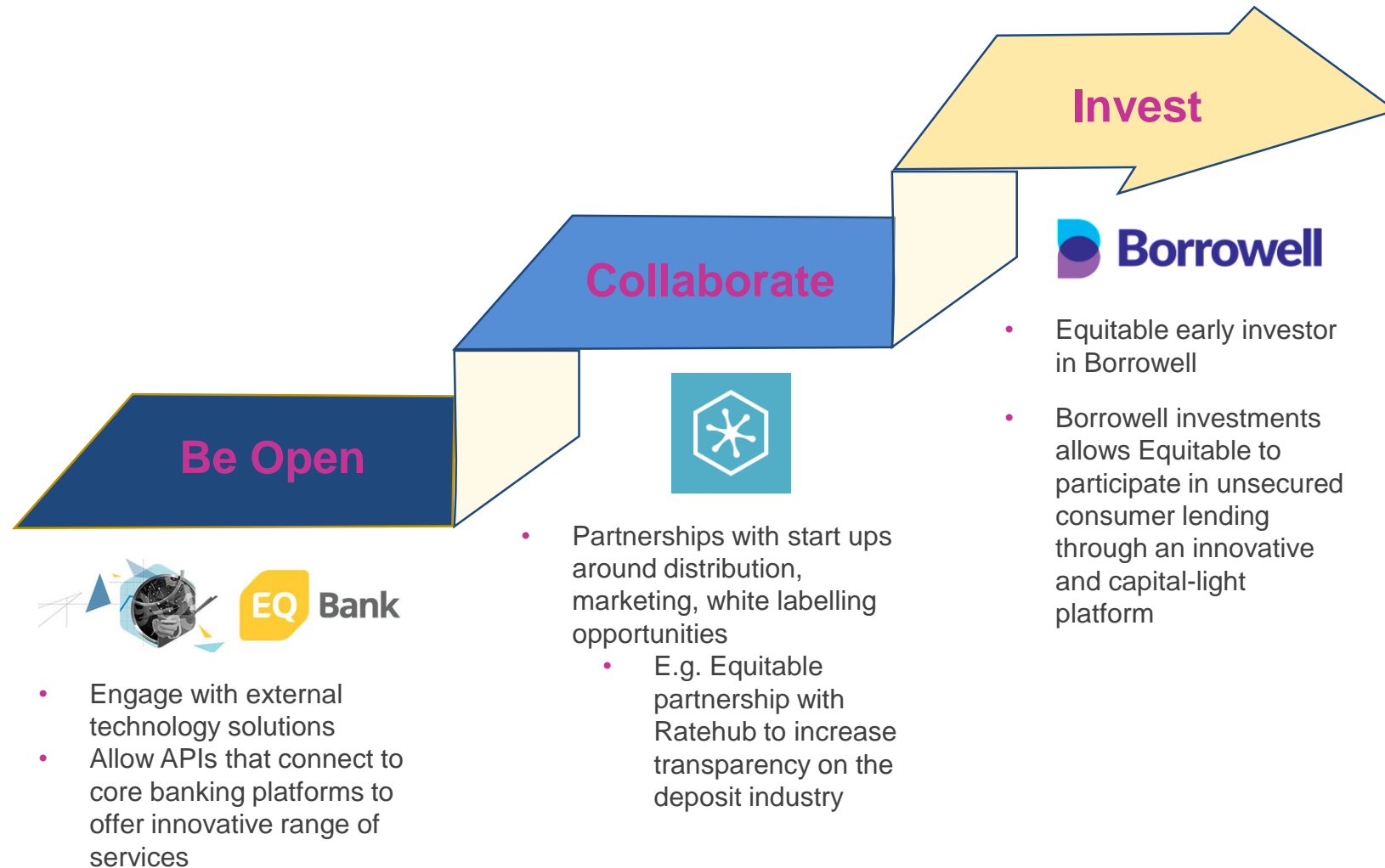
- Today's banks continue to perform core functions, offer a full suite of banking products, and manage distribution of these products
- Banks are focused on meeting each client's full banking needs, "everything to everyone"



