EQUITABLE | TSX.EQB EQB.PR.C

2017 Q2

Second Quarter Report

For the three and six months ended June 30, 2017

Canada's Challenger Bank. Money Well Banked.

EQUITABLE GROUP INC.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and six months ended June 30, 2017

Management's Discussion and Analysis ("MD&A") is provided to enable readers to assess the unaudited financial position and the results of the consolidated operations of Equitable Group Inc. ("Equitable" or the "Company") for the three months ("quarter") and six months ended June 30, 2017. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2017, together with accompanying notes, which have been prepared in accordance with International Accounting Standard ("IAS") 34. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016, together with accompanying notes. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at August 10, 2017. The Company's continuous disclosure materials, including interim filings, annual Management's Discussion and Analysis and Consolidated Financial Statements, Annual Information Form, Management Information Circular, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Company's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made by the Company in the sections of this report including those entitled "Business Profile and Objectives", "Market Developments", "Q2 2017 Highlights", "Business Outlook", "Income Taxes", "Credit Quality and Allowance for Credit Losses", "Liquidity Investments and Equity Securities", "Other Assets", "Capital Management", "Derivative Financial Instruments", "Risk Management", in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws ("forward-looking statements"). These statements include, but are not limited to, statements about the Company's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to the Company's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "planned", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases which state that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur", "be achieved", or other similar expressions of future or conditional verbs.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions, legislative and regulatory developments, changes in accounting standards, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risk Management" herein and in the Company's documents filed on SEDAR at www.sedar.com.

All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate and liquidity conditions affecting the Company and the Canadian economy. Although the Company believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by the Company in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its mortgage business, a continuation of the current level of economic uncertainty that affects real estate market conditions, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

BUSINESS PROFILE AND OBJECTIVES

OVERVIEW

Equitable Group Inc. (TSX: EQB and EQB.PR.C) is a growing Canadian financial services business that operates through its wholly-owned subsidiary, Equitable Bank (the "Bank"). Equitable Bank is a Schedule I Bank regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") with total Assets Under Management[1] of approximately $24 billion. We serve retail and commercial customers across Canada with a range of savings solutions and mortgage lending products, offered under the Equitable Bank and *EQ Bank* brands. Measured by assets, Equitable Bank is the ninth largest independent Schedule I Bank in Canada.

VISION AND STRATEGY

Equitable operates with a branchless banking model and competes in niche lending and savings markets that are not well served by the larger Canadian banks or in which we have a unique advantage. Our strategy is to continue growing the Bank over time by delivering superior service to our customers and business partners across Canada, and to diversify by launching new offerings. With this approach, we aim to grow earnings, produce a Return on Equity ("ROE")[1] for our shareholders in the mid to high-teens, and maintain strong regulatory capital ratios.

Currently, Equitable Bank provides mortgage loans to a wide range of customers that includes business-for-self borrowers, newcomers to Canada and commercial real estate investors. The Bank also provides Canadians with various saving options that offer security and attractive interest rates, including Guaranteed Investment Certificates ("GIC"s), High Interest Savings Accounts ("HISA"s), and deposit notes. We generally serve these customers through our extensive partnerships with Canada's mortgage brokers, mortgage bankers, deposit agents, investment dealers, and financial planners who provide independent professional advice to their clients. Starting in 2016, Equitable provides select deposit products directly to Canadian savers through our digital banking platform, *EQ Bank*. The first deposit product offered through our digital bank was the *EQ Bank Savings Plus Account* which was received well by Canadian savers. We intend to expand the range of savings products and services that we offer through *EQ Bank*, while at the same time maintaining a strong commitment to our broker partners.

For further information on Equitable's strategy, capabilities, Business Lines, and key performance indicators please refer to our 2016 annual Management's Discussion and Analysis.

MARKET DEVELOPMENTS

As a result of events at another Canadian financial institution, the equity and funding markets experienced some disruption during the second quarter. Related to these events, and consistent with our previous disclosure, we experienced an elevated but manageable increase in deposit balance attrition for a brief period in late April and early May.

Our Q1 Management Discussion and Analysis outlined several actions intended to reinforce the Company's liquidity profile in light of these market events. Those actions were costly to the Bank but consistent with the conservative manner in which we manage our business and our low risk appetite – and they achieved the desired result.

[1] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

The actions that we took included:

- Obtaining a two-year, $2.0 billion secured backstop funding facility from a syndicate of lenders comprised of Bank of Montreal, CIBC, National Bank, Royal Bank of Canada, Scotiabank, and The Toronto-Dominion Bank. The material terms of the facility were previously disclosed by Equitable and are available on SEDAR (www.sedar.com).
- Insuring and securitizing an $892 million portfolio of existing residential mortgages. This transaction augmented Equitable's base of liquid assets and the insurance premiums will be offset by lower funding costs over time. The impact on earnings per share will be negative over the next three quarters, however, as the insurance premiums are amortized into Net Interest Income more quickly than the funding cost benefit is realized. In each of Q3 and Q4 2017 we expect the net cost to be approximately $2 million.
- Pulling forward a planned two-month *EQ Bank* marketing campaign originally scheduled for the fall of 2017 and increasing the interest rate on the *EQ Bank Savings Plus Account* by 0.30% to 2.30% in order to drive deposit growth
- Raising the interest rate on our brokered HISA account by 0.45% to 1.50% (or 1.75% for our EQB 200 product) to stem the rate of attrition
- Selling $22.5 million of preferred shares in order to increase our cash position, a transaction on which we realized a loss of $0.8 million
- Optimizing usage of our various bank-sponsored funding facilities
- Maintaining our traditional approach of managing a portfolio of assets and liabilities with matched terms, but placing more focus on extending the term of our GIC portfolio

The result of these actions was that Equitable's liquid asset and deposit balances exhibited some intra-quarter volatility but overall finished Q2 at a level slightly above Q1. Liquid assets finished the quarter at $1.6 billion, which was $417 million or 36% above the level at the end of Q1 2017. Likewise, deposits grew for the last eight weeks of the quarter, leading management to believe that market conditions have now stabilized. Nonetheless, we will continue to monitor our liquidity position carefully to ensure that we protect the money that Canadian investors and savers have trusted to us.

These events regrettably weighed on our earnings performance in Q2. The cost of insurance and our secured backstop funding facility caused NII to be $5.9 million lower and non-interest expenses were elevated by $2.6 million due to investments in *EQ Bank* marketing. In aggregate, these factors reduced our EPS by $0.38. We expect that the EPS impact of the backstop funding facility and mortgage insurance expenses, net of the associated funding cost benefits, will be in the range of $0.30-$0.35 in each of Q3 and Q4.

Equitable's lending markets continue to present meaningful growth opportunities which appear to have increased as a result of the recent market disruption. We plan to absorb the potential volume opportunities prudently, within our operational capacity and leveraging our available sources of liquidity, and of course will maintain our adherence to quality underwriting. We have tightened our underwriting standards to manage the flow and ensure that we approve only the highest quality of the applications.

FINANCIAL OVERVIEW

Table 1: Selected financial information

($ THOUSANDS, EXCEPT SHARE, PER SHARE AMOUNTS AND PERCENTAGES)	Three months ended					Six months ended		
	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change	**Jun 30, 2017**	Jun 30, 2016	% Change
RESULTS OF OPERATIONS								
Net income	**$ 38,909**	$ 43,393	(10%)	$ 33,410	16%	**$ 82,302**	$ 61,422	34%
Net income available to common shareholders	**37,718**	42,202	(11%)	32,219	17%	**79,920**	59,040	35%
Net interest income	**78,349**	78,352	(0%)	67,010	17%	**156,701**	130,604	20%
Total revenue	**183,025**	181,525	1%	162,861	12%	**364,550**	314,552	16%
EPS – basic	**$ 2.29**	$ 2.56	(11%)	$ 2.07	11%	**$ 4.85**	$ 3.80	28%
EPS – diluted	**$ 2.28**	$ 2.54	(10%)	$ 2.05	11%	**$ 4.82**	$ 3.76	28%
ROE	**15.6%**	18.4%	(2.8%)	17.1%	(1.5%)	**17.0%**	15.9%	1.1%
Return on average assets[1]	**0.8%**	0.9%	(0.1%)	0.8%	-%	**0.9%**	0.7%	0.2%
NIM – TEB – total assets[1]	**1.63%**	1.66%	(0.03%)	1.61%	0.02%	**1.64%**	1.61%	0.03%
Efficiency Ratio – TEB[1][2]	**39.2%**	33.2%	6.0%	38.2%	1.0%	**36.1%**	40.6%	(4.5%)
BALANCE SHEET								
Total assets	**19,795,986**	19,300,418	3%	17,147,854	15%			
Assets Under Management	**23,641,546**	22,959,080	3%	19,709,617	20%			
Mortgages receivable	**18,263,623**	18,164,958	1%	16,244,106	12%			
Mortgages Under Management ("MUM")[1]	**22,013,453**	21,743,431	1%	18,723,056	18%			
Shareholders' equity	**1,060,852**	1,023,702	4%	843,924	26%			
CREDIT QUALITY								
Provision for credit losses	**378**	738	(49%)	105	261%	**1,116**	332	236%
Provision for credit losses – rate[1]	**0.01%**	0.02%	(0.01%)	0.00%	0.01%	**0.01%**	0.00%	0.01%
Net impaired mortgages as a % of total mortgage assets[3]	**0.16%**	0.21%	(0.05%)	0.20%	(0.04%)			
Allowance for credit losses as a % of total mortgage assets	**0.19%**	0.19%	-%	0.20%	(0.01%)			
SHARE CAPITAL								
Common shares outstanding	**16,477,654**	16,475,149	0%	15,566,465	6%			
Book value per common share[1]	**$ 59.98**	$ 57.73	4%	$ 49.55	21%			
Common share price – close	**$ 59.48**	$ 69.37	(14%)	$ 55.99	6%			
Common share market capitalization	**980,091**	1,142,881	(14%)	871,566	12%			
EQUITABLE BANK CAPITAL RATIOS[1]								
Risk-weighted assets	**6,561,813**	6,739,517	(3%)	5,664,575	16%			
CET1 Ratio	**14.8%**	13.9%	0.9%	13.5%	1.3%			
Tier 1 Capital Ratio	**15.9%**	15.0%	0.9%	14.8%	1.1%			
Total Capital Ratio	**17.4%**	16.4%	1.0%	16.5%	0.9%			
Leverage Ratio	**5.3%**	5.3%	-%	5.0%	0.3%			

(1) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.
(2) Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies.
(3) Net impaired mortgages do not include insured mortgages that are less than 365 days in arrears and reflect gross impaired mortgage assets less individual allowances.

Q2 2017 HIGHLIGHTS

PERFORMANCE AGAINST STRATEGIC PRIORITIES

Equitable produced strong quarterly earnings in Q2 2017 and we continued to successfully deliver on our key strategic priorities:

Strategic Objectives	Accomplishments
Grow by providing superior service, competitive products and cost-effective operations	• Grew our Alternative Single Family assets by 19% over Q2 2016 • Grew our Commercial Lending portfolio by 16% over the prior year • Increased our Prime Single Family MUM by 35% from Q2 of last year
Build our capabilities and brand	• Continued adding value to our customers through enhancements to our *EQ Bank* digital platform such as digital onboarding • Increased our GIC principal balances by $1.0 billion or 14%, to $7.7 billion from $6.7 billion a year ago and by $317 million over the quarter • Grew *EQ Bank Savings Plus Account* balances to over $1.3 billion • Furthered our AIRB initiative and risk modelling capabilities
Consistently create shareholder value	• Delivered a quarterly EPS of $2.28, 11% higher than last year • Produced an ROE of 15.6%, surpassing the quarterly average of the eight largest publicly traded Canadian banks • Increased book value per share by 21% from Q2 of last year • Declared a common share dividend of $0.24 per share in August, which was 14% higher than the declaration in August 2016
Maintain a low risk profile	• Obtained a two-year $2 billion secured backstop funding facility from a syndicate of Canadian banks • Maintained an average loan-to-value ratio of 60% on our uninsured residential mortgage portfolio, as compared to 65% in Q2 2016 • Recorded a provision for credit losses of $0.4 million or 1 bp of average loan balances, slightly below Q1 2017 levels and consistent with historical norms • Reported a CET1 Ratio of 14.8%, which was well ahead of regulatory minimums and most competitive benchmarks

ITEMS OF NOTE

Our Q2 2017 financial results were impacted by the following items:

- $0.8 million of losses on the disposal of certain preferred share investments; and
- $0.5 million of gains on investments acquired from Maple Bank GmbH's Toronto Branch ("Maple Bank").

Our Q1 2017 financial results were impacted by the following item:

- $1.1 million of gains on investments acquired from Maple Bank.

There were no items of note in our financial results for Q2 2016.

DIVIDENDS

On August 10, 2017, the Company's Board of Directors declared a quarterly dividend in the amount of $0.24 per common share, payable on October 5, 2017, to common shareholders of record at the close of business on September 15, 2017. This dividend represents a 14% increase over dividends declared in August 2016 and the growth is indicative of Equitable's commitment to consistently growing its dividend each year.

In addition, on August 10, 2017, the Company's Board of Directors declared a quarterly dividend in the amount of $0.396875 per preferred share, payable on September 30, 2017, to preferred shareholders of record at the close of business on September 15, 2017.

BUSINESS OUTLOOK

Equitable expects that its strategy, including its disciplined approach to capital allocation, will continue to deliver value for its shareholders and protect the money that our depositors have trusted to us. Our asset quality remains high and our core lending markets continue to present meaningful growth opportunities. Due to the recent disruptions in the market and steps we have taken to manage through those conditions, however, EPS will likely decline by approximately 10% year-over-year in the last half of 2017 and our ROE should be between 13% and 15%.

Recent Regulatory Changes

Governments at all levels in Canada continue to focus on the stability of the domestic housing market, and since last fall the Federal and Ontario governments have introduced a series of measures intended to curtail market activity and house prices. The most recent changes relate to proposed revisions to OSFI's *Guideline B-20, Residential Mortgage Underwriting Practices and Procedures ("B-20")*.

Several aspects of the B-20 proposal could have a negative impact on Equitable's Alternative Single Family Lending business, though the full impact is difficult to assess in the absence of information about competitive implications or reactions across the broader market. Most notably, the requirements that borrowers qualify for an uninsured mortgage using a 'stress test' at a prescribed spread over the contract rate of the mortgage and that lenders do not utilize co-lending arrangements in certain circumstances may prevent us from lending to certain types of customers that have traditionally made up part of our customer base. On the other hand, larger lenders may also be negatively impacted by aspects of the proposed changes, which could cause incremental volume to flow into the alternative mortgage market and offset some of our expected volume loss.

Asset Growth

The Bank operates lending businesses across a wide spectrum of secured real estate assets. This diversification improves the Company's long–term growth potential, reduces our risk profile, and increases the depth of our relationships with our customers and distribution partners.

As a result of our continued emphasis on service quality, we expect that year-over-year growth of our Mortgages under Management ("MUM")[1] will be in the range of 10% to 12% in the last two quarters of 2017. Balance sheet assets should grow at slightly lower levels due to derecognition of some securitized mortgages. We expect our balance sheet assets to grow at year-over-year rates in the high single digits in Q3 and Q4, with growth of individual asset categories described in detail below. Given recent market dynamics and regulatory changes, there is significant uncertainty to this growth outlook and our views will likely evolve over time.

(1) When discussing performance of our businesses, we generally refer to Mortgages Under Management rather than balance sheet assets because some of our securitized mortgages have been derecognized. In the opinion of management, MUM is a better indicator of the performance of our franchise.

Summary of Expectations for Mortgage Portfolio Growth for Q3 and Q4 2017

Portfolio	Expectations[1]	Rationale and Assumptions[1]
Forecasting asset growth remains challenging given the magnitude of the recent regulatory changes and competitive dynamics. The outlook and comments below reflect management's current views only and are subject to change over time.		
Core Lending: Alternative Single Family	• Assets to grow at rates in the high teens	• Recent regulatory changes will continue to decrease overall housing market activity; house prices will contract slightly from Q2 average levels • The Alternative market grows as some previously insurable low ratio Prime volumes migrate to it • The Bank achieves a higher market share in the Alternative segment due to our consistently superior levels of service and competitive disruptions • The portfolio grows at high rates due to the absolute level of originations and consistent renewal rates • Employment is stable and overall economic growth in Canada remains positive • Our current sources of funding continue to deliver sufficient volumes to profitably support this level of growth
Core Lending: Commercial	• Assets will remain consistent with Q2 levels	• Originations are deliberately tempered in the near-term as our available funding is used to support Alternative Single Family growth • Attrition rates likely to remain consistent with 1H 2017 levels
Securitization Financing: Prime Single Family	• Year-end MUM and balance sheet assets both grow at rates in the low-single digits	• The economy and housing market perform as indicated above for Alternative Single Family • Regulatory changes will cause market-wide insured prime mortgage origination activity to remain lower than in 2016 • We will focus on maintaining our market share by concentrating on niches in which we have a competitive advantage • Even though our origination volumes fall, assets still grow because of low maturity levels in this young portfolio
Securitization Financing: Multi-Unit Residential ("Multis")	• MUM grows at a rate in the mid-single digits • Balance sheet assets decline at rates in the low double digits due to asset derecognition	• We will fully utilize our fixed rate CMB capacity (approximately $300 million per quarter) with Multi renewals and originations • Slightly less than 50%, or $100 to $150 million, of securitized Multis will be derecognized each quarter

[1] All growth rates listed in this table are with reference to the prior year unless noted otherwise

The Company may not realize the expected asset growth rates indicated in the table above if business or competitive conditions, funding conditions, the regulatory environment, the housing market, or general economic conditions change, or if any of the other assumptions outlined in the table do not materialize in the amount or within the timeframes specified.