## The Bank of the Future

- Despite the emergence of tech companies like Google, core banking functions will always require the security, scale, and infrastructure of banks
- What will likely change is the distribution of these services
  - E.g. Branches and ATMs might not be part of the Bank of the Future

# Our digital strategy embraces fintech innovation

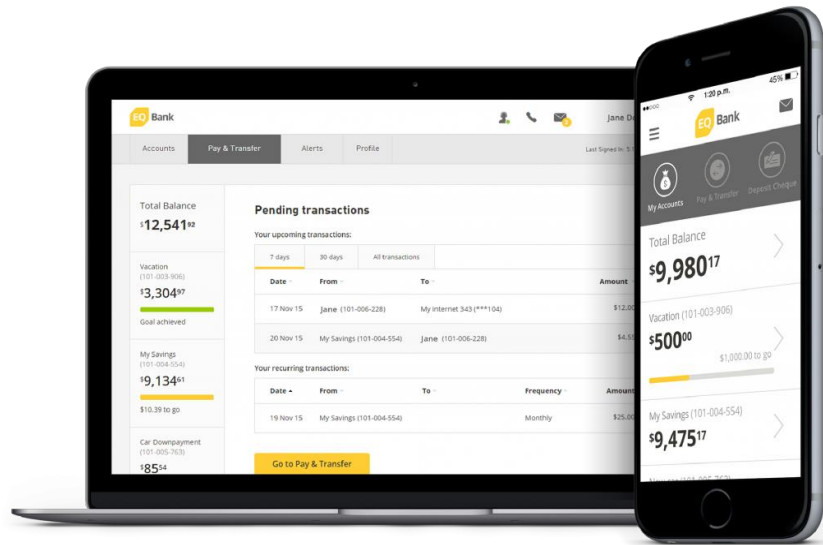




# EQ Bank combines chequing and savings for the mobile age



**A Better way to Bank**



- EQ Bank offers a combined chequing and savings digital bank account
- Client's earn great interest without having to switch between a savings and chequing account to transact
- 100% digital with a clean, simple and fast interface reduces complexity and costs
- Low infrastructure costs means no monthly fees or hidden charges

# Our Performance

# Q2 2016 Performance Highlights

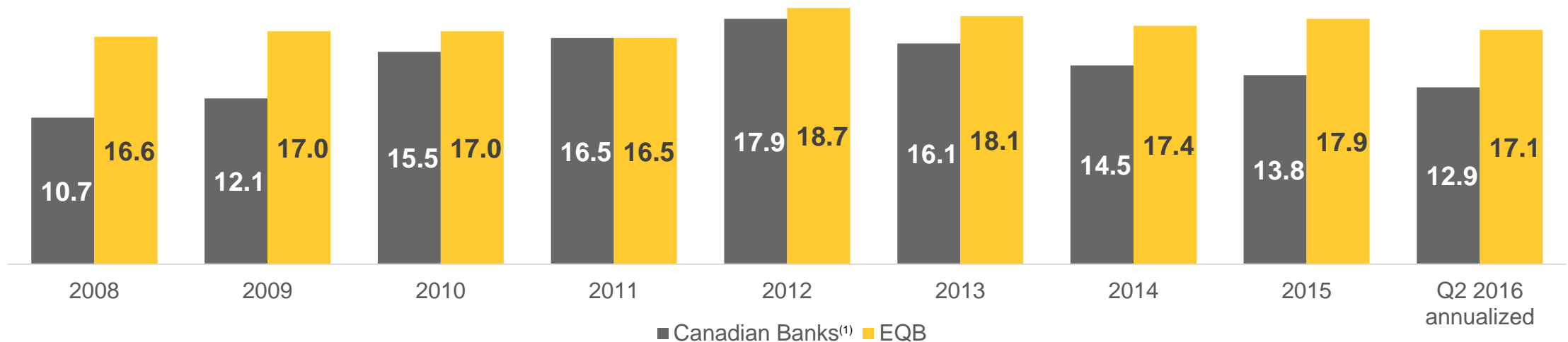
Objectives	Results
Consistently create shareholder value	<ul style="list-style-type: none"> <li>✓ Grew book value per share by 13% from Q2 of last year</li> <li>✓ Declared \$0.21 per share common share dividend in August, 11% higher than in Q2 2015</li> </ul>
Grow by providing effective service, competitive products and cost-efficient operations	<ul style="list-style-type: none"> <li>✓ Diversified our funding profile through brokered HISA growth and the growth of <i>EQ Bank</i> which has attracted almost \$1.0 billion deposits since launch</li> </ul>
Build our capabilities and brand	<ul style="list-style-type: none"> <li>✓ Increased Mortgages Under Management by 24% from a year ago</li> <li>✓ Originated a quarterly record \$2.0 billion of mortgages, a 45% increase over 2015 – includes almost \$500 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 \$0.1 million or less than 1 bp of average loan balances</li> <li>✓ Reported a CET1 Ratio of 13.5%, which was well ahead of regulatory minimums and most competitive benchmarks</li> </ul>

**Q2 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>

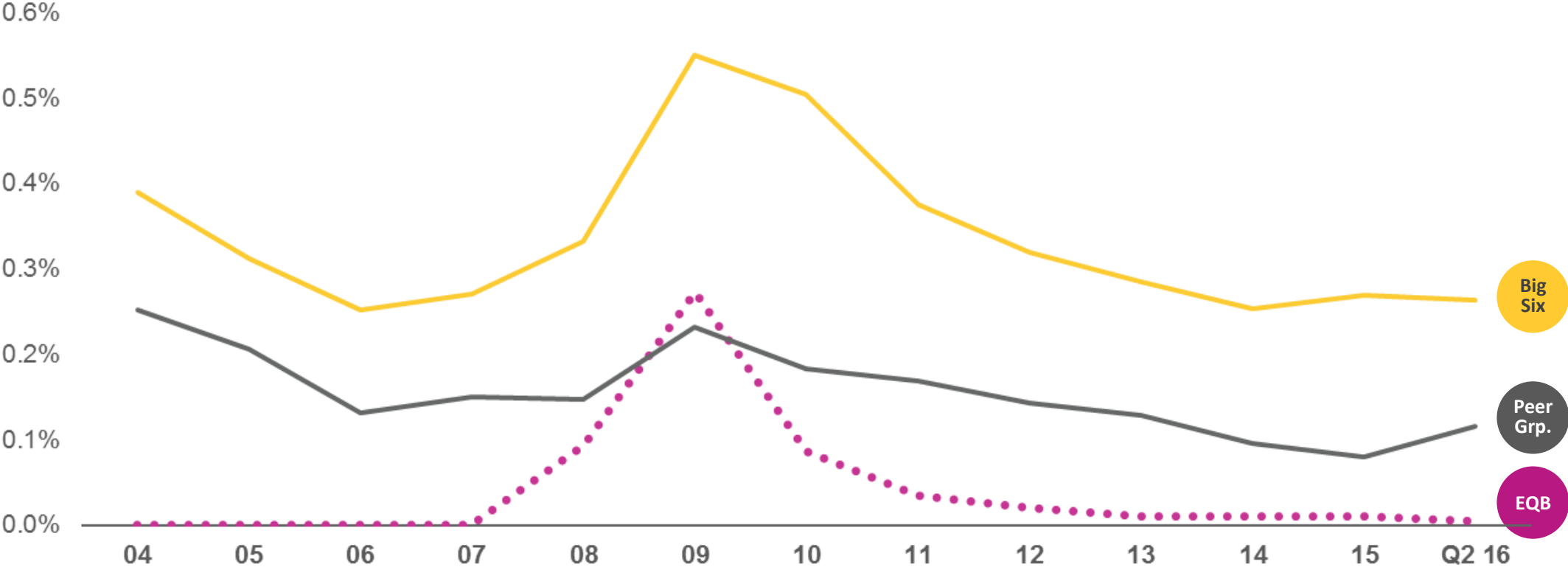
## Higher Return on Equity Than Benchmarks