Revenue

Management believes that in the remaining quarters of 2017 Net Interest Income ("NII") will increase at year-over-year rates in the 2% to 5% range due to continued growth of the Bank's assets.

Summary of Expectations for Key Revenue Drivers for Q3 and Q4 2017

Driver	Expectations	Rationale and Assumptions
NIM: Core Lending	• Will be lower by up to 20 bps in Q3 and 10 bps in Q4, relative to Q2 2017 levels	• Our backstop funding facility and higher mortgage insurance premiums increase our effective cost of funds by approximately 19 bps • The portfolio mix shifts slightly more towards lower spread but higher ROE Single Family assets, which will cause NIM to gradually decrease • Pricing within the Alternative Single Family and Commercial markets remains stable, after increasing in late April of this year • Prime Lending rates increase by a further 25 basis points this year and as a result yields on our outstanding floating rate mortgages increase • Interest rates on brokered deposits, the primary source of funding for Alternative and commercial mortgages, also remain consistent • *EQ Bank* deposit balances continue to grow, as we maintain a highly attractive interest rate and add additional features to the platform in 2017 • Low margin liquid asset balances will be higher than normal through the end of the year, placing pressure on Core Lending NIM
NIM: Securitization Financing	• Will decrease by 8 to 10 bps from Q2	• Prepayment income will return to more normal levels and will represent substantially all of the decline • Multi margins decline slightly due to continued competitive pressures • Prime margins will increase from current, unsustainably low levels as pricing moves up along with benchmark rates
NIM: Total	• Will be lower by up to 20 bps in Q3 and 10 bps in Q4, relative to Q2 2017 levels	• The decreases in our Core Lending and Securitization Financing margins cause overall NIM to decline
Income from NHA-MBS Successor Issuer Rights	• Expect Maple income in the range of \$0.06-\$0.08 per share per quarter	• The assets underlying this revenue stream continue to amortize as expected through 2020
Securitization Gains on Sale	• Will be lower than in Q2 2017	• Securitization and derecognition activity is between \$100 and \$150 million in each of the next two quarters • Overall gain on sale margins will be consistent with the levels realized in Q1 and Q2 2017

NIM is a function of portfolio mix, with that mix being influenced by both the level of asset derecognition that we achieve and the types of assets that we derecognize. Accordingly, any change to our current securitization and derecognition plans could cause NIM to differ from the expectations outlined above, particularly for the Securitization Financing portfolio. Quarterly NIM may also fluctuate and differ from our expectations due to mortgage prepayment income volatility and other factors such as seasonal variations in the level of our liquidity holdings.

Non-Interest Expenses

We anticipate that during the latter half of 2017 non-interest expenses will increase at year-over-year rates consistent with the growth rate of the overall business, as we continue to make investments that build the Bank's franchise and reinforce our current high level of customer service. These strategic investments reduce efficiency in the near-term but build a foundation for growth and productivity that will benefit our shareholders over the longer-term. Expenses will be slightly lower than in Q2 2017 due to the elevated level of marketing spend in that period.

The Bank will continue to operate efficiently on both an absolute and relative basis compared to most other financial institutions due to our branchless business model. Our Efficiency Ratio in Q3 and Q4 2017 will be slightly higher than Q2 2017 levels as a result of the slowing growth rate of our NII.

Strategic Initiatives

Management will continue to pursue our key strategic initiatives. We will invest to grow our lending businesses; enhance our digital banking platform; improve our servicing proficiency; and continue our efforts to migrate to the Advanced Internal Ratings Based ("AIRB") approach to improve the sophistication of our capital and risk management. The aggregate levels of capital investment and operating expenses in our strategic programs during 2017 will be consistent with the levels in 2016. We expect that all of these initiatives will deliver meaningful long-term value for our shareholders.

With respect to *EQ Bank*, we plan to continually enhance the functionality of the platform and will pursue opportunities to launch new products and services over time. For example, in Q2 we introduced new digital-only account sign-up within *EQ Bank* and further automated the digital platform's back office capabilities to improve the customer experience, improve onboarding efficiency and support an ambitious technology roadmap. We believe we can grow balances through the year as we introduce more innovative features not available with other institutions, invest in marketing campaigns, and maintain a competitive interest rate. Growth of these direct-to-consumer retail accounts is an enabler of our asset growth and a critical tool in managing our level of liquidity risk.

Credit Quality

The Bank consistently manages credit risk through the application of our prudent lending practices. As a result, we expect our arrears rates and credit loss provisions to be low in the last two quarters of 2017, assuming that Canadian economic conditions stay within the range of broad market expectations. Loss and arrears rates may return to more normal levels from the exceptionally low rates experienced over the past several years, partly due to the challenging economic conditions in Alberta and Saskatchewan. As indicated in Table 21 of our Q2 2017 Supplemental Information and Regulatory Disclosures Report available on the Company's website at www.equitablebank.ca, the average credit score of our borrowers continued to be high and stable.

The purpose of this outlook is to give the reader an indication of factors that may affect Equitable's performance in the near term. Readers should be aware that information contained in this section may not be appropriate for any other purpose.
See "Cautionary Note Regarding Forward-Looking Statements" on page 1 of this MD&A.

FINANCIAL REVIEW – EARNINGS

Table 2: Income statement highlights

($ THOUSANDS, EXCEPT PER SHARE AMOUNT)	Three months ended Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change	Six months ended Jun 30, 2017	Jun 30, 2016	% Change
Net income	**$ 38,909**	$ 43,393	(10%)	$ 33,410	16%	**$ 82,302**	$ 61,422	34%
EPS – diluted	**$ 2.28**	$ 2.54	(10%)	$ 2.05	11%	**$ 4.82**	$ 3.76	28%
Net interest income	**78,349**	78,352	(0%)	67,010	17%	**156,701**	130,604	20%
Provision for credit losses	**378**	738	(49%)	105	261%	**1,116**	332	236%
Non-interest expenses	**34,495**	29,820	16%	28,372	22%	**64,315**	57,750	11%
Income taxes	**13,880**	15,423	(10%)	11,545	20%	**29,303**	21,259	38%

NET INTEREST INCOME

NII is the main driver of profitability for the Company. Table 3 details the Company's NII by product and portfolio:

Table 3: Net interest income

	Three months ended						Six months ended			
	Jun 30, 2017		Mar 31, 2017		Jun 30, 2016		**Jun 30, 2017**		Jun 30, 2016	
($ THOUSANDS, EXCEPT PERCENTAGES)	**Revenue/ Expense**	**Average rate[1]**	Revenue/ Expense	Average rate[1]	Revenue/ Expense	Average rate[1]	**Revenue/ Expense**	**Average rate[1]**	Revenue/ Expense	Average rate[1]
Core Lending:										
Revenues derived from:										
Mortgages	**$ 125,670**	**4.46%**	$ 121,892	4.55%	$ 107,544	4.65%	**$ 247,562**	**4.50%**	$ 208,963	4.63%
Liquidity investments	**1,397**	**0.74%**	1,604	0.84%	1,573	0.97%	**3,001**	**0.79%**	2,734	0.91%
Equity securities – TEB[2]	**1,430**	**5.86%**	1,828	6.43%	2,520	7.72%	**3,258**	**6.17%**	4,679	7.22%
	128,497	**4.24%**	125,324	4.32%	111,637	4.45%	**253,821**	**4.28%**	216,376	4.43%
Expenses related to:										
Deposits and bank facilities	**47,624**	**2.04%**	43,101	1.98%	42,944	2.13%	**90,725**	**2.01%**	83,895	2.13%
Debentures	**950**	**5.86%**	950	5.93%	950	5.88%	**1,900**	**5.90%**	1,900	5.88%
Securitization liabilities	**6,604**	**1.65%**	6,616	1.59%	3,643	1.50%	**13,220**	**1.62%**	6,949	1.51%
	55,178	**2.00%**	50,667	1.94%	47,537	2.09%	**105,845**	**1.97%**	92,744	2.10%
Net interest income – TEB	**73,319**	**2.41%**	74,657	2.55%	64,100	2.55%	**147,976**	**2.48%**	123,632	2.53%
Taxable Equivalent Basis – adjustment	**(397)**		(485)		(838)		**(882)**		(1,462)	
Core Lending	**$ 72,922**		$ 74,172		$ 63,262		**$ 147,094**		$ 122,170	
Securitization Financing:										
Revenues derived from:										
Mortgages	**$ 44,957**	**2.60%**	$ 45,155	2.54%	$ 45,296	2.73%	**$ 90,112**	**2.57%**	$ 88,903	2.77%
Liquidity investments	**655**	**0.95%**	509	1.19%	344	0.89%	**1,164**	**1.04%**	576	0.93%
	45,612	**2.54%**	45,664	2.51%	45,640	2.68%	**91,276**	**2.52%**	89,479	2.73%
Expenses related to:										
Securitization liabilities	**35,775**	**2.36%**	37,317	2.43%	37,711	2.60%	**73,092**	**2.40%**	73,590	2.61%
Deposits and secured funding facility	**4,410**	**1.76%**	4,167	1.62%	4,181	1.79%	**8,577**	**1.69%**	7,455	1.75%
	40,185	**2.27%**	41,484	2.31%	41,892	2.49%	**81,669**	**2.29%**	81,045	2.50%
Securitization Financing	**$ 5,427**	**0.30%**	$ 4,180	0.22%	$ 3,748	0.22%	**$ 9,607**	**0.26%**	$ 8,434	0.25%
Total interest earning assets – TEB	**$ 78,746**	**1.63%**	$ 78,837	1.66%	$ 67,848	1.61%	**$ 157,583**	**1.64%**	$ 132,066	1.61%

(1) *Average rates are calculated based on the daily average balances outstanding during the period*

(2) *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

Q2 2017 v Q2 2016

Net interest income was up 17% due to growth in average asset balances in both the Core Lending and Securitization Financing businesses and an increase of 2 bps in NIM. Total NIM increased as a result of a shift in asset mix towards our higher yielding Core Lending business.

Table 4(a): Factors affecting Q2 2017 v Q2 2016 NIM

	Impact (in bps)	Drivers of change
Core Lending NIM:		
Mortgage prepayment income	3	• Higher levels of early discharges in Single Family Lending
Asset mix	(4)	• A reduction in the relative level of our higher yielding equity securities
Funding mix	10	• A shift in mix towards our lower cost securitization funding options • Redemption of a higher rate deposit note • Partly offset by growth of our higher cost *EQ Bank* deposit product
Liquidity events	(20)	• Insurance on $892 million of Alternative Single Family mortgages during the quarter • Commitment and standby fees, as well as upfront costs associated with the new $2 billion secured backstop funding facility (amortized over 24 months)
Rates/spread[(1)]	(3)	• Slightly lower spreads within both our Single Family and Commercial Lending portfolios
Change in Core Lending NIM	(14)	
Securitization Financing NIM:		
Mortgage prepayment income	8	• Mortgage prepayment income on larger multi-unit residential mortgages is inherently volatile and the impact on NIM can vary quarter-to-quarter
Asset mix	(3)	• Growth in the relative size of our lower yielding liquidity investments
Other	3	
Change in Securitization NIM	8	
Change in Total NIM[(2)]	2	

(1) The rate effect is calculated after adjusting for the impact of asset and funding mix changes.

(2) Change in total NIM does not necessarily equal the sum of change in Core Lending and Securitization Financing NIMs for several reasons including asset mix shifts between the two mortgage portfolios.

Q2 2017 v Q1 2017

Net interest income was relatively stable as compared to last quarter as the effect of growth in average assets was offset by a 3 bps decrease in NIM. The decrease in our overall NIM was mainly the result of recent liquidity events discussed earlier.

Table 4(b): Factors affecting Q2 2017 v Q1 2017 NIM

	Impact (in bps)	Drivers of change
Core Lending NIM:		
Mortgage prepayment income	7	• Higher levels of early discharges in Single Family Lending
Liquidity events	(20)	• Insurance on $892 million of Alternative Single Family mortgages during the quarter • Commitment and standby fees, as well as upfront costs associated with the new $2 billion secured backstop funding facility (amortized over 24 months)
Rates/spreads[(1)]	(1)	• Higher interest rate on our *EQ Bank* deposit product and brokered HISAs • Partly offset by reduced level of relatively low rate brokered HISAs
Change in Core Lending NIM	(14)	
Securitization Financing NIM:		
Mortgage prepayment income	8	• Mortgage prepayment income on larger multi-unit residential mortgages is inherently volatile and the impact on NIM can vary quarter-to-quarter
Change in Securitization NIM	8	
Change in Total NIM[(2)]	(3)	

(1) The rate effect is calculated after adjusting for the impact of asset and funding mix changes.

(2) Change in total NIM does not necessarily equal the sum of change in Core Lending and Securitization Financing NIMs for several reasons including asset mix shifts between the two mortgage portfolios.

YTD 2017 v YTD 2016

Net interest income was up 20% year over year due to both the growth in average assets and a 3 bps increase in NIM. The increase in our overall NIM was mainly attributable to the mix shift towards Core Lending, driven by growth in our Single Family assets.

Table 4(c): Factors affecting YTD 2017 v YTD 2016 NIM

	Impact (in bps)	Drivers of change
Core Lending NIM:		
Mortgage prepayment income	3	• Higher levels of early discharges in Single Family Lending
Funding mix	12	• A shift in mix towards our lower cost securitization funding options • Redemption of a higher rate deposit note • Partly offset by growth of our higher cost *EQ Bank* deposit product
Liquidity events	(10)	• Insurance on $892 million of Alternative Single Family mortgages during the quarter • Commitment and standby fees, as well as upfront costs associated with the new $2 billion secured backstop funding facility (amortized over 24 months)
Change in Core Lending NIM	(5)	
Securitization Financing NIM:		
Mortgage prepayment income	4	• Mortgage prepayment income on larger multi-unit residential mortgages is inherently volatile and the impact on NIM can vary quarter-to-quarter
Asset mix	(2)	• Growth in the relative level of our lower yielding liquidity investments
Rates/spread[1]	(1)	• Lower margin on our newly originated Prime business
Change in Securitization NIM	1	
Change in Total NIM[2]	3	

(1) *The rate effect is calculated after adjusting for the impact of asset and funding mix changes.*
(2) *Change in total NIM does not necessarily equal the sum of change in Core Lending and Securitization Financing NIMs for several reasons including asset mix shifts between the two mortgage portfolios.*

PROVISION FOR CREDIT LOSSES

Table 5: Provision for credit losses

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Jun 30, 2017**	Mar 31, 2017	% Change	Jun 30, 2016	% Change	**Jun 30, 2017**	Jun 30, 2016	% Change
Individual provision	**$ 378**	$ 738	(49%)	$ 105	260%	**$ 1,116**	$ 332	236%
Collective provision	**-**	-	N/A	-	N/A	**-**	-	N/A
Provision for credit losses	**$ 378**	$ 738	(49%)	$ 105	260%	**$ 1,116**	$ 332	236%
Provision for credit losses – rate	**0.01%**	0.02%	(0.01%)	0.00%	0.01%	**0.01%**	0.00%	0.01%
Allowance for credit losses	**$ 34,369**	$ 34,923	(2%)	$ 33,240	3%			

The credit quality of our mortgage portfolio remained strong in Q2. Our provision for credit losses during the second quarter was $0.4 million, $0.4 million lower than in the prior quarter and $0.3 million higher than in the same quarter of 2016. Relative to average mortgage principal outstanding during the period, the provision for credit losses was 1 bp, higher than in Q2 2016 but still consistent with historical norms. Based on our normal extensive review of mortgage assets and credit allowances, management concluded that this level of provision would maintain allowances at an appropriate level and that no additions to our collective allowance were required during the quarter.

The provision for credit losses represents management's best estimate of loss formations during the period after carefully assessing the overall portfolio and individually reviewing impaired loans. The amount of provision may vary from period-to-period based on impaired loan balances, our estimates of the credit losses on those loans, and economic conditions. The provision does not represent the aggregate amount that we have reserved to absorb losses: that aggregate amount is represented by the allowance for credit losses on our consolidated interim balance sheet. The allowance was $34.4 million or 19 bps of our total mortgage assets at June 30, 2017, which is in excess of our 10 year average annual loss rate of 4 bps.

OTHER INCOME

Table 6: Other income

($ THOUSANDS)	Three months ended					Six months ended		
	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change	**Jun 30, 2017**	Jun 30, 2016	% Change
Fees and other income:								
Fees and other income	**$ 4,671**	$ 5,217	(10%)	$ 3,781	24%	**$ 9,888**	$ 6,958	42%
Income from successor issuer activities	**2,182**	2,587	(16%)	-	N/A	**4,769**	-	N/A
Net (loss) gain on investments	**(788)**	-	N/A	747	N/A	**(788)**	747	N/A
Securitization activities:								
Gains on securitization and income from retained interests	**3,212**	3,961	(19%)	2,048	57%	**7,173**	3,845	87%
Fair value gain (losses) on derivative financial instruments	**36**	(743)	N/A	(154)	N/A	**(707)**	(1,391)	N/A
Total	**$ 9,313**	$ 11,022	(16%)	$ 6,422	45%	**$ 20,335**	$ 10,159	100%

Q2 2017 v Q2 2016

Other income increased $2.9 million compared with Q2 2016, mainly due to increases in:

- Income from successor issuer activities, representing income earned from certain Maple Assets and which is expected to be recurring on a diminishing basis through 2020;
- Gains on securitization and income from retained interests, driven by a higher gain on sale margin and despite a lower volume of securitization transactions that qualify for derecognition; and
- Fees and other income, the majority of which resulted from growth in our mortgage assets and $0.5 million of gains recorded on certain investments acquired from Maple Bank;

Offset by:

- A net investment loss realized on the sale of certain preferred shares during Q2 versus a net gain in the same period of 2016.

Q2 2017 v Q1 2017

Other income decreased sequentially primarily because of:

- A net loss on investments due to the disposition of certain preferred shares during the quarter;
- Lower Gains on securitization and income from retained interests resulting from a reduced volume of mortgages derecognized during the quarter; and
- A decrease in Fees and other income, mostly due to a decrease in gains recorded on certain investments acquired from Maple Bank;

Offset by:

- Small gains on derivative financial instruments related to securitization activities during the quarter as compared to losses in the preceding quarter.

YTD 2017 v YTD 2016

Other income increased $10.2 million on a year over year basis primarily because of the reasons stated above in comparing Q2 2017 to Q2 2016.

NON-INTEREST EXPENSES

Table 7: Non-interest expenses and Efficiency Ratio

			Three months ended				Six months ended	
($ THOUSANDS, EXCEPT PERCENTAGES AND FTE)	**Jun 30, 2017**	Mar 31, 2017	% Change	Jun 30, 2016	% Change	**Jun 30, 2017**	Jun 30, 2016	% Change
Compensation and benefits	**$ 16,467**	$ 16,423	0%	$ 15,193	8%	**$ 32,890**	$ 29,842	10%
Technology and system costs	**5,764**	4,809	20%	5,046	14%	**10,573**	9,459	12%
Marketing and corporate expenses	**5,178**	1,922	169%	2,298	125%	**7,100**	6,907	3%
Product costs	**3,020**	3,028	(0%)	2,425	25%	**6,048**	4,958	22%
Regulatory, legal and professional fees	**2,580**	1,974	31%	1,881	37%	**4,554**	3,332	37%
Premises	**1,486**	1,664	(11%)	1,529	(3%)	**3,150**	3,252	(3%)
Total non-interest expenses	**$ 34,495**	$ 29,820	16%	$ 28,372	22%	**$ 64,315**	$ 57,750	11%
Efficiency Ratio – TEB	**39.2%**	33.2%	6.0%	38.2%	1.0%	**36.1%**	40.6%	(4.5%)
Full-time employee ("FTE") – period average	**569**	565	1%	528	8%	**567**	516	10%

We continue to operate efficiently on both an absolute basis and relative to other financial institutions, particularly taking into account the scale of our operations. Our Efficiency Ratio increased to 39.2% from 38.2% a year ago and 33.2% in the preceding quarter.

Q2 2017 v Q2 2016

Total non-interest expenses increased primarily because of:

- An increase in Marketing expenses related to advertising for our *EQ Bank* platform;
- Higher Compensation and benefits costs as a result of FTE growth of 8%;
- An increase in Technology and System costs in order to support, maintain and upgrade our technology systems (including the digital platform); and
- An increase in Regulatory, legal and professional fees mainly because of an increase in CDIC's standard premium rates, higher deposit balances and business growth.

Q2 2017 v Q1 2017

Overall expenses were 16% higher than in the preceding quarter, mainly driven by:

- An increase in Marketing expenses related to *EQ Bank* advertising; and
- An increase in Technology and System costs in order to support, maintain and upgrade our technology systems (including the digital platform).

YTD 2017 v YTD 2016

Total non-interest expenses on a year-to-date basis increased over last year primarily because of:

- Higher Compensation and benefits costs as a result of FTE growth of 10%;
- An increase in Regulatory, legal and professional fees mainly because of an increase in CDIC's standard premium rates, higher deposit balances and business growth.
- An increase in Technology and system costs mainly in relation to our technology systems (including the digital platform) support, maintenance and enhancement; and
- An increase in Product costs associated with originations and funding activities and the outsourcing of our brokered HISA administration in Q4 2016.

INCOME TAXES

Q2 2017 v Q2 2016

Our effective income tax rate for the quarter increased to 26.2% from 25.7% a year ago due to lower tax-exempt dividend income. We sold over $50 million or 34% of preferred shares from our securities portfolio over the past four quarters. Our statutory income tax rate did not change from 2016 and remains at 26.5%.

Q2 2017 v Q1 2017

Our effective income tax rate for the quarter was consistent with that in the preceding quarter.

YTD 2017 v YTD 2016

Our year-to-date effective income tax rate increased to 26.2% from 25.7 % in the same period of 2016, mainly due to the same reasons cited above when comparing Q2 2017 to the same quarter of last year.

FINANCIAL REVIEW – BALANCE SHEET

Table 8: Balance sheet highlights

($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2017	Mar 31, 2017	% Change	Dec 31, 2016	% Change	Jun 30, 2016	% Change
Total assets	**$ 19,795,986**	$ 19,300,418	3%	$ 18,973,588	4%	$ 17,147,854	15%
Mortgage principal – Core Lending	**11,376,297**	11,216,207	1%	10,682,712	6%	9,592,792	19%
Mortgage principal – Securitization Financing	**6,791,596**	6,868,562	(1%)	7,017,120	(3%)	6,568,501	3%
Deposit principal	**10,006,735**	9,949,511	1%	9,680,163	3%	9,048,465	11%
Total liquid assets as a % of total assets[1]	**7.9%**	6.0%	1.9%	6.7%	1.2%	6.0%	1.9%

[1] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

TOTAL MORTGAGE PRINCIPAL

Our strategy is to maintain a diverse portfolio of mortgage assets in order to reduce our risk and optimize our ROE, while focusing our strategic growth efforts on our Alternative Single Family Lending business. The following table provides mortgage principal continuity schedules by lending portfolio for Q2 2017 and Q2 2016:

Table 9: Mortgage principal continuity schedule

	Three months ended June 30, 2017						
($ THOUSANDS, EXCEPT PERCENTAGES)	**Single Family Lending**	**Commercial Lending**	**Total Core Lending**	**Securitization Financing**	**Total Mortgage Principal**	**Derecognized Mortgage Principal[1]**	**Securitization Financing MUM[2]**
Q1 2017 closing balance	**$ 8,208,733**	**$ 3,007,474**	**$ 11,216,207**	**$ 6,868,562**	**$ 18,084,769**	**$ 3,658,662**	**$ 10,527,224**
Originations	**938,591**	**201,789**	**1,140,380**	**486,621**	**1,627,001**	**-**	**486,621**
Securitization derecognized	**-**	**-**	**-**	**(273,070)**	**(273,070)**	**273,070**	**-**
Net repayments	**(606,320)**	**(373,970)**	**(980,290)**	**(290,517)**	**(1,270,807)**	**(86,172)**	**(376,689)**
Q2 2017 closing balance	**$ 8,541,004**	**$ 2,835,293**	**$ 11,376,297**	**$ 6,791,596**	**$ 18,167,893**	**$ 3,845,560**	**$ 10,637,156**
% Change from Q1 2017	**4%**	**(6%)**	**1%**	**(1%)**	**0%**	**5%**	**1%**
% Change from Q2 2016	**19%**	**16%**	**19%**	**3%**	**12%**	**50%**	**17%**
Net repayments percentage[3]	**7.4%**	**12.4%**	**8.7%**	**4.2%**	**7.0%**	**2.4%**	**3.6%**

	Three months ended June 30, 2016						
($ THOUSANDS, EXCEPT PERCENTAGES)	Single Family Lending	Commercial Lending	Total Core Lending	Securitization Financing	Total Mortgage Principal	Derecognized Mortgage Principal[1]	Securitization Financing MUM[2]
Q1 2016 closing balance	$ 6,751,013	$ 2,313,337	$ 9,064,350	$ 6,399,674	$ 15,464,024	$ 2,204,797	$ 8,604,471
Originations	952,937	323,061	1,275,998	745,409	2,021,407	-	745,409
Securitization derecognized	-	-	-	(378,519)	(378,519)	378,519	-
Net repayments	(548,704)	(198,852)	(747,556)	(198,063)	(945,619)	(21,553)	(219,616)
Q2 2016 closing balance	$ 7,155,246	$ 2,437,546	$ 9,592,792	$ 6,568,501	$ 16,161,293	$ 2,561,763	$ 9,130,264
% Change from Q1 2016	6%	5%	6%	3%	5%	16%	6%
Net repayments percentage[3]	8.1%	8.6%	8.2%	3.1%	6.1%	1.0%	2.6%

[1] *Derecognized Mortgage Principal represents Mortgages Under Administration that are not reported on Equitable's consolidated balance sheets. These mortgages were securitized using transaction structures that transferred substantially all of the risks and rewards or control associated with the mortgages to third parties, resulting in the derecognition of the securitized mortgages.*

[2] *Securitization Financing MUM includes Securitization Financing balance sheet assets and Derecognized Mortgage Principal.*

[3] *Net repayments percentage is calculated by dividing net repayments by the previous period's closing balance.*

Q2 2017 v Q2 2016

Total MUM increased $3.3 billion or 18%, driven by growth in both the Core Lending and Securitization Financing businesses.

Within Core Lending, both the Alternative Single Family Lending and Commercial lending portfolios grew due to strong origination levels over the past four quarters.

Securitization Financing MUM increased primarily due to origination activity in our Prime Single Family business and low attrition levels during the past twelve months. As our Prime business is still relatively new, loans are not yet maturing in any significant volumes and accordingly attrition rates are low. We expect that attrition rates will gradually increase over time as the portfolio seasons.

Q2 2017 v Q1 2017

Total MUM increased 1% driven by growth in Alternative Single Family Lending and despite higher attrition levels during the quarter.

Within Core Lending, Commercial lending balances declined sequentially, largely due to an elevated level of repayments as shorter-term construction loans funded in prior years matured.

Please refer to the Supplemental Information and Regulatory Disclosures Report available on our website for additional quantitative disclosures related to our mortgage portfolio.

MORTGAGE ASSET ORIGINATIONS

Mortgage origination levels are seasonal, particularly with our single family residential mortgage products, and as such we do not focus on sequential origination comparisons. The table below provides our mortgage originations for Q2 2017 and the comparable period in 2016:

Table 10: Mortgage originations – by lending business

	Three months ended					Six months ended				
	Jun 30, 2017		Jun 30, 2016			**Jun 30, 2017**		June 30, 2016		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Mortgage principal funded**	**% of total**	Mortgage principal funded	% of total	% Change	**Mortgage principal funded**	**% of total**	Mortgage principal funded	% of total	% Change
Core Lending:										
Single Family Lending	**$ 938,591**	**58%**	$ 952,937	47%	(2%)	**$ 1,774,371**	**55%**	$ 1,627,354	45%	9%
Commercial Lending	**201,789**	**12%**	323,061	16%	(38%)	**581,785**	**18%**	524,910	15%	11%
	1,140,380	**70%**	1,275,998	63%	(11%)	**2,356,156**	**73%**	2,152,264	60%	9%
Securitization Financing:										
Multi-unit residential	**343,363**	**21%**	245,677	12%	40%	**630,723**	**19%**	494,450	14%	28%
Prime single family residential	**143,258**	**9%**	499,732	25%	(71%)	**265,162**	**8%**	944,086	26%	(72%)
	486,621	**30%**	745,409	37%	(35%)	**895,885**	**28%**	1,438,536	40%	(38%)
Total mortgage originations	**$ 1,627,001**	**100%**	$ 2,021,407	100%	(20%)	**$ 3,252,041**	**100%**	$ 3,590,800	100%	(9%)

Q2 2017 v Q2 2016

The Company delivered strong second quarter mortgage origination volumes in Q2 2017, but they were down from Q2 2016 as a result of regulatory developments and recent liquidity events.

Core Lending origination volumes were 11% below the levels achieved in Q2 2016, as management curtailed growth in light of funding market uncertainty and attrition levels in its demand deposit accounts. Management took several actions to tighten underwriting standards and prudently manage its commitment pipeline.

Securitization Financing originations were down as expected in the quarter mainly due to a decrease in Prime Single Family volumes. The decrease reflects an overall reduction in market activity, likely the result of regulatory changes announced last fall, and a high level of competition. Since the margins on this portfolio are thin, we do not expect this decline to have a significant adverse impact on our overall profitability. Multi origination volumes were up 40% compared to the same quarter of the prior year, partly as a result of an increase in our CMB capacity.

YTD 2017 v YTD 2016

On a year-to-date basis, Core Lending mortgage origination volumes grew as a result of strong performances from both our Alternative Single Family Lending and Commercial Lending businesses. Commercial Lending origination growth was supported by one large structured loan that was originated at the end of Q1 2017 and the continued strength of our relationship with brokers and business partners.

Securitization Financing originations decreased on a year over year basis due to the same reasons that we discussed above when comparing Q2 to the same period of 2016.

SECURITIZATION

We securitize mortgages in order to effectively manage our margins and diversify our sources of funding. If the securitized mortgages and the transaction structure meet specific criteria, the mortgages may qualify for full or partial balance sheet derecognition and an upfront gain on sale. In some cases, we retain residual interests in the mortgages, which are recorded as securitization retained interests and servicing liabilities on the Company's consolidated balance sheet.

The table below provides a summary of our securitization and derecognition activity in the reporting and comparative periods.

Table 11: Securitization and derecognition activity

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Jun 30, 2017**	Mar 31, 2017	% Change	Jun 30, 2016	% Change	**Jun 30, 2017**	Jun 30, 2016	% Change
Securitization derecognized – non-prepayable Multis	**$ 273,070**	$ 242,542	13%	$ 125,432	118%	**$ 515,612**	$ 276,976	86%
Securitization derecognized – prepayable mortgages[1]	**-**	149,049	(100%)	253,087	(100%)	**149,049**	253,087	(41%)
Total principal derecognized	**$ 273,070**	$ 391,591	(30%)	$ 378,519	(28%)	**$ 664,661**	$ 530,063	25%
Gains on sale	**$ 2,717**	$ 3,570	(24%)	$ 1,894	43%	**$ 6,287**	$ 3,513	79%
Gains on sale margin[2]	**0.99%**	0.91%	0.08%	0.50%	0.49%	**0.95%**	0.66%	0.29%

[1] In order to derecognize prepayable mortgages, Equitable needs to securitize the mortgages through CMHC's CMB or NHA-MBS programs and also then engage in a transaction that transfers the residual risks and rewards to third parties. This additional transaction is not required to derecognize non-prepayable mortgages.
[2] Gains on sale margin represents the gains on sale as a percentage of total principal derecognized.

Q2 2017 v Q2 2016

Gains on sale increased from last year mainly due to a higher gain on sale margin and despite a lower volume of mortgages derecognized. Derecognition of non-prepayable Multi's increased due to higher demand for this product but we did not execute any transactions that would effect the derecognition of prepayable mortgages. As a result of the shift in mix of derecognized mortgages towards non-prepayable Multis (the type which generally qualify for derecognition and have relatively higher gain on sale margins than do prepayable loans), the gain on sale margin increased during the quarter.

Q2 2017 v Q1 2017

Gains on sale were up sequentially due to the same reasons cited above when comparing Q2 2017 to the same quarter of the prior year.

YTD 2017 v YTD 2016

Gains on sale increased year over year as a result of both higher derecognition volumes, driven by higher demand for non-prepayable Multis, and an increased gain on sale margin. The gain on sale margin increased partly due to the change in mix of mortgages derecognized towards non-prepayable Multis.

CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES

Management regularly evaluates the profile of Equitable's loan portfolio and our lending practices, taking into account borrower behaviours and external variables including housing values and employment conditions that prevail in the markets in which we lend. When management judges that the risk associated with a particular region or product is no longer acceptable, we adjust underwriting criteria to ensure that our policies continue to be prudent and reflective of current and expected economic conditions, thereby safeguarding the future health of our portfolio. When appropriate, Equitable also responds to the changing marketplace with initiatives that result in increased mortgage originations, while continuing to maintain a low credit risk profile.

The Company's active management of credit risk and our workout efforts continue to yield positive results as highlighted in the metrics below in Table 12. We believe that these measures reflect the health of the Company's mortgage portfolio and indicate that our allowances adequately provide for the risk of loss.

Management is monitoring the Toronto market carefully given the volatility in price growth over the past several months. We recently made some adjustments to our underwriting criteria in order to reduce our activities in riskier segments of the market, and will make further adjustments if warranted.