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

# A Strong Risk Management Framework and Low Loss Levels

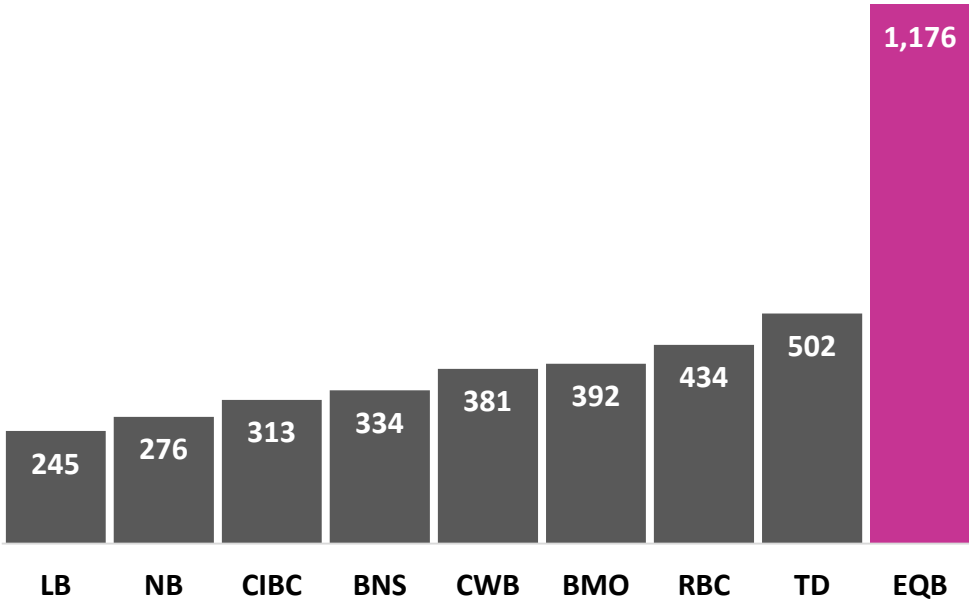
Actual Credit Loss Rates, Selected Canadian Banks and Trust Companies



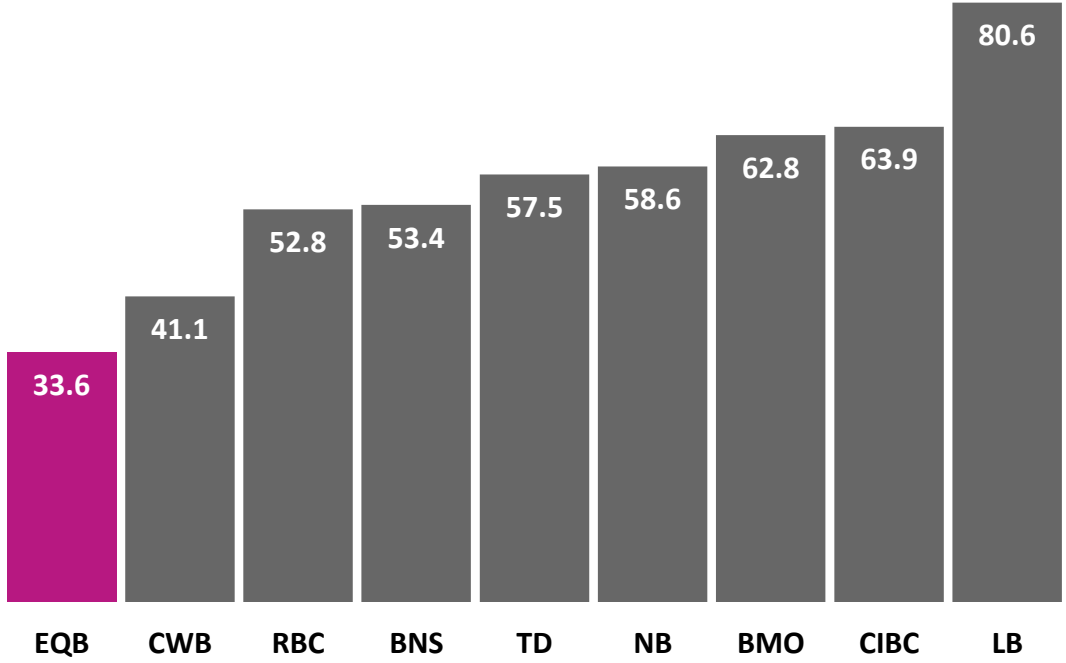
Minimal Credit Losses and Strong Relative Performance Highlight Portfolio Quality