Table 12: Mortgage credit metrics

($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2017	Mar 31, 2017	Jun 30, 2016
Provision for credit losses	$ 378	$ 738	$ 105
Provision for credit losses – rate	0.01%	0.02%	0.00%
Gross impaired mortgage assets[1]	31,740	41,200	33,532
Net impaired mortgage assets[2]	29,261	38,167	32,181
Net impaired mortgage assets as a % of total mortgage assets	0.16%	0.21%	0.20%
Allowance for credit losses	34,369	34,923	33,240
Allowance for credit losses as a % of total mortgage assets	0.19%	0.19%	0.20%
Allowances for credit losses as a % of gross impaired mortgage assets	108%	85%	99%

(1) *Uninsured mortgages are deemed to be impaired at the earlier of the date they have been individually provided for or when they have been in arrears for 90 days. Mortgages guaranteed by the Government of Canada are deemed to be impaired when payment is contractually past due 365 days.*
(2) *Net impaired mortgage assets reflect gross impaired mortgages less individual allowances.*

Q2 2017 v Q2 2016

In aggregate, our credit metrics indicate that the quality of our mortgage portfolio remained high in Q2 2017:

- Our provision for credit losses in absolute dollars and relative to average mortgage principal increased slightly but still remained low as a result of our consistently prudent risk management parameters and active monitoring processes.
- Impaired loans decreased in both dollar terms and as a percentage of the mortgage portfolio compared to the prior year. The majority of the dollar decrease was in our Single Family Lending portfolio. The impairment rate may return to more normalized levels in future quarters.
- The allowance for credit losses increased in dollar terms but declined as a percentage of total mortgages assets. The allowance remains sufficient in the opinion of management.

Q2 2017 v Q1 2017

Our key credit risk metrics generally improved from the prior quarter. Impaired loans decreased $9.5 million, the majority of which relates to the Single Family Lending portfolio, and includes a $2.3 million decrease in impaired loans in Alberta and Saskatchewan. Impaired loans also decreased as a result of a $1.8 million commercial loan that became current during the quarter. The provision and allowance for credit losses both decreased during the quarter but remain consistent with our historical norms in percentage terms.

Details of our Alberta and Saskatchewan lending portfolios can be found in our Q2 2017 Supplemental Information and Regulatory Disclosures Report available on the Company's website at www.equitablebank.ca.

LIQUIDITY INVESTMENTS AND EQUITY SECURITIES

Management closely monitors the Company's liquidity position and believes that the level of liquid assets held, together with Equitable's ability to raise deposits and access other sources of funding, is sufficient for us to meet our mortgage funding and deposit maturity commitments, as well as to ensure that we can collect our receivables and satisfy our other obligations. Liquidity levels may vary period to period mainly due to the timing of securitization related cash flows and residential mortgage funding seasonality. Despite our liquidity risk management framework, a significant or protracted disruption to the funding markets could require the Company to take even further liquidity protection measures, as we did in Q2 2017.

At the moment, management believes that funding markets are stable and that no significant actions are necessary in the short-term. Over the longer term, we will continue to strengthen our liquidity profile as planned.

Table 13: Liquid assets

($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2017	Mar 31, 2017	Jun 30, 2016
Eligible deposits with regulated financial institutions[1]	**$ 811,365**	$ 537,368	$ 336,195
Debt securities issued by regulated financial institutions	**-**	37,906	-
Government issued or guaranteed debt instruments:			
Investments purchased under reverse repurchase agreements	**-**	4,984	150,906
Debt securities guaranteed by Government of Canada	**-**	-	3,968
Mortgages held in the form of debt securities guaranteed by Government of Canada[2]	**1,094,880**	607,784	419,067
Obligations under repurchase agreements	**(428,985)**	(145,495)	-
Liquid assets held for regulatory purposes	**1,477,260**	1,042,547	910,136
Other deposits with regulated financial institutions	**100**	277	42
Equity securities[3]	**93,172**	110,350	123,456
Total liquid assets	**$ 1,570,532**	$ 1,153,174	$ 1,033,634
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**7.5%**	5.4%	5.3%
Total liquid assets as a % of total assets	**7.9%**	6.0%	6.0%

(1) *Eligible deposits with regulated financial institution represents deposits of Equitable Bank which are held with major Canadian financial institutions and excludes $22.8 million (March 31, 2017 – $10.9 million, June 30, 2016 – $27.7 million) of restricted cash held as collateral by third parties for the Company's interest rate swap transactions and $389 million (March 31, 2017 – $247.8 million, June 30, 2016 – $123.0 million) of cash held in trust accounts and deposits held with banks as collateral for the Company's securitization activities.*

(2) *Mortgages held in the form of debt securities represent mortgages securitized and retained by the Company and are reported in our Mortgages receivable – Securitization Financing balances. The values reported above represent the fair market value of the associated MBS securities.*

(3) *Equity securities include publicly traded common and preferred shares.*

The size and composition of our liquidity portfolio at any point in time is influenced by several factors, such as our expected cash needs over the subsequent eight week period and the availability of other funding sources. We hold sufficient liquid assets to ensure that we can meet these upcoming obligations even through a disruption in the financial markets. In addition, we apply a strategic approach to our liquidity management through rigorous asset-liability matching analysis and stress tests. The soundness of this approach, combined with management's other actions, was evident during Q2.

In addition to assets that are held for the purpose of providing liquidity protection, we hold other deposits with regulated financial institutions as collateral for our derivative and securitization activities. We also maintain an equity portfolio, the

majority of which is investment grade preferred shares that are held to yield tax-preferred dividend income, but which could be liquidated in the event of financial stress.

To ensure institutions have sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days, OSFI has mandated that Canadian deposit-taking institutions monitor and report their Liquidity Coverage Ratio ("LCR")[(1)]. At June 30, 2017, our LCR was well in excess of the regulatory minimum of 100%.

Q2 2017 v Q2 2016

Liquid asset balances were $1.6 billion at Q2 2017, up $537 million from the prior year. The increase in balances reflects management's deliberate and prudent actions during the quarter to increase the Company's liquidity level. These actions included the sale of $22.5 million of preferred shares, increasing interest rates on our GIC, *EQ Bank*, and brokered HISA products, and obtaining insurance and subsequently securitizing $892 million of Alternative Single Family mortgages. The result of these initiatives was an increase in liquidity levels and a consistent in flow of deposits for the second half of the quarter.

Q2 2017 v Q1 2017

Liquid asset balances were up from Q1 2017 mainly due to the same reasons that we discussed above when comparing Q2 2017 to Q2 2016.

OTHER ASSETS

Q2 2017 v Q2 2016

Other assets grew 61% or $37.1 million from a year ago mainly due to a $20.7 million increase in intangible assets related to the upfront costs of the $2 billion secured backstop funding facility, an $8.0 million increase in the fair value of outstanding derivative financial instruments, and a $5.9 million increase in prepaid expenses primarily driven by some project-related costs incurred since Q4 2016. We paid the funding facility costs during the quarter and will amortize them over a 2-year period.

Included in Other assets is a net receivable of $3.2 million (March 31, 2017 and June 30, 2016 – $3.2 million) related to an alleged external fraud that was identified in 2011. The Company continues to pursue a recovery claim under our Financial Institution Bond, which is intended to protect against fraud losses. There is no assurance that proceeds or recoveries, if any, will be received in a timely manner from these additional actions or that such proceeds will be sufficient to recover the full amount of the receivable.

Q2 2017 v Q1 2017

Other assets increased $27.6 million or 39% from the prior quarter primarily due to the same reasons that we discussed above when comparing Q2 2017 to the same period a year ago.

[(1)] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

DEPOSITS

Table 14: Deposit principal

($ THOUSANDS)	Jun 30, 2017	Mar 31, 2017	Jun 30, 2016
GICs	**$ 7,713,588**	$ 7,396,728	$ 6,742,096
Brokered HISAs	**837,246**	1,183,324	1,075,208
EQ Bank Savings Plus Accounts	**1,305,901**	1,219,448	995,645
Deposit notes	**150,000**	150,011	235,516
	$ 10,006,735	$ 9,949,511	$ 9,048,465

Equitable Bank is a federally regulated deposit taking institution and offers deposits eligible for CDIC insurance to savers across Canada. We source deposits primarily through a national distribution network of third party deposit agents and financial advisors. In January 2016, we introduced the *EQ Bank Savings Plus Account* through our digital banking platform, a new channel that further diversifies our funding sources by collecting deposits directly from our customers. Our deposit product suite, which now includes GICs, HISAs, and deposit notes, provides a reliable and diversified base of funding that can be matched against mortgage maturities.

Total deposit principal was up $1.0 billion or 11% over Q2 2016, just below the growth rate of our Core Lending portfolio. The majority of this growth was in GICs. We continue to have strong relationships with our deposit agents and brokers, and our distribution network remains as broad as that of any non-big 6 bank.

Also contributing to growth of our deposits was the *EQ Bank Savings Plus Account*. *EQ Bank* deposit principal was $310 million above Q2 of last year, reflecting our efforts to enhance the platform and to grow our customer base. As a result of the recent market disruptions, we experienced some runoff in these balances intra-quarter, but we launched a new marketing campaign and increased the interest rate, and as a result balances finished above Q1 levels.

The above increases were in part offset by a $0.2 billion decrease in our brokered HISA account balances compared to last year. Brokered HISA deposits dropped during April and early May, and ended the quarter down by $346 million from Q1. Weekly net inflows were, however, positive for the last five weeks of the quarter.

We remain committed to building a deposit note program over the long-term. During the second quarter, the Bank redeemed a 3-year $150 million deposit note upon maturity and issued a new $150 million 2-year floating rate deposit note, which was priced at 130 bps over 3-month CDOR and ranks equally and ratably with all present and future unsecured and unsubordinated liabilities of the Bank.

SECURITIZATION LIABILITIES

Securitization liability principal increased $950 million or 14% over Q2 2016 and dropped $39 million or 1% as compared to Q1 2017. The increase from last year is largely because we securitized and sold approximately $0.4 billion of the $892 million of existing Alternative Single Family mortgages we insured during the quarter. We also grew our Prime Single Family assets over the period. The sequential decrease from last quarter is mainly attributable to the repayment of a liability associated with a funding program that was sponsored by a major Canadian Schedule I Bank to fund uninsured single family mortgages, offset in part by the securitization and sale of $0.4 billion residential mortgages discussed above.

BANK FACILITIES AND DEBENTURES

The Bank has two revolving credit facilities with major Schedule I Canadian banks to fund insured residential mortgages prior to securitization, with an aggregate capacity of $700 million. At June 30, 2017, the balance outstanding on these facilities was $142 million (March 31, 2017 – nil, June 30, 2016 – $170 million).

During the quarter, the Company obtained a two-year, $2.0 billion secured backstop funding facility from a syndicate of Canadian banks. The terms of the facility include a 0.75% commitment fee, a 0.50% standby charge on any unused portion

of the facility, and an interest rate on the drawn portion of the facility equal to the Banks' cost of funds plus 1.25%. No advances have yet been made.

There was no change to our debentures in the current quarter. Details related to the Company's debentures can be found in Note 17 to the audited consolidated financial statements in the Company's 2016 Annual Report.

CAPITAL MANAGEMENT – EQUITABLE BANK

We manage the Bank's capital in accordance with guidelines established by OSFI, based on standards issued by the Bank for International Settlements, Basel Committee on Banking Supervision ("BCBS"). In order to govern the quality and quantity of capital necessary based on the Bank's inherent risks, Equitable Bank utilizes an Internal Capital Adequacy Assessment Process ("ICAAP"). There have been no material changes to our capital management framework from that described in our 2016 Annual Report.

Management believes that the Bank's current level of capital and its earnings in future periods will be sufficient to support our strategic objectives and ongoing growth. Our CET1, Tier 1 Capital and Total Capital Ratios were up from both last quarter and Q2 of last year. The year over year increase was primarily due to a common share issuance that occurred in December 2016, our strategy of retaining the vast majority of our earnings to fund our growth, a reduction in unrealized losses on our preferred share investments, and a lower risk weight density. Risk weight density decreased primarily due to the Bank obtaining insurance on $892 million of existing residential mortgages during the quarter. The increase from the prior quarter was mainly attributable to the portfolio insurance we obtained.

Capital levels in Q2 2017 were impacted by $12.9 million of after-tax mark-to-market losses on our preferred share portfolio and a $15.3 million capital deduction for intangible assets related to our new product initiatives. Under IFRS, we record the unrealized losses on our preferred share portfolio through Other Comprehensive Income ("OCI") and not through our Income Statement since we account for the shares as available for sale investments and do not believe that the assets are impaired. The losses are a function of current market conditions, specifically lower expectations for future yields on rate-reset preferred shares. There has been no indication of a deterioration in the credit quality of the preferred share issuers and we do not believe there is a risk of credit loss on our holdings.

Canadian banks are required to report on OSFI's Leverage Ratio which is based on Basel III guidelines. OSFI has established Leverage Ratio targets on a confidential and institution by institution basis. Equitable Bank's Leverage Ratio was 5.3% at June 30, 2017 and the Bank remains fully compliant with our regulatory requirements. Our Leverage Ratio was consistent with last quarter but increased from the same quarter of last year as a result of the common share issuance discussed above and our earnings.

As part of our capital management process, we stress test the mortgage portfolio on a regular basis, in order to understand the potential impact of extreme but plausible adverse economic scenarios. We use the tests to analyze the impact that an increase in unemployment, rising interest rates, a decline in real estate prices, and other factors could have on our financial position. Based on the results of the stress tests performed to date, we have determined that in the most adverse scenario analyzed, the Company has sufficient capital to absorb the potential losses without impairing the viability of the institution and that we would remain profitable in each year of the testing horizon.

Table 15: Capital measures of Equitable Bank

($ THOUSANDS, EXCEPT PERCENTAGES)	**Jun 30, 2017**	Mar 31, 2017	Jun 30, 2016
Total risk-weighted assets ("RWA")	**$ 6,561,813**	$ 6,739,517	$ 5,664,575
Common Equity Tier 1 Capital:			
Common shares	**199,918**	199,819	147,096
Contributed surplus	**6,686**	6,413	6,191
Retained earnings	**793,587**	759,470	652,872
Accumulated other comprehensive (loss) income ("AOCI")[1]	**(12,874)**	(13,159)	(26,392)
Less: Regulatory adjustments to Common Equity Tier 1 Capital	**(15,325)**	(14,557)	(14,495)
Common Equity Tier 1 Capital	**971,992**	937,986	765,272
Additional Tier 1 capital:			
Non-cumulative preferred shares	**72,554**	72,554	72,554
Tier 1 Capital	**1,044,546**	1,010,540	837,826
Tier 2 Capital:			
Collective allowance	**31,890**	31,890	31,890
Subordinated debentures	**62,891**	62,891	65,000
Tier 2 Capital	**94,781**	94,781	96,890
Total Capital	**$ 1,139,327**	$ 1,105,321	$ 934,716
Capital ratios:			
CET1 Ratio	**14.8%**	13.9%	13.5%
Tier 1 Capital Ratio	**15.9%**	15.0%	14.8%
Total Capital Ratio	**17.4%**	16.4%	16.5%
Leverage Ratio	**5.3%**	5.3%	5.0%

[1] *As prescribed by OSFI (under Basel III rules), AOCI is part of the CET1 in its entirety, however, the amount of cash flow hedge reserves that relates to the hedging of items that are not fair valued are excluded.*

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's performance over the last eight quarters. Equitable does not typically experience material seasonality in its earnings, but changes in mortgage prepayment income and hedging activities may cause some volatility in earnings from quarter to quarter.