# No branches yields higher productivity and efficiency

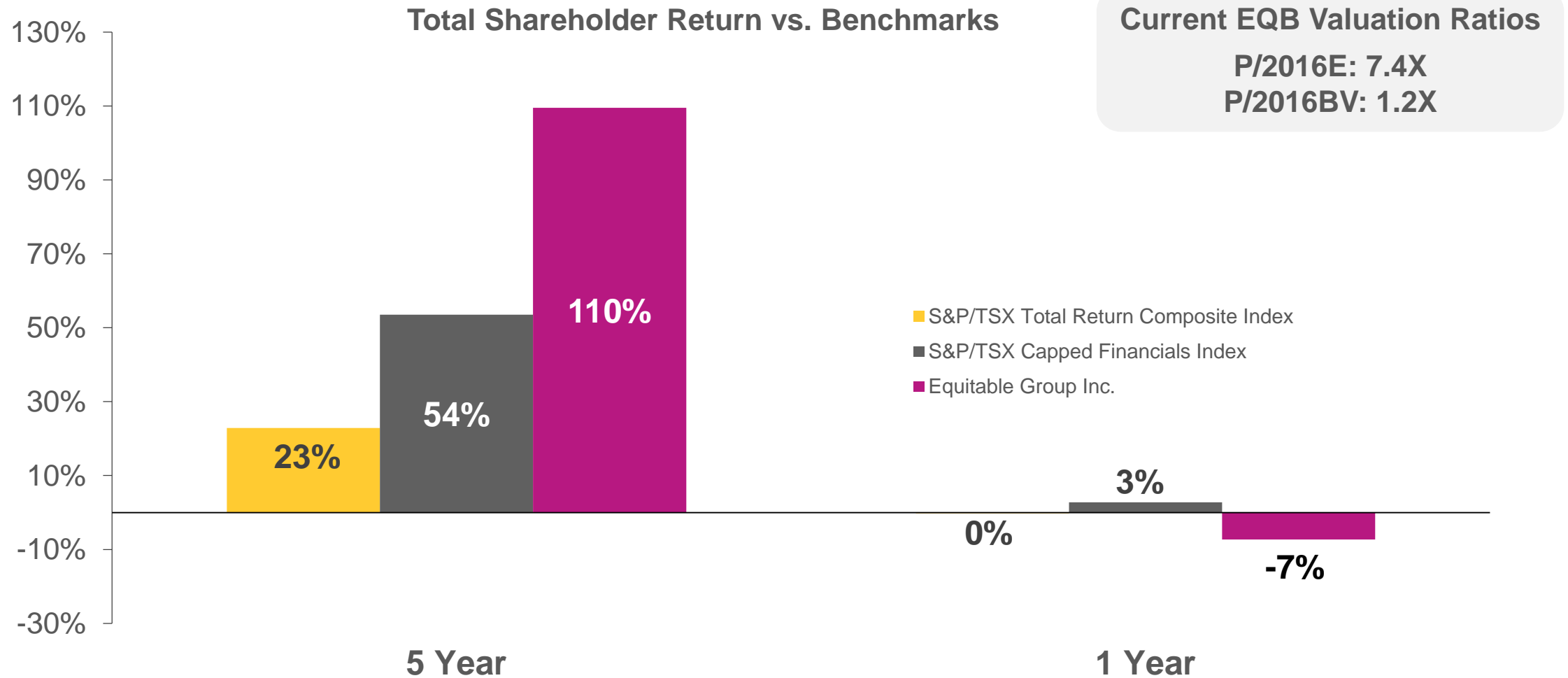
2015 Revenue per Employee (\$'000s/Employee)