Table 16: Summary of quarterly results

($ THOUSANDS, EXCEPT SHARE, PER SHARE AMOUNTS AND PERCENTAGES)	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
RESULTS OF OPERATIONS								
Net income	**$ 38,909**	$ 43,393	$ 41,678	$ 35,230	$ 33,410	$ 28,012	$ 31,436	$ 31,448
Net income available to common shareholders	**37,718**	42,202	40,488	34,039	32,219	26,821	30,245	30,257
Net interest income	**78,349**	78,352	77,926	70,827	67,010	63,594	63,458	61,437
Total revenue	**183,025**	181,525	179,939	169,432	162,861	151,691	151,495	147,625
EPS – basic[1]	**$ 2.29**	$ 2.56	$ 2.58	$ 2.19	$ 2.07	$ 1.73	$ 1.95	$ 1.96
EPS – diluted[1]	**$ 2.28**	$ 2.54	$ 2.56	$ 2.16	$ 2.05	$ 1.71	$ 1.93	$ 1.93
ROE	**15.6%**	18.4%	19.3%	17.2%	17.1%	14.7%	17.0%	17.5%
Return on average assets	**0.8%**	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.9%
NIM – TEB:								
Total Assets	**1.63%**	1.66%	1.70%	1.64%	1.61%	1.62%	1.69%	1.73%
Core Lending	**2.41%**	2.55%	2.64%	2.60%	2.55%	2.50%	2.64%	2.56%
Securitization Financing	**0.30%**	0.22%	0.24%	0.19%	0.22%	0.31%	0.22%	0.34%
Efficiency Ratio – TEB	**39.2%**	33.2%	33.9%	37.0%	38.2%	43.2%	35.7%	33.4%
MORTGAGE ORIGINATIONS								
Single Family Lending Services	**938,591**	835,780	930,449	1,050,366	952,937	674,417	719,361	744,416
Commercial Lending Services	**201,789**	379,996	377,578	367,197	323,061	201,849	259,502	235,987
Core Lending	**1,140,380**	1,215,776	1,308,027	1,417,563	1,275,998	876,266	978,863	980,403
Securitization Financing	**486,621**	409,264	871,391	739,352	745,409	693,127	759,258	790,022
Total originations	**1,627,001**	1,625,040	2,179,418	2,156,915	2,021,407	1,569,393	1,738,121	1,770,425
BALANCE SHEET								
Total assets	**19,795,986**	19,300,418	18,973,588	18,062,846	17,147,854	16,411,221	15,527,584	14,827,610
Assets Under Management	**23,641,546**	22,959,080	22,277,769	21,024,401	19,709,617	18,616,018	17,600,072	16,839,263
Mortgages receivable	**18,263,623**	18,164,958	17,783,803	17,049,744	16,244,106	15,540,241	14,700,806	13,959,432
MUM	**22,013,453**	21,743,431	21,004,013	19,922,211	18,723,056	17,668,821	16,706,935	15,917,079
Shareholders' equity	**1,060,852**	1,023,702	977,150	879,367	843,924	816,049	796,116	764,679
Liquid assets	**1,570,532**	1,153,174	1,280,591	1,037,259	1,033,634	939,691	895,056	849,349
CREDIT QUALITY								
Provision for credit losses	**378**	738	870	1,243	105	227	1064	930
Provision for credit losses – rate	**0.01%**	0.02%	0.02%	0.03%	0.00%	0.01%	0.03%	0.03%
Net impaired mortgages as a % of total mortgage assets	**0.16%**	0.21%	0.21%	0.19%	0.20%	0.22%	0.22%	0.21%
Allowance for credit losses as a % of total mortgage assets	**0.19%**	0.19%	0.19%	0.20%	0.20%	0.21%	0.23%	0.25%

Table 16: Summary of quarterly results (continued)

($ THOUSANDS, EXCEPT SHARE, PER SHARE AMOUNTS AND PERCENTAGES)	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
SHARE CAPITAL								
Common shares outstanding								
Weighted average basic	**16,477,456**	16,464,170	15,692,833	15,570,678	15,556,836	15,543,952	15,493,549	15,471,960
Weighted average diluted	**16,567,699**	16,614,221	15,808,124	15,722,532	15,709,456	15,674,734	15,677,954	15,661,842
Book value per common share	**$ 59.98**	$ 57.73	$ 54.96	$ 51.72	$ 49.55	$ 47.81	$ 46.57	$ 44.72
Common share price – close	**$ 59.48**	$ 69.37	$ 60.46	$ 58.86	$ 55.99	$ 50.76	$ 51.5	$ 56.25
Common share market capitalization	**980,091**	1,142,881	995,180	918,196	871,566	789,413	800,238	870,564
Dividends declared per:[(2)]								
Common share	**$ 0.23**	$ 0.23	$ 0.22	$ 0.21	$ 0.21	$ 0.20	$ 0.20	$ 0.19
Preferred share – Series 3	**$ 0.40**	$ 0.40	$ 0.40	$ 0.40	$ 0.40	$ 0.40	$ 0.40	$ 0.40
EQUITABLE BANK CAPITAL RATIOS								
Risk-weighted assets	**6,561,813**	6,739,517	6,385,825	5,968,000	5,664,575	5,433,025	5,259,384	5,113,009
CET1 Ratio	**14.8%**	13.9%	14.0%	13.4%	13.5%	13.5%	13.6%	13.4%
Tier 1 Capital Ratio	**15.9%**	15.0%	15.1%	14.6%	14.8%	14.9%	15.0%	14.8%
Total Capital Ratio	**17.4%**	16.4%	16.6%	16.2%	16.5%	16.7%	16.8%	17.1%
Leverage Ratio	**5.3%**	5.3%	5.1%	4.9%	5.0%	5.0%	5.2%	5.2%

(1) *Annual EPS may not equal the sum of the quarterly EPS' as a result of rounding.*
(2) *Annual dividends declared per share may not equal the sum of the quarterly dividends per share as a result of rounding.*

ACCOUNTING POLICY CHANGES

The Company's significant accounting policies are essential to an understanding of its reported results of operations and financial position. Accounting policies applied by the Company in the Q2 2017 interim consolidated financial statements are the same as those applied by the Company as at and for the year ended December 31, 2016. Refer to Note 3 to the audited consolidated financial statements in the Company's 2016 Annual Report.

FUTURE ACCOUNTING POLICIES

IFRS 9 "*Financial Instruments*" and IFRS 15 "*Revenue from Contracts with Customers*" are mandatorily effective for annual periods beginning on or after January 1, 2018 and IFRS 16 *"Leases"* is mandatorily effective for annual periods beginning on or after January 1, 2019. The Company is in process of evaluating the impact of these future accounting changes on its financial statements. Please refer to Note 3 to the audited consolidated financial statements in the Company's 2016 Annual Report.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim consolidated financial statements requires management to make estimates and assumptions in the process of applying its accounting policies to measure or disclose its financial results. Management is prudent in determining such estimates and assumptions, and where possible, relies on external information and observable market conditions, supplemented by internal analysis as required. Actual results could differ from these estimates, in which case the impact would be recognized in the interim consolidated financial statements in future periods. Refer to Note 2(d) to the Q2 2017 interim consolidated financial statements for further discussion.

OFF-BALANCE SHEET ACTIVITIES

The Company engages in certain financial transactions that, for accounting purposes, are not recorded on our interim consolidated balance sheets. Off-Balance sheet transactions are generally undertaken for risk, capital and funding management purposes. These include certain securitization transactions, the commitments we make to fund our pipeline of mortgage originations (see Note 9 and Note 22 to the audited consolidated financial statements in the Company's 2016 Annual Report) and letters of credit issued in the normal course of business.

SECURITIZATION OF FINANCIAL ASSETS

Certain securitization transactions qualify for derecognition when the Company has transferred substantially all of the risks and rewards or control associated with the securitized assets. The outstanding securitized mortgage principal that qualified for derecognition totaled $3.8 billion at June 30, 2017 (March 31, 2017 – $3.7 billion, June 30, 2016 – $2.6 billion). The securitization liabilities associated with these transferred assets are approximately $3.8 billion at June 30, 2017 (March 31, 2017 – $3.6 billion, June 30, 2016 – $2.6 billion). The securitization retained interests recorded with respect to certain securitization transactions were $98.5 million at June 30, 2017 (March 31, 2017 – $94.0 million, June 30, 2016 – $74.6 million) and the associated servicing liability was $25.0 million at June 30, 2017 (March 31, 2017 – $24.6 million, June 30, 2016 – $17.9 million).

COMMITMENTS AND LETTERS OF CREDIT

The Company provides commitments to extend credit to our borrowers. The Company had outstanding commitments to fund $1.3 billion of mortgages in the ordinary course of business at June 30, 2017 (March 31, 2017 – $1.1 billion, June 30, 2016 – $1.1 billion).

The Company issues letters of credit which represent assurances that the Company will make payments in the event that a borrower cannot meet its obligations to a third party. Letters of credit in the amount of $8.0 million were outstanding at June 30, 2017 (March 31, 2017 – $7.0 million, June 30, 2016 – $5.6 million), none of which have been drawn upon.

RELATED PARTY TRANSACTIONS

Certain of the Company's key management personnel have invested in deposits, subordinated debentures, and/or the Series 3 preferred shares of the Company in the ordinary course of business, on market terms and conditions. See Note 23 to the audit consolidated financial statements in the Company's 2016 Annual Report for further details.

RISK MANAGEMENT

Through our wholly owned subsidiary Equitable Bank, the Company is exposed to risks that are similar to those faced by other financial institutions, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect its business, financial condition and operating results. These factors may also influence an investor to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company's direct control. The Board of Directors (the "Board") plays an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks.

For a detailed discussion of the risks that affect the Company, please refer to the section entitled Risk Management of the Company's 2016 Annual Report which is available on SEDAR at www.sedar.com. The most significant of those risks are summarized below.

CREDIT RISK

Credit risk is defined as the possibility that the Company will not receive the full value of amounts and recovery costs owed to us if counterparties fail to honor their obligations to the Company. Credit risk arises principally from our lending activities and our investments in debt and equity securities. The Company's exposure to credit risk is monitored by senior management, the Enterprise Risk Management Committee, as well as a Committee of the Board of Directors, which undertakes the approval and monitoring of our investment and lending policies.

The Company's primary lending business is providing first mortgages on real estate. For information related to the credit quality of the portfolio, see the section entitled Credit Quality and Allowance for Credit Losses of this MD&A.

We also invest in equity securities to generate returns that meet certain internally acceptable ROE thresholds. Preferred share securities rated P-2 or higher comprised 43% or $37.5 million of the total equity securities portfolio at June 30, 2017, compared to 50% or $61.7 million a year earlier. Preferred share securities rated P-3 (mid) or higher comprised 99% of the total equity securities portfolio at the end of Q2.

LIQUIDITY AND FUNDING RISK

Liquidity and Funding risk is defined as the possibility that we will be unable to generate sufficient funds in a timely manner and at a reasonable price to meet our financial obligations as they come due. These financial obligations mainly arise from the redemption or maturity of deposits, the maturity of mortgage backed securities and commitments to extend credit. Redemptions rates are affected by many factors, including the level of consumer confidence in the Bank. Funding and Liquidity Risk may also be affected if an unduly large proportion of our deposit-taking business involves a single person, organization or group of related persons/organizations or a single geographic area.

We have a low tolerance for liquidity and funding risk and adhere to a Liquidity and Funding Risk Management policy that requires us to maintain a pool of high quality liquid assets. We closely monitor our liquidity position on a daily basis and ensure that the level of liquid resources held, together with our ability to raise new deposits, is sufficient to meet our funding commitments, deposit maturity obligations, and properly discharge our other financial obligations. Despite these precautions, there is a risk that a disruption in the funding markets may be so severe or prolonged that the Company may need to take further contingency actions to protect its liquidity position, which may even include curtailing lending activity.

MARKET RISK

Market Risk consists of Interest Rate and Equity Price risk. Interest rate risk is defined as the possibility that changes in market interest rates will adversely affect the Company's profitability or financial condition. Interest rate risk may be affected if an unduly large proportion of the Company's assets or liabilities have unmatched terms, interest rates or other attributes. For the interest sensitivity position of the Company as at June 30, 2017, see Note 16 to the interim consolidated financial statements.

The Company closely monitors interest rates and acts upon any mismatches in a timely manner to ensure that any sudden or prolonged change in rates would not adversely affect the Company's economic value of shareholders' equity ("EVE") and it's NII. The table below illustrates the results of management's sensitivity modeling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest rate changes on EVE and on NII during the 12-month period following June 30, 2017. The estimate of sensitivity to interest rate changes is dependent on a number of assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 17: Net interest income shock

($ THOUSANDS, EXCEPT PERCENTAGES)	Increase in interest rates	Decrease in interest rates[(1)]
100 basis point shift		
Impact on net interest income	**$ 14,954**	**$ (2,867)**
Impact on EVE	**(2,000)**	**4,362**
EVE impact as a % of common shareholders' equity	**(0.20%)**	**0.44%**
200 basis point shift		
Impact on net interest income	**$ 26,087**	**$ (2,867)**
Impact on EVE	**(5,941)**	**2,168**
EVE impact as a % of common shareholders' equity	**(0.60%)**	**0.22%**

(1) Interest rate is not allowed to decrease beyond a floor of 0% and is therefore not allowed to be negative.

Equity Price Risk is defined as the risk of loss from an adverse movement in the value of the Company's securities portfolio due to volatility in financial markets. We mitigate this risk by investing only in high-quality, liquid shares and actively monitoring our investment portfolio.

On a monthly basis, the Asset and Liability Committee ("ALCO") reviews the investment performance and the composition and quality of the portfolio. This information is also reviewed by a Committee of the Board quarterly.

UPDATED SHARE INFORMATION

At August 10, 2017, the Company had 16,477,654 common shares and 3,000,000 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 640,554 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $32.2 million.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying interim consolidated financial statements. Equitable has in place appropriate information systems and procedures to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, performs an oversight role with respect to all public financial disclosures made by the Company and has reviewed and approved this MD&A and the accompanying interim consolidated financial statements and accompanying notes.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during the second quarter of 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") FINANCIAL MEASURES

Management uses a variety of financial measures to evaluate the Company's performance. In addition to GAAP prescribed measures, management uses certain non-GAAP measures that it believes provide useful information to investors regarding the Company's financial condition and results of operations. Readers are cautioned that non-GAAP measures often do not have any standardized meaning, and therefore, are unlikely to be comparable to similar measures presented by other companies. The primary non-GAAP measures used in this MD&A are:

- **Adjusted results:** in periods where management determines that non-recurring or unusual items will have a significant impact on a user's assessment of business performance, the Company may present adjusted results in addition to reported results by removing the non-recurring or unusual items from the reported results. Management believes that adjusted results, if any, can to some extent enhance comparability between reporting periods or provide the reader with a better understanding of how management views the Company's performance. Adjusted results are also intended to provide the user with greater consistency and comparability to other financial institutions. Adjustments that remove non-recurring or unusual items from net income will affect the calculation of other measures such as adjusted ROE and adjusted EPS.
- **Assets Under Management ("AUM"):** is the sum of total assets reported on the consolidated balance sheet and mortgage principal derecognized but still managed by the Company.

($ THOUSANDS)	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change
Total assets on the consolidated balance sheet	**$ 19,795,986**	$ 19,300,418	3%	$ 17,147,854	15%
Mortgage principal derecognized	**3,845,560**	3,658,662	5%	2,561,763	50%
Assets Under Management	**$ 23,641,546**	$ 22,959,080	3%	$ 19,709,617	20%

- **Book value per common share:** is calculated by dividing common shareholders' equity by the number of common shares outstanding.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	Mar 31, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change
Shareholders' equity	**$ 1,060,852**	$ 1,023,702	4%	$ 843,924	26%
Preferred shares	**72,557**	72,557	-%	72,557	-%
Common shareholders' equity	**$ 988,295**	$ 951,145	4%	$ 771,367	28%
Common shares outstanding	**16,477,654**	16,475,149	-%	15,566,465	6%
Book value per common share	**$ 59.98**	$ 57.73	4%	$ 49.55	21%

- **Capital ratios:**
  - **CET1 Ratio:** this key measure of capital strength is defined as CET1 Capital as a percentage of total RWA. This ratio is calculated for the Company's subsidiary, Equitable Bank, in accordance with the guidelines issued by OSFI. CET1 Capital is defined as shareholders' equity plus any qualifying other non-controlling interest in subsidiaries less preferred shares issued and outstanding, any goodwill, other intangible assets and cash flow hedge reserve components of accumulated other comprehensive income.
  - **Tier 1 and Total Capital Ratios:** these adequacy ratios are calculated for Equitable Bank, in accordance with the guidelines issued by OSFI by dividing Tier 1 or Total Capital by total RWA. Tier 1 Capital is calculated by adding non-cumulative preferred shares to CET1 Capital. Tier 2 Capital is equal to the sum of the Bank's collective allowance and subordinated debentures. Total Capital equals to Tier 1 plus Tier 2 Capital.
  - **Leverage Ratio:** this measure is calculated by dividing Tier 1 Capital by an exposure measure. The exposure measure consists of total assets (excluding items deducted from Tier 1 Capital) and certain off-balance sheet items converted into credit exposure equivalents. Adjustments are also made to derivatives and secured financing transactions to reflect credit and other risks.

  The Capital ratios are calculated on the "all-in" basis in accordance with OSFI's Capital Adequacy Requirements ("CAR") Guideline. A detailed calculation of all Capital ratios can be found in Table 15 of this MD&A.

- **Economic value of shareholders' equity ("EVE"):** is a calculation of the present value of the Company's asset cash flows less the present value of liability cash flows on an after-tax basis. EVE is a more comprehensive measure of our exposure to interest rate changes than is in net interest income because it captures all interest rate mismatches across all terms.

- **Efficiency Ratio:** this measure is used to assess the efficiency of the Company's cost structure in terms of revenue generation. This ratio is derived by dividing non-interest expenses by the sum of net revenue. A lower Efficiency Ratio reflects a more efficient cost structure.

($ THOUSANDS, EXCEPT PERCENTAGES)	Three months ended					Six months ended		
	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change	Jun 30, 2017	Jun 30, 2016	% Change
Non-interest expenses	**$ 34,495**	$ 29,820	16%	$ 28,372	22%	**$ 64,315**	$ 57,750	11%
Net revenue	**88,059**	89,859	(2%)	74,270	19%	**177,918**	142,225	25%
Efficiency Ratio	**39.2%**	33.2%	6.0%	38.2%	1.0%	**36.1%**	40.6%	(4.5%)

- **Liquid assets:** is a measure of the Company's cash or assets that can be readily converted into cash, which are held for the purposes of funding mortgages, deposit maturities, and the ability to collect other receivables and settle other obligations. A detailed calculation can be found in Table 13 of this MD&A.

- **Liquidity Coverage Ratio ("LCR"):** this ratio, calculated according to OSFI's Liquidity Adequacy Requirements, measures the Company's ability to meet its liquidity needs for a 30 calendar day liquidity stress scenario. It is equal to high-quality liquid assets divided by total net cash outflows over the next 30 calendar days.

- **Mortgages Under Management ("MUM"):** is the sum of mortgage principal reported on the consolidated balance sheet and mortgage principal derecognized but still managed by the Company.

($ THOUSANDS)	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change
Mortgage principal reported on the consolidated balance sheet	$ **18,167,893**	$ 18,084,769	0%	$ 16,161,293	12%
Mortgage principal derecognized	**3,845,560**	3,658,662	5%	2,561,763	50%
Mortgages Under Management	$ **22,013,453**	$ 21,743,431	1%	$ 18,723,056	18%

- **Net interest margin ("NIM"):** this profitability measure is calculated on an annualized basis by dividing net interest income – TEB by the average total interest earning assets for the period. A detailed calculation can be found in Table 3 of this MD&A.

- **Net revenue:** is calculated as the sum of net interest income, other income, and the TEB adjustment.

	Three months ended					Six months ended		
($ THOUSANDS)	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change	Jun 30, 2017	Jun 30, 2016	% Change
Net interest income	$ **78,349**	$ 78,352	0%	$ 67,010	17%	$ **156,701**	$ 130,604	20%
Other income	**9,313**	11,022	(16%)	6,422	45%	**20,335**	10,159	100%
TEB adjustment	**397**	485	(18%)	838	(53%)	**882**	1,462	(40%)
Net revenue	$ **88,059**	$ 89,859	(2%)	$ 74,270	19%	$ **177,918**	$ 142,225	25%

- **Provision for credit losses – rate**: this credit quality metric is calculated on an annualized basis and is defined as the provision for credit losses as a percentage of average loan portfolio outstanding during the period.

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change	Jun 30, 2017	Jun 30, 2016	% Change
Provision for credit losses	$ **378**	$ 738	(49%)	$ 105	260%	$ **1,116**	$ 332	236%
Divided by: average mortgage principal	**18,126,331**	17,892,301	1%	15,812,659	15%	**17,933,863**	15,397,870	16%
Provision for credit Losses – rate	**0.01%**	0.02%	(0.01%)	0.00%	0.01%	**0.01%**	0.00%	0.01%

- **Return on average assets:** this profitability measure is calculated on an annualized basis and is defined as net income as a percentage of average month-end total assets balances outstanding during the period.

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change	Jun 30, 2017	Jun 30, 2016	% Change
Net income	$ **38,909**	$ 43,393	(10%)	$ 33,410	16%	$ **82,302**	$ 61,422	34%
Average total assets	**19,572,199**	19,133,463	2%	16,938,901	16%	**19,360,318**	16,447,460	18%
Return on average assets	**0.8%**	0.9%	(0.1%)	0.8%	-%	**0.9%**	0.7%	0.2%

- **Return on shareholders' equity ("ROE"):** this profitability measure is calculated on an annualized basis and is defined as net income available to common shareholders as a percentage of the weighted average common equity outstanding during the period.

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2017	Mar 31, 2017	% Change	Jun 30, 2016	% Change	Jun 30, 2017	Jun 30, 2016	% Change
Net income available to common shareholders	$ **37,718**	$ 42,202	(11%)	$ 32,219	17%	$ **79,920**	$ 59,040	35%
Weighted average common equity	**969,755**	927,725	5%	757,004	28%	**946,523**	747,052	27%
Return on shareholders' equity	**15.6%**	18.4%	(2.8%)	17.1%	(1.5%)	**17.0%**	15.9%	1.1%

- **Risk-weighted assets ("RWA"):** represents the Bank's assets and off-balance sheet exposures, weighted according to risk as prescribed by OSFI under the CAR Guideline.
- **Securitization Financing MUM:** is the sum of Securitization Financing mortgage principal reported on the consolidated balance sheet and Securitization Financing mortgage principal derecognized but still managed by the Company. A detailed calculation can be found in Table 9 of this MD&A.
- **Taxable equivalent basis ("TEB"):** the presentation of financial information on a TEB is a common practice among financial institutions. On a selective basis, the Company uses TEB in the discussion of revenues, interest margins and Efficiency Ratios in this MD&A. The TEB methodology grosses up tax-exempt income, such as dividends from equity securities, by an amount which makes this income comparable on a pre-tax basis to regular taxable income such as mortgage interest. For the three months ended June 30, 2017, March 31, 2017 and June 30, 2016, the TEB adjustment was $0.4 million, $0.5 million and $0.8 million. For the six months ended June 30, 2017, the TEB adjustment was $0.9 million as compared to $1.5 million for the same period in 2016.

CONSOLIDATED BALANCE SHEETS (unaudited)

AS AT JUNE 30, 2017

With comparative figures as at December 31, 2016 and June 30, 2016

($ THOUSANDS)

	Note	**June 30, 2017**	December 31, 2016	June 30, 2016
Assets:				
Cash and cash equivalents		**$ 811,465**	$ 444,179	$ 336,237
Restricted cash		**412,036**	247,878	150,691
Securities purchased under reverse repurchase agreements		**-**	199,401	150,906
Investments	*6*	**112,658**	136,718	130,770
Mortgages receivable – Core Lending	*7, 8*	**11,393,045**	10,678,452	9,591,449
Mortgages receivable – Securitization Financing	*7, 8*	**6,870,578**	7,105,351	6,652,657
Securitization retained interests		**98,513**	88,782	74,563
Other assets		**97,691**	72,827	60,581
		$ 19,795,986	$ 18,973,588	$ 17,147,854
Liabilities and Shareholders' Equity				
Liabilities:				
Deposits	*10*	**$ 10,099,459**	$ 9,763,082	$ 9,148,025
Securitization liabilities	*8*	**7,750,405**	7,762,632	6,807,964
Obligations under repurchase agreements	*8*	**428,985**	112,488	-
Deferred tax liabilities		**43,988**	38,771	33,663
Other liabilities		**205,482**	204,465	79,278
Bank facilities		**141,815**	50,000	170,000
Debentures		**65,000**	65,000	65,000
		18,735,134	17,996,438	16,303,930
Shareholders' equity:				
Preferred shares	*12*	**72,557**	72,557	72,557
Common shares	*12*	**197,439**	196,608	144,615
Contributed surplus	*13*	**5,594**	5,056	5,099
Retained earnings		**798,253**	725,912	658,098
Accumulated other comprehensive loss		**(12,991)**	(22,983)	(36,445)
		1,060,852	977,150	843,924
		$ 19,795,986	$ 18,973,588	$ 17,147,854

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2017

With comparative figures for the three and six month periods ended June 30, 2016

($THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Note	Three months ended		Six months ended	
		June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Interest income:					
Mortgages – Core Lending		**$ 125,670**	$ 107,544	**$ 247,562**	$ 208,963
Mortgages – Securitization Financing		**44,957**	45,296	**90,112**	88,903
Investments		**1,370**	2,372	**3,498**	4,248
Other		**1,715**	1,227	**3,043**	2,279
		173,712	156,439	**344,215**	304,393
Interest expense:					
Deposits		**49,817**	46,085	**96,811**	89,743
Securitization liabilities	*8*	**42,379**	41,354	**86,312**	80,539
Bank facilities		**2,217**	1,040	**2,491**	1,606
Debentures		**950**	950	**1,900**	1,900
		95,363	89,429	**187,514**	173,789
Net interest income		**78,349**	67,010	**156,701**	130,604
Provision for credit losses	*7*	**378**	105	**1,116**	332
Net interest income after provision for credit losses		**77,971**	66,905	**155,585**	130,272
Other income:					
Fees and other income		**6,853**	3,781	**14,657**	6,958
Net (loss) gain on investments		**(788)**	747	**(788)**	747
Gains on securitization activities and income from securitization retained interests	*8*	**3,248**	1,894	**6,466**	2,454
		9,313	6,422	**20,335**	10,159
Net interest and other income		**87,284**	73,327	**175,920**	140,431
Non-interest expenses:					
Compensation and benefits		**16,467**	15,193	**32,890**	29,843
Other		**18,028**	13,179	**31,425**	27,907
		34,495	28,372	**64,315**	57,750
Income before income taxes		**52,789**	44,955	**111,605**	82,681
Income taxes:					
Current		**7,896**	7,875	**24,087**	16,294
Deferred		**5,984**	3,670	**5,216**	4,965
		13,880	11,545	**29,303**	21,259
Net income		**$ 38,909**	$ 33,410	**$ 82,302**	$ 61,422
Dividends on preferred shares		**1,191**	1,191	**2,382**	2,381
Net income available to common shareholders		**$ 37,718**	$ 32,219	**$ 79,920**	$ 59,041
Earnings per share:	*14*				
Basic		**$ 2.29**	$ 2.07	**$ 4.85**	$ 3.80
Diluted		**$ 2.28**	$ 2.05	**$ 4.82**	$ 3.76

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2017

With comparative figures for the three and six month periods ended June 30, 2016

($ THOUSANDS)

		Three months ended		Six months ended	
	Note	**June 30, 2017**	June 30, 2016	**June 30, 2017**	June 30, 2016
Net income		**$ 38,909**	$ 33,410	**$ 82,302**	$ 61,422
Other comprehensive income – items that may be reclassified subsequently to income:					
Available for sale investments:					
Net unrealized gains (losses) from change in fair value		**475**	1,086	**10,080**	(4,455)
Reclassification of net losses (gains) to income		**596**	(795)	**401**	(901)
		1,071	291	**10,481**	(5,356)
Income tax (expense) recovery		**(284)**	(77)	**(2,752)**	1,422
		787	214	**7,729**	(3,934)
Cash flow hedges*:*	*9*				
Net unrealized gains (losses) from change in fair value		**1,932**	(3,404)	**1,832**	(4,828)
Reclassification of net losses to income		**877**	802	**1,328**	1,780
		2,809	(2,602)	**3,160**	(3,048)
Income tax (expense) recovery		**(746)**	692	**(897)**	810
		2,063	(1,910)	**2,263**	(2,238)
Total other comprehensive income (loss)		**2,850**	(1,696)	**9,992**	(6,172)
Total comprehensive income		**$ 41,759**	$ 31,714	**$ 92,294**	$ 55,250

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2017

With comparative figures for the three month period ended June 30, 2016

($ THOUSANDS)

					Accumulated other comprehensive income (loss)			
June 30, 2017	**Preferred shares**	**Common shares**	**Contributed surplus**	**Retained earnings**	**Cash flow hedges**	**Available for sale investments**	**Total**	**Total**
Balance, beginning of period	**$ 72,557**	**$ 197,339**	**$ 5,322**	**$ 764,325**	**$ (2,573)**	**$ (13,268)**	**$ (15,841)**	**$ 1,023,702**
Net income	**-**	**-**	**-**	**38,909**	**-**	**-**	**-**	**38,909**
Other comprehensive gain, net of tax	**-**	**-**	**-**	**-**	**2,063**	**787**	**2,850**	**2,850**
Exercise of stock options	**-**	**84**	**-**	**-**	**-**	**-**	**-**	**84**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(1,191)**	**-**	**-**	**-**	**(1,191)**
Common shares	**-**	**-**	**-**	**(3,790)**	**-**	**-**	**-**	**(3,790)**
Stock-based compensation	**-**	**-**	**288**	**-**	**-**	**-**	**-**	**288**
Transfer relating to the exercise of stock options	**-**	**16**	**(16)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 72,557**	**$ 197,439**	**$ 5,594**	**$ 798,253**	**$ (510)**	**$ (12,481)**	**$ (12,991)**	**$ 1,060,852**

					Accumulated other comprehensive income (loss)			
June 30, 2016	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cash flow hedges	Available for sale investments	Total	Total
Balance, beginning of period	$ 72,557	$ 144,159	$ 4,935	$ 629,147	$ (8,143)	$ (26,606)	$ (34,749)	$ 816,049
Net income	-	-	-	33,410	-	-	-	33,410
Other comprehensive (loss)/gain, net of tax	-	-	-	-	(1,910)	214	(1,696)	(1,696)
Issuance cost	-	364	-	-	-	-	-	364
Exercise of stock options	-	-	-	-	-	-	-	-
Dividends:								
Preferred shares	-	-	-	(1,191)	-	-	-	(1,191)
Common shares	-	-	-	(3,268)	-	-	-	(3,268)
Stock-based compensation	-	-	256	-	-	-	-	256
Transfer relating to the exercise of stock options	-	92	(92)	-	-	-	-	-
Balance, end of period	$ 72,557	$ 144,615	$ 5,099	$ 658,098	$ (10,053)	$ (26,392)	$ (36,445)	$ 843,924

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017

With comparative figures for the six month period ended June 30, 2016

($ THOUSANDS)

June 30, 2017	**Preferred shares**	**Common shares**	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive income (loss): Cash flow hedges**	**Accumulated other comprehensive income (loss): Available for sale investments**	**Accumulated other comprehensive income (loss): Total**	**Total**
Balance, beginning of period	**$ 72,557**	**$ 196,608**	**$ 5,056**	**$ 725,912**	**$ (2,773)**	**$ (20,210)**	**$ (22,983)**	**$ 977,150**
Net income	**-**	**-**	**-**	**82,302**	**-**	**-**	**-**	**82,302**
Other comprehensive gain, net of tax	**-**	**-**	**-**	**-**	**2,263**	**7,729**	**9,992**	**9,992**
Exercise of stock options	**-**	**697**	**-**	**-**	**-**	**-**	**-**	**697**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(2,382)**	**-**	**-**	**-**	**(2,382)**
Common shares	**-**	**-**	**-**	**(7,579)**	**-**	**-**	**-**	**(7,579)**
Stock-based compensation	**-**	**-**	**672**	**-**	**-**	**-**	**-**	**672**
Transfer relating to the exercise of stock options	**-**	**134**	**(134)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 72,557**	**$ 197,439**	**$ 5,594**	**$ 798,253**	**$ (510)**	**$ (12,481)**	**$ (12,991)**	**$ 1,060,852**

June 30, 2016	Preferred shares	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): Cash flow hedges	Accumulated other comprehensive income (loss): Available for sale investments	Accumulated other comprehensive income (loss): Total	Total
Balance, beginning of period	$ 72,557	$ 143,690	$ 4,706	$ 605,436	$ (7,815)	$ (22,458)	$ (30,273)	$ 796,116
Net income	-	-	-	61,422	-	-	-	61,422
Other comprehensive loss, net of tax	-	-	-	-	(2,238)	(3,934)	(6,172)	(6,172)
Issuance cost	-	743	-	-	-	-	-	743
Exercise of stock options	-	-	-	-	-	-	-	-
Dividends:								
Preferred shares	-	-	-	(2,382)	-	-	-	(2,382)
Common shares	-	-	-	(6,378)	-	-	-	(6,378)
Stock-based compensation	-	-	575	-	-	-	-	575
Transfer relating to the exercise of stock options	-	182	(182)	-	-	-	-	-
Balance, end of period	$ 72,557	$ 144,615	$ 5,099	$ 658,098	$ (10,053)	$ (26,392)	$ (36,445)	$ 843,924

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2017

With comparative figures for the three and six month periods ended June 30, 2016

($ THOUSANDS)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	**$ 38,909**	$ 33,410	**$ 82,302**	$ 61,422
Adjustments for non-cash items in net income:				
Financial instruments at fair value through income	**1,364**	(91)	**1,349**	(1,009)
Amortization of premiums/discount on investments	**1,349**	137	**4,784**	279
Amortization of capital assets and intangible costs	**2,083**	1,918	**4,173**	3,795
Provision for credit losses	**378**	105	**1,116**	332
Securitization gains	**(2,717)**	(1,894)	**(6,287)**	(3,513)
Net loss (gain) on sale or redemption of investments	**788**	(747)	**788**	(747)
Stock-based compensation	**288**	256	**672**	575
Income taxes	**13,880**	11,545	**29,303**	21,259
Securitization retained interests	**6,093**	3,689	**11,609**	7,003
Changes in operating assets and liabilities:				
Restricted cash	**(153,437)**	(21,238)	**(164,158)**	(42,703)
Securities purchased under reverse repurchase agreements	**4,984**	(120,561)	**199,401**	(130,989)
Mortgages receivable, net of securitizations	**(107,701)**	(713,509)	**(496,612)**	(1,559,754)
Other assets	**(24,311)**	51	**(20,914)**	367
Deposits	**54,013**	303,535	**338,480**	938,037
Securitization liabilities	**(43,324)**	231,787	**(11,674)**	698,528
Obligations under repurchase agreements	**283,489**	-	**316,497**	-
Bank facilities	**141,815**	170,000	**91,815**	(65,779)
Other liabilities	**19,407**	(1,947)	**8,718**	(4,211)
Income taxes paid	**(11,147)**	(4,634)	**(37,621)**	(11,454)
Cash flows from (used) in operating activities	**226,203**	(108,188)	**353,741**	(88,562)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid on preferred shares	**(1,191)**	(1,191)	**(2,382)**	(2,382)
Dividends paid on common shares	**(7,579)**	(3,109)	**(11,022)**	(6,215)
Proceeds from issuance of common shares	**84**	364	**697**	743
Cash flows used in financing activities	**(8,686)**	(3,936)	**(12,707)**	(7,854)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	**(2,553)**	-	**(40,538)**	(6,783)
Proceeds on sale or redemption of investments	**60,301**	23,538	**70,219**	23,608
Net change in Canada Housing Trust re-investment accounts	**17**	29	**227**	49
Purchase of capital assets and system development costs	**(1,462)**	(3,006)	**(3,656)**	(7,587)
Cash flows from investing activities	**56,303**	20,561	**26,252**	9,287
Net increase (decrease) in cash and cash equivalents	**273,820**	(91,563)	**367,286**	(87,129)
Cash and cash equivalents, beginning of period	**537,645**	427,800	**444,179**	423,366
Cash and cash equivalents, end of period	**$ 811,465**	$ 336,237	**$ 811,465**	$ 336,237
Cash flows from operating activities include:				
Interest received	**$ 173,850**	$ 154,482	**$ 344,788**	$ 300,447
Interest paid	**(83,078)**	(98,723)	**(149,462)**	(156,744)
Dividends received	**1,104**	2,347	**2,460**	4,101

Note 1 – Reporting Entity

Equitable Group Inc. (the "Company") was formed on January 1, 2004 as the parent company of its wholly owned subsidiary, Equitable Bank. The Company is listed on the Toronto Stock Exchange ("TSX") and domiciled in Canada with its registered office located at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario. Equitable Bank is a Schedule I Bank under the Bank Act (Canada) and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Equitable Bank offers savings and mortgage lending products to retail and commercial customers across Canada.