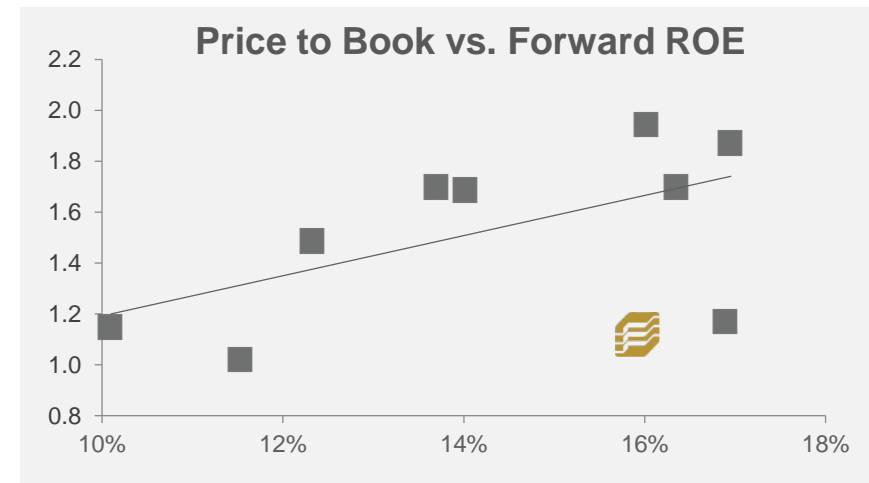
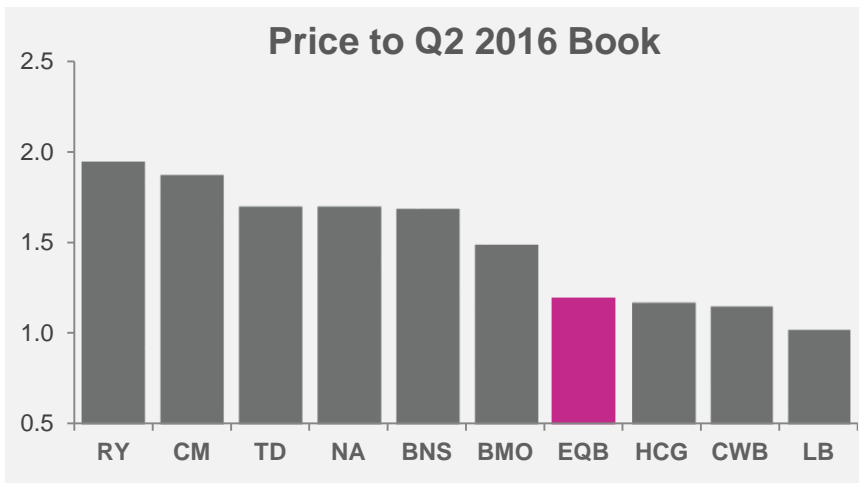
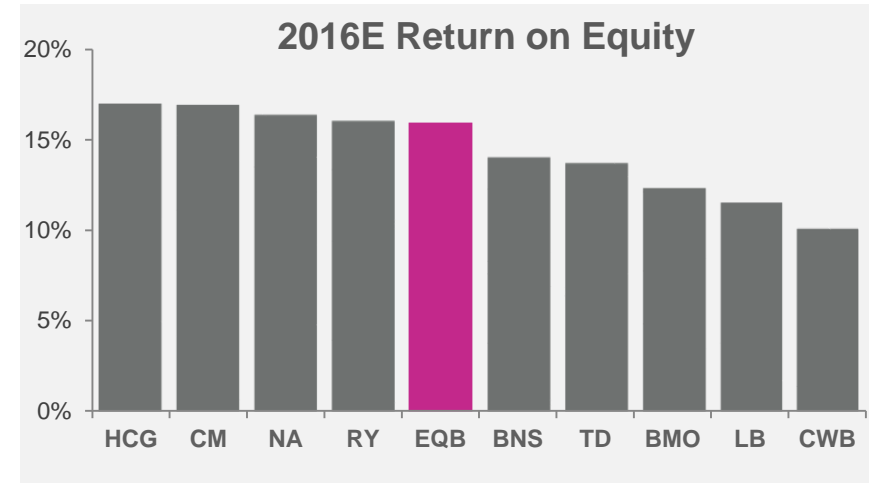
2015 Efficiency Ratios (%)



# Total Shareholder Return Exceeds Benchmarks Over the Long-Term



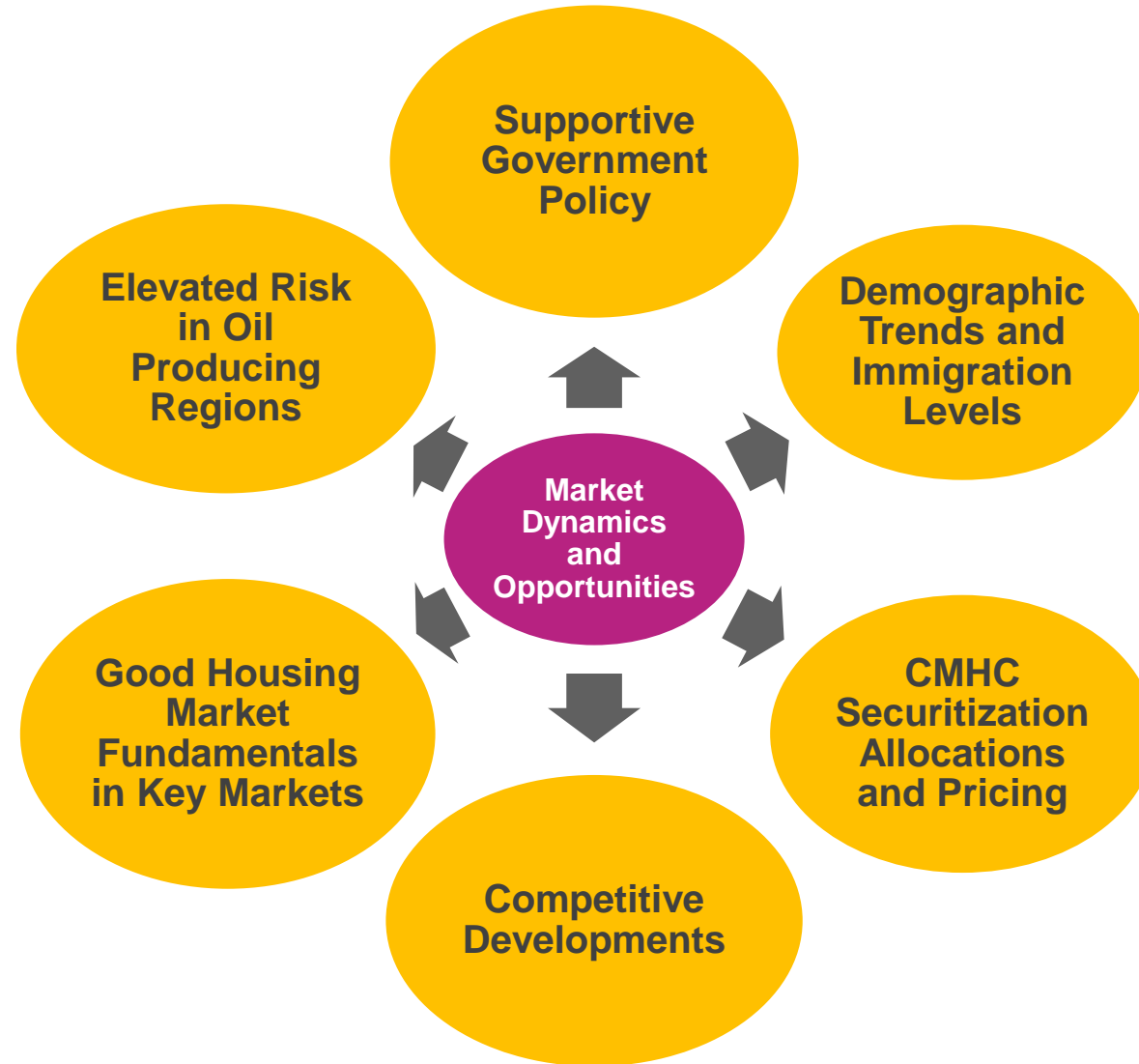
# Valuation Metrics vs. Other Canadian FIs





# Looking Forward

# Key Market Developments



# Our 2016 objectives build on our capabilities and 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

# Multiple Long-Term Growth Opportunities