Note 2 – Basis of Preparation

(a) Statement of compliance:

These interim consolidated financial statements have been prepared on a condensed basis in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. These interim consolidated financial statements should be read in conjunction with the Company's 2016 annual audited consolidated financial statements.

These interim consolidated financial statements were approved for issuance by the Company's Board of Directors (the "Board") on August 10, 2017.

(b) Basis of measurement:

The interim consolidated financial statements have been prepared on the historical cost basis except for the following items which are stated at fair value: derivative financial instruments, financial assets and liabilities that are classified or designated as at fair value through income and available for sale financial assets.

(c) Functional currency:

The functional currency of the Company and its subsidiaries is Canadian dollars, which is also the presentation currency of the interim consolidated financial statements.

(d) Use of estimates and accounting judgments in applying accounting policies:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the years. Estimates and underlying assumptions are reviewed by management on an ongoing basis. The critical estimates and judgments utilized in preparing the Company's consolidated financial statements affect the assessment of the allowance for credit losses on mortgages, the impairment of other financial instruments, the fair values of financial assets and liabilities, derecognition of financial assets transferred in securitization transactions, effectiveness of financial hedges for accounting purposes and income taxes.

The critical estimates and judgments made in the preparation of the Company's consolidated financial statements include probability of default and loss given default for mortgages receivable, discount rates utilized in the valuation of the Company's financial assets and liabilities, the credit worthiness of the Company to its counterparties, the values of comparable assets and the fair value of securities not traded in an active market. In making estimates and judgments, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments or events that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these consolidated financial statements. Actual results could differ from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

Note 3 – Significant Accounting Policies

Accounting policies applied by the Company in these interim consolidated financial statements are the same as those applied by the Company as at and for the year ended December 31, 2016. Refer to Note 3 of the audited consolidated financial statements in the Company's 2016 Annual Report.

Future accounting policies:

There are no significant updates to future accounting developments disclosed in Note 3 of the audited consolidated financial statements in the Company's 2016 Annual Report.

Note 4 – Risk Management

The Company, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results, which may also influence an investor to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company's direct control. The use of financial instruments exposes the Company to credit risk, liquidity risk and market risk. A discussion of the Company's risk exposures and how it manages those risks can be found on pages 45 to 56 of the Company's 2016 Annual Report and pages 27 to 28 of the MD&A.

Note 5 – Financial Instruments

The Company's business activities result in a consolidated balance sheets that consists primarily of financial instruments. The majority of the Company's net income is derived from gains, losses, income and expenses related to these financial assets and liabilities.

(a) Valuation methods and assumptions:

Valuation methods and assumptions used to estimate fair values of financial instruments are as follows:

(i) Financial instruments whose cost or amortized cost approximates fair value

The fair value of Cash and cash equivalents and Restricted cash approximate their cost due to their short term nature.

Securities purchased under reverse repurchase agreements, obligations under repurchase agreements, bank facilities and certain other financial assets and liabilities are carried at cost or amortized cost, which approximates fair value.

(ii) Financial instruments classified as available for sale and as at fair value through income

These financial assets and financial liabilities are measured on the consolidated balance sheets at fair value. For financial instruments measured at fair value where active market prices are available, bid prices are used for financial assets and ask prices for financial liabilities. For those financial instruments measured at fair value that are not traded

in an active market, fair value estimates are determined using valuation methods which maximize the use of observable market data and include discounted cash flow analysis and other commonly used valuation techniques.

(iii) Mortgages receivable

The estimated fair value of mortgages receivable is determined using a discounted cash flow calculation and the market interest rates offered for mortgages with similar terms and credit risks.

(iv) Deposits

The estimated fair value of deposits is determined by discounting expected future contractual cash flows using observed market interest rates offered for deposits with similar terms. Deposit liabilities include GICs that are measured at fair value through income and are guaranteed by Canada Deposit Insurance Corporation ("CDIC"). This guarantee from CDIC is reflected in the fair value measurement of the deposit liabilities.

(v) Securitization liabilities

The estimated fair value of securitization liabilities is determined by discounting expected future contractual cash flows using market interest rates offered for similar terms.

(vi) Debentures

The estimated fair value of the debentures are determined by discounting expected future contractual cash flows using market interest rates offered for similar terms.

(vii) Derivatives

Fair value estimates of derivative financial instruments are determined based on commonly used pricing methodologies (primarily discounted cash flow models) that incorporate observable market data. Frequently applied valuation techniques incorporate various inputs such as stock prices, bond prices and interest rate curves into present value calculations.

The following tables present the carrying values for each category of financial assets and liabilities and their estimated fair values as at June 30, 2017 and December 31, 2016. The tables do not include assets and liabilities that are not financial instruments.

	June 30, 2017						
	Financial instruments classified as held for trading	Financial instruments designated as at fair value through income	Held to maturity	Available for sale	Loans and receivables/ financial liabilities at cost or amortized cost	Total carrying value	Fair value
Financial assets:							
Cash and cash equivalents	$ 811,465	$ -	$ -	$ -	$ -	$ 811,465	$ 811,465
Restricted cash	412,036	-	-	-	-	412,036	412,036
Investments	316	-	2,272	110,070	-	112,658	112,658
Mortgages receivable – Core Lending	-	46,156	-	-	11,346,889	11,393,045	11,376,736
Mortgages receivable – Securitization Financing	46,766	-	-	-	6,823,812	6,870,578	6,886,158
Securitization retained interests	-	-	-	98,513	-	98,513	98,513
Other assets:							
Derivative financial instruments:							
bond forwards	930	-	-	-	-	930	930
interest rate swaps	6,269	-	-	-	-	6,269	6,269
total return swaps	1,371	-	-	-	-	1,371	1,371
Other	-	-	-	-	11,954	11,954	11,954
Total financial assets	$ 1,279,153	$ 46,156	$ 2,272	$ 208,583	$ 18,182,655	$ 19,718,819	$ 19,718,090
Financial liabilities:							
Deposits	$ -	$ 43,209	$ -	$ -	$ 10,056,250	$ 10,099,459	$ 10,071,715
Securitization liabilities	-	-	-	-	7,750,405	7,750,405	7,777,908
Obligations under repurchase agreements	-	-	-	-	428,985	428,985	428,985
Other liabilities:							
Derivative financial instruments:							
interest rate swaps	2,108	-	-	-	-	2,108	2,108
total return swaps	17	-	-	-	-	17	17
Mortgage commitment	50	-	-	-	-	50	50
Other	-	-	-	-	192,973	192,973	192,973
Bank facilities	-	-	-	-	141,815	141,815	141,815
Debentures	-	-	-	-	65,000	65,000	65,082
Total financial liabilities	$ 2,175	$ 43,209	$ -	$ -	$ 18,635,428	$ 18,680,812	$ 18,680,653

							December 31, 2016
	Financial instruments classified as held for trading	Financial instruments designated as at fair value through income	Held to maturity	Available for sale	Loans and receivables/ financial liabilities at cost or amortized cost	Total carrying value	Fair value
Financial assets:							
Cash and cash equivalents	$ 444,179	$ -	$ -	$ -	$ -	$ 444,179	$ 444,179
Restricted cash	247,878	-	-	-	-	247,878	247,878
Securities purchased under reverse repurchase agreements	-	-	-	-	199,401	199,401	199,401
Investments	308	-	2,499	132,911	1,000	136,718	136,718
Mortgages receivable – Core Lending	-	47,283	-	-	10,631,169	10,678,452	10,737,431
Mortgages receivable – Securitization Financing	25,196	-	-	-	7,080,155	7,105,351	7,185,403
Securitization retained interests	-	-	-	88,782	-	88,782	88,782
Other assets:							
Derivative financial instruments:							
bond forwards	456	-	-	-	-	456	456
total return swaps	1,042	-	-	-	-	1,042	1,042
interest rate swaps	3,673	-	-	-	-	3,673	3,673
Mortgage commitments	48	-	-	-	-	48	48
Other	-	-	-	-	12,320	12,320	12,320
Total financial assets	$ 722,780	$ 47,283	$ 2,499	$ 221,693	$ 17,924,045	$ 18,918,300	$ 19,057,331
Financial liabilities:							
Deposits	$ -	$ 43,863	$ -	$ -	$ 9,719,219	$ 9,763,082	$ 9,761,039
Securitization liabilities	-	-	-	-	7,762,632	7,762,632	7,811,834
Obligations under repurchase agreements	-	-	-	-	112,488	112,488	112,488
Other liabilities:							
Derivative financial instruments:							
bond forwards	113	-	-	-	-	113	113
interest rate swaps	158	-	-	-	-	158	158
Other	-	-	-	-	183,602	183,602	183,602
Bank Facilities	-	-	-	-	50,000	50,000	50,000
Debentures	-	-	-	-	65,000	65,000	65,363
Total financial liabilities	$ 271	$ 43,863	$ -	$ -	$ 17,892,941	$ 17,937,075	$ 17,984,597

(b) Fair value hierarchy:

Financial instruments recorded at fair value on the consolidated balance sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities.

Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability.

Level 3: valuation techniques with significant unobservable market inputs.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date

that would have been determined by market participants acting at arm's length. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables presents the financial instruments recorded at fair value in the consolidated balance sheets, classified using the fair value hierarchy:

				June 30, 2017
	Level 1	**Level 2**	**Level 3**	**Total financial assets/ financial liabilities at fair value**
Financial assets:				
Cash and cash equivalents	$ 811,465	$ -	$ -	$ 811,465
Restricted cash	412,036	-	-	412,036
Investments	93,172	-	17,214	110,386
Mortgages receivable – Core Lending	-	46,156	-	46,156
Mortgages receivable – Securitization Financing	-	46,766	-	46,766
Securitization retained interests	-	98,513	-	98,513
Other assets:				
Derivative financial instruments:				
bond forwards	-	930	-	930
interest rate swaps	-	6,212	57	6,269
total return swaps	-	359	1,012	1,371
	$ 1,316,673	$ 198,936	$ 18,283	$ 1,533,892
Financial liabilities:				
Deposits	$ -	$ -	$ 43,209	$ 43,209
Other liabilities:				
Derivative financial instruments:				
interest rate swaps	-	2,108	-	2,108
total return swaps	-	17	-	17
Mortgage Commitments	-	-	50	50
	$ -	$ 2,125	$ 43,259	$ 45,384

				December 31, 2016
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Cash and cash equivalents	$ 444,179	$ -	$ -	$ 444,179
Restricted cash	247,878	-	-	247,878
Investments	111,177	-	22,042	133,219
Mortgages receivable – Core Lending	-	47,283	-	47,283
Mortgages receivable – Securitization Financing	-	25,196	-	25,196
Securitization retained interests	-	88,782	-	88,782
Other assets:				
Derivative financial instruments:				
bond forwards	-	456	-	456
interest rate swaps	-	3,478	195	3,673
total return swaps	-	326	716	1,042
Mortgage Commitments	-	-	48	48
	$ 803,234	$ 165,521	$ 23,001	$ 991,756
Financial liabilities:				
Deposits	$ -	$ -	$ 43,863	$ 43,863
Other liabilities:				
Derivative financial instruments:				
bond forwards	-	113	-	113
interest rate swaps	-	-	158	158
	$ -	$ 113	$ 44,021	$ 44,134

Note 6 – Investments

Carrying value of investments is as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Equity securities – preferred shares	$ 92,602	$ 110,697	$ 123,039
Equity securities – common shares	570	480	417
Debt securities guaranteed by Government of Canada	-	-	3,968
Debt securities – successor issuer rights	17,214	22,042	-
Debt securities – corporate debt	-	1,000	1,000
Canada Housing Trust re-investment accounts[1]	2,272	2,499	2,346
	$ 112,658	$ 136,718	$ 130,770

[1] *Canada Housing Trust re-investment accounts are restricted investments, held to repay the securitization liabilities in connection with the Company's participation in the CMB program.*

Net unrealized gains (losses) on available for sale investments recorded in accumulated other comprehensive loss are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Equity securities – preferred shares	$ (17,547)	$ (28,251)	$ (38,181)
Equity securities – common shares	81	53	38
Debt securities guaranteed by Government of Canada	-	-	233
Debt securities – successor issuer rights	(102)	(94)	-
	$ (17,568)	$ (28,292)	$ (37,910)

Note 7 – Mortgages Receivable

(a) Mortgages receivable:

		Allowance for credit losses			
June 30, 2017	**Gross amount**	**Individual**	**Collective**	**Total**	**Net amount**
Mortgages – Core Lending	**$ 11,392,558**	**$ 1,432**	**$ 31,890**	**$ 33,322**	**$ 11,359,236**
Mortgages – Securitization Financing	**6,859,983**	**-**	**-**	**-**	**6,859,983**
Accrued interest	**45,451**	**1,047**	**-**	**1,047**	**44,404**
	$ 18,297,992	**$ 2,479**	**$ 31,890**	**$ 34,369**	**$ 18,263,623**

		Allowance for credit losses			
December 31, 2016	Gross amount	Individual	Collective	Total	Net amount
Mortgages – Core Lending	$ 10,678,733	$ 1,389	$ 31,890	$ 33,279	$ 10,645,454
Mortgages – Securitization Financing	7,093,828	-	-	-	7,093,828
Accrued interest	45,668	1,147	-	1,147	44,521
	$ 17,818,229	$ 2,536	$ 31,890	$ 34,426	$ 17,783,803

		Allowance for credit losses			
June 30, 2016	Gross amount	Individual	Collective	Total	Net amount
Mortgages – Core Lending	$ 9,594,026	$ 562	$ 31,890	$ 32,452	$ 9,561,574
Mortgages – Securitization Financing	6,640,669	-	-	-	6,640,669
Accrued interest	42,651	788	-	788	41,863
	$ 16,277,346	$ 1,350	$ 31,890	$ 33,240	$ 16,244,106

Mortgages – Securitization Financing include mortgages classified as held for trading and carried at fair value with changes in fair value included in Gains on securitization activities and income from securitization retained interests. As at June 30, 2017, mortgage principal outstanding on these mortgages is $47,488 (December 31, 2016 – $25,318, June 30, 2016 – $30,372) and the fair value adjustment is ($722) (December 31, 2016 – ($122), June 30, 2016 – $664).

Included in Mortgages – Core Lending are certain mortgages designated as at fair value through income and are carried at fair value with changes in fair value included in Interest income – Mortgages – Core Lending. As at June 30, 2017, mortgage principal outstanding for these mortgages is $45,832 (December 31, 2016 – $46,451, June 30, 2016 – $45,846) and the fair value adjustment is $324 (December 31, 2016 – $832, June 30, 2016 – $1,230).

Included in Mortgages – Core lending are commercial loans of $203,581 (December 31, 2016 – $30,721, June 30, 2016 – nil) invested in certain asset-backed structured entities. The Company holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. The Company does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income from its investments. Consequently, the Company does not control these structured entities and has not consolidated them.

The impact of changes in fair value for mortgages designated as at fair value through income is as follows:

	June 30, 2017	June 30, 2016
Net (loss) gain in fair values for mortgages held for trading included in Gains on securitization activities and income from securitization retained interests	$ (600)	$ 458
Net loss in fair values for mortgages designated as at fair value through income and recognized in interest income – Mortgages – Core Lending	(508)	(357)

At June 30, 2017, the Company had commitments to fund a total of $1,282,479 (December 31, 2016 – $1,037,929, June 30, 2016 – $1,072,817) of mortgages in the ordinary course of business.

(b) Impaired and past due mortgages:

The Company classifies a mortgage receivable as impaired when, in the opinion of management, there is reasonable doubt as to the timely collectability, either in whole or in part, of principal or interest. As a matter of practice, a conventional mortgage is deemed to be impaired at the earlier of the date it has been individually provided for or when contractual payments are past due 90 days. Insured mortgages are considered impaired when they are contractually past due 365 days; however, management does not anticipate credit losses on such mortgages as they are insured.

Outstanding impaired mortgages, net of individual allowances are as follows:

			June 30, 2017	December 31, 2016	June 30, 2016
	Gross	Individual allowance	Net	Net	Net
Mortgages – Core Lending	$ 30,255	$ 1,432	$ 28,823	$ 36,236	$ 31,586
Mortgages – Core Lending – Insured	279	-	279	479	203
Accrued interest	1,206	1,047	159	114	392
	$ 31,740	$ 2,479	$ 29,261	$ 36,829	$ 32,181

Outstanding mortgages that are past due but not classified as impaired are as follows:

				June 30, 2017
	30 – 59 days	60 – 89 days	90 days or more	Total
Mortgages – Core Lending	$ 16,852	$ 8,294	$ -	$ 25,146
Mortgages – Core Lending – Insured	1,573	395	957	2,925
Mortgages – Securitization Financing – Insured	4,106	934	292	5,332
	$ 22,531	$ 9,623	$ 1,249	$ 33,403

				December 31, 2016
	30 – 59 days	60 – 89 days	90 days or more	Total
Mortgages – Core Lending	$ 24,082	$ 12,350	$ -	$ 36,432
Mortgages – Core Lending – Insured	678	1,324	224	2,226
Mortgages – Securitization Financing – Insured	4,312	1,123	393	5,828
	$ 29,072	$ 14,797	$ 617	$ 44,486

(c) Allowance for credit losses:

			June 30, 2017
	Individual allowance	Collective allowance	Total
Balance, beginning of period	$ 2,536	$ 31,890	$ 34,426
Provision for credit losses	1,116	-	1,116
Realized losses	(1,179)	-	(1,179)
Recoveries	6	-	6
Balance, end of period	$ 2,479	$ 31,890	$ 34,369

			June 30, 2016
	Individual allowance	Collective allowance	Total
Balance, beginning of period	$ 1,326	$ 31,890	$ 33,216
Provision for credit losses	332	-	332
Realized losses	(365)	-	(365)
Recoveries	57	-	57
Balance, end of period	$ 1,350	$ 31,890	$ 33,240

Note 8 – Derecognition of Financial Assets

In the normal course of business, the Company enters into transactions that result in the transfer of financial assets. Transferred financial assets are recognized in their entirety or derecognized in their entirety, subject to the extent of the Company's continuing involvement. The Company transfers its financial assets through its securitization activities and sale of assets under repurchase agreements. For further details, refer to Note 9 to the audited consolidated financial statements in the Company's 2016 Annual Report.

(a) Transferred financial assets that are not derecognized in their entirety:

The following table provides information on the carrying amount and the fair values related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

		June 30, 2017		December 31, 2016		June 30, 2016
	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	$ 8,885,232	$ 428,985	$ 8,486,532	$ 112,488	$ 7,284,602	$ -
Carrying amount of associated liability	7,750,405	428,985	7,762,632	112,488	6,807,964	-
Carrying amount, net position	$ 1,134,827	$ -	$ 723,900	$ -	$ 476,638	$ -
Fair value of assets	$ 8,893,626	$ -	$ 8,567,106	$ -	$ 7,502,060	$ -
Fair value of associated liability	7,777,908	-	7,811,749	-	6,975,253	-
Fair value, net position	$ 1,115,718	$ -	$ 755,357	$ -	$ 526,807	$ -

The carrying amount of assets includes securitized assets that were retained by the Company and not transferred to third parties of $1,115,725 (December 31, 2016 – $650,959, June 30, 2016 – $420,375). The fair value of these assets are $1,103,973 (December 31, 2016 – $644,768, June 30, 2016 – $421,772).

The carrying amount of assets exclude mortgages held for securitization of $237,118 (December 31, 2016 – $463,996, June 30, 2016 – $566,552).

The Company's outstanding securitization liabilities are as follows:

		June 30, 2017		December 31, 2016		June 30, 2016
Securitization liability	$	**7,784,774**	$	7,795,239	$	6,835,440
Deferred net discount and issuance costs		**(49,319)**		(47,391)		(40,851)
Accrued interest		**14,950**		14,784		13,375
	$	**7,750,405**	$	7,762,632	$	6,807,964

Securitization liabilities include $37,549 (December 31, 2016 – $24,634, June 30, 2016 – nil) of liabilities designated in qualifying fair value interest rate hedging relationships and fair valued with respect to the hedged interest rate. Changes in fair value reflect changes in interest rates which have occurred since the date of designation and the fair value adjustment as at June 30, 2017 is $552 (December 31, 2016 – $747, June 30, 2016 – nil).

The impact of changes in fair value for securitization liabilities designated in qualifying fair value interest rate hedging relationships that are fair valued through income are as follows:

		June 30, 2017		June 30, 2016
Fair value gain recognized in income	$	**552**	$	-

(b) Transferred financial assets that are derecognized in their entirety:

The following table provides quantitative information of the Company's securitization activities and transfers that are derecognized in their entirety during the period:

		June 30, 2017		June 30, 2016
Mortgages securitized and sold	$	**664,661**	$	530,063
Carrying value of Securitization retained interests		**21,631**		19,321
Carrying value of Securitized mortgage servicing liability		**5,187**		5,100
Gains on mortgages securitized and sold		**6,287**		3,513
Gain (loss) from securitization activities and retained interests		**179**		(1,059)

During the period, the Company entered into transactions to transfer substantially all of the residual risks and rewards of securitized prepayable multi-residential mortgages to third parties. As a result, the Company derecognized $149,049 of multi-residential mortgages and recorded a gain on sale of $431 included in Mortgages securitized and sold and Gains on mortgages securitized and sold respectively.

Note 9 – Derivative Financial Instruments

The Company hedges interest rate risks associated with insured residential mortgages, mortgage commitments intended for securitization as well as certain securitization and deposit liabilities. The Company also hedges the risk of changes in future cash flows related to the Restricted Share Unit ("RSU") and Deferred Share Unit ("DSU") plans by entering into total

return swaps with highly rated counterparties. The Company also enters into total return swaps to exchange cash flows of the CMB for those of the MBS transferred to CHT as part of its CMB activities.

For more information on derivative financial instruments refer to Note 10 to the audited consolidated financial statements in the Company's 2016 Annual Report.

The fair values and notional amounts of derivatives outstanding is as follows:

	June 30, 2017		December 31, 2016		June 30, 2016	
Derivative instrument and term (years)	**Notional amount**	**Fair Value, Net[1]**	Notional amount	Fair Value, Net[1]	Notional amount	Fair Value, Net[1]
Cash flow hedges:						
Bond forwards – hedge accounting						
1 or less	**$ 7,900**	**$ 142**	$ 234,860	$ 263	$ 244,594	$ (2,924)
Interest rate swaps – hedge accounting						
1 to 5	**334,913**	**6,212**	312,418	4,216	180,123	(247)
Total return swaps – hedge accounting						
1 or less	**1,530**	**(49)**	1,551	(46)	1,094	(166)
1 to 5	**3,605**	**32**	2,777	261	3,335	(112)
Total return swaps – non-hedge accounting						
1 or less	**1,461**	**359**	1,833	110	1,799	(55)
Fair value hedges:						
Interest rate swaps – hedge accounting						
1 or less	**-**	**-**	100,000	195	-	-
1 to 5	**164,915**	**(1,330)**	142,000	(205)	100,000	550
5 and above	**49,634**	**(778)**	24,634	(738)	-	-
Interest rate swaps – non hedge accounting						
5 and above	**1,415**	**57**	1,450	48	-	-
Bond forwards – non-hedge accounting						
1 or less	**67,500**	**788**	36,850	80	55,900	(920)
Other derivatives:						
Total return swaps						
1 to 5	**701,261**	**370**	386,511	176	200,192	(52)
5 and above	**369,585**	**642**	174,325	541	60,312	(33)
	$ 1,703,719	**$ 6,445**	$ 1,419,209	$ 4,901	$ 847,349	$ (3,959)

[1] *Derivative financial assets are included in Other Assets and derivative financial liabilities are included in Other Liabilities.*

Cash flow hedges:

The impact of cash flow hedges on the Company's consolidated financial results are as follows:

	June 30, 2017	June 30, 2016
Fair value changes recorded in Other comprehensive income	$ 3,160	$ (3,048)
Fair value changes recorded in Income	(195)	(1,380)
Amounts reclassified from Other comprehensive income to Interest expense – securitization liabilities	(1,192)	(1,772)
Amounts reclassified from Other comprehensive income to Interest expense – deposits	(33)	(19)
Amounts reclassified from Other comprehensive income to Non-interest expenses – compensation and benefits	(103)	9

Fair value hedges:

Gain (loss) due to changes in fair value hedges included in the Company's consolidated financial results is as follows:

	June 30, 2017	June 30, 2016
Interest rate swaps – hedge accounting	$ (1,959)	$ (440)
Interest rate swaps – non-hedge accounting	(129)	-
Bond forwards – non-hedge accounting	708	(683)
Changes in fair value recognized in income	$ (1,380)	$ (1,123)

Note 10 – Deposits

	June 30, 2017	December 31, 2016	June 30, 2016
Term and other deposits	$ 10,006,735	$ 9,680,163	$ 9,048,465
Accrued interest	114,961	103,362	116,687
Deferred deposit agent commissions	(22,237)	(20,443)	(17,127)
	$ 10,099,459	$ 9,763,082	$ 9,148,025

Included in Term and other deposits are certain deposits designated as at fair value through income and are carried at fair value with changes in fair value included in Interest expense – Deposits. As at June 30, 2017, the designated amount of these deposits is $43,126 (December 31, 2016 – $43,632, June 30, 2016 – $44,717) and the fair value adjustment is $83 (December 31, 2016 – $232, June 30, 2016 – $228).

The impact of changes in fair value for deposits designated as at fair value through income is as follows:

	June 30, 2017	June 30, 2016
Fair value gain recognized in income	$ 149	$ 10

Term and other deposits also include $176,663 (December 31, 2016 – $242,000, June 30, 2016 – $100,000) of deposits designated in qualifying fair value interest rate hedging relationships and fair valued with respect to the hedged interest rate. Changes in fair value reflect changes in interest rates which have occurred since the deposits were issued and the fair value adjustment as at June 30, 2017 is ($1,738) (December 31, 2016 – ($93), June 30, 2016 – $516).

The impact of changes in fair value for deposits designated in qualifying fair value interest rate hedging relationships that are fair valued through income are as follows:

		June 30, 2017		June 30, 2016
Fair value gain recognized in income	$	1,537	$	430

Note 11 – Bank Facilities

During the quarter, the Company obtained a two-year $2.0 billion secured backstop funding facility from a syndicate of Schedule I Canadian banks. The terms of the facility include 0.75% commitment fee, 0.50% standby charge on any unused portion of the facility, and an interest rate on the drawn portion of the facility equal to the lenders' cost of funds plus 1.25%. Any draws on this facility would be secured by a portfolio of mortgages originated and serviced by the Company. The Company has not made any draws on this facility.

The Company has two additional secured funding facilities totaling $700,000 with major Schedule I Canadian banks to finance insured residential mortgages prior to securitization. The balance outstanding on these facilities as at June 30, 2017 is $141,815 (December 31, 2016 – $50,000, June 30, 2016 – $170,000). For further details on the Company's bank facilities, refer to Note 16 to the audited consolidated financial statements in the Company's 2016 Annual Report.

Note 12 – Shareholders' Equity

Capital stock:

Authorized:
Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 1, par value $25.00 per share
Unlimited number of non-cumulative floating rate preferred shares, Series 2, par value $25.00 per share
Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 3, par value $25.00 per share
Unlimited number of non-cumulative floating rate preferred shares, Series 4, par value $25.00 per share
Unlimited number of common shares, no par value

Issued and outstanding shares:

	June 30, 2017			June 30, 2016		
	Number of shares	Amount	Dividends per share[(1)]	Number of shares	Amount	Dividends per share[(1)]
Preferred Shares, Series 3	3,000,000 $	72,557 $	0.79	3,000,000 $	72,557 $	0.79

	June 30, 2017			June 30, 2016		
	Number of shares	Amount	Dividends per share[(1)]	Number of shares	Amount	Dividends per share[(1)]
Common shares:						
Balance, beginning of period	16,460,142 $	196,608		15,538,605 $	143,690	
Contributions from exercise of stock options	17,512	697		27,860	743	
Transferred from contributed surplus relating to the exercise of stock options	-	134		-	182	
Balance, end of period	16,477,654 $	197,439 $	0.46	15,566,465 $	144,615 $	0.41

(1) *Dividends per share represents dividends declared by the Company during the period.*

Note 13 – Stock-Based Compensation

(a) Stock-based compensation plan:

Under the Company's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven years and vest over a four-year period. As at June 30, 2017, the maximum number of common shares available for issuance under the plan is 1,475,570. The outstanding options expire on various dates to February 2024. A summary of the Company's stock option activity and related information for the periods ended June 30, 2017 and June 30, 2016 is as follows:

	June 30, 2017		June 30, 2016	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**557,467**	**$ 46.03**	540,236	$ 40.12
Granted	**105,060**	**71.68**	136,239	53.15
Exercised	**(17,512)**	**39.78**	(27,860)	26.28
Forfeited/cancelled	**(4,461)**	**57.58**	(1,185)	52.90
Outstanding, end of period	**640,554**	**$ 50.32**	647,430	$ 43.42
Exercisable, end of period	**360,241**	**$ 41.87**	349,731	$ 35.13

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $672 (June 30, 2016 – $575) related to grants of options under the stock option plan. This amount has been credited to Contributed surplus. The fair value of options granted during the period ended June 30, 2017 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

	June 30, 2017	June 30, 2016
Risk-free rate	**1.0%**	0.5%
Expected option life (years)	**4.8**	4.8
Expected volatility	**28.6%**	25.9%
Expected dividends	**1.4%**	1.3%
Weighted average fair value of each option granted	**$ 13.27**	$ 9.00

(b) Other stock based plans:

The Company has an Employee share purchase ("ESP") plan, a Restricted share unit ("RSU") plan for eligible employees, and a Deferred share unit ("DSU") plan for Directors. For details on the plan, refer to Note 19 to the audited consolidated financial statements in the Company's 2016 Annual Report.

i. Under the ESP plan, the Company expensed $449 (June 30, 2016 – $354) during the period ended June 30, 2017.

ii. Under the DSU plan, the activity for the periods ended June 30, 2017 and June 30, 2016 is as follows:

	June 30, 2017	June 30, 2016
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	**32,216**	30,133
Granted	**-**	6,332
Dividends reinvested	**220**	202
Exercised	**(3,138)**	(5,022)
Outstanding, end of period	**29,298**	31,645

The liability associated with DSUs outstanding as at June 30, 2017 was $1,820 (June 30, 2016 – $1,744). Compensation expense recorded relating to DSUs outstanding during the six months ended June 30, 2017 amounted to $33 (June 30, 2016 – $478).

iii. Under the Company's RSU plan, the activity for the periods ended June 30, 2017 and June 30, 2016 is as follows:

	June 30, 2017	June 30, 2016
	Number of RSUs	Number of RSUs
Outstanding, beginning of period	**58,126**	42,861
Granted	**27,686**	33,888
Dividends reinvested	**485**	469
Exercised	**(152)**	(380)
Forfeited/cancelled	**(3,788)**	(1,548)
Outstanding, end of period	**82,357**	75,290

The liability associated with RSUs outstanding as at June 30, 2017 was $2,454 (June 30, 2016 – $1,705). Compensation expense recorded relating to RSUs outstanding during the six months ended June 30, 2017 amounted to $796 (June 30, 2016 – $684).

Note 14 – Earnings Per Share

Diluted earnings per share is calculated based on net income available to common shareholders divided by the weighted average number of common shares outstanding during the year, taking into account the dilution effect of stock options using the treasury stock method.

	June 30, 2017	June 30, 2016
Earnings per common share – basic:		
Net income	**$ 82,302**	$ 61,422
Dividends on preferred shares	**2,382**	2,382
Net income available to common shareholders	**$ 79,920**	$ 59,040
Weighted average basic number of common shares outstanding	**16,470,850**	15,550,394
Earnings per common share – basic	**$ 4.85**	$ 3.80
Earnings per common share – diluted:		
Net income available to common shareholders	**$ 79,920**	$ 59,040
Weighted average basic number of common shares outstanding	**16,470,850**	15,550,394
Adjustment to weighted average number of common shares outstanding:		
Stock options	**120,928**	141,818
Weighted average diluted number of common shares outstanding	**16,591,778**	15,692,212
Earnings per common share – diluted	**$ 4.82**	$ 3.76

For the period ended June 30, 2017, the calculation of the diluted earnings per share excluded 187,535 (June 30, 2016 – 238,420) average options outstanding with a weighted average exercise price of $61.89 (June 30, 2016 – $56.00) as the exercise price of these options was greater than the average price of the Company’s common shares.

Note 15 – Capital Management

Equitable Bank manages its capital in accordance with guidelines established by OSFI, based on standards issued by the Basel Committee on Banking Supervision. For further details refer to the pages 23-24 of the MD&A.

Equitable Bank maintains a Capital Management Policy and an Internal Capital Adequacy Assessment Process to govern the quality and quantity of capital utilized in its operations. During the year, Equitable Bank complied with all internal and external capital requirements.

Regulatory capital (relating solely to Equitable Bank) is as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Common Equity Tier 1 Capital ("CET1"):			
Common shares	**$ 199,918**	$ 199,089	$ 147,096
Contributed surplus	**6,686**	6,148	6,191
Retained earnings	**793,587**	721,117	652,872
Accumulated other comprehensive loss[1]	**(12,874)**	(20,210)	(26,392)
Less: Regulatory adjustments	**(15,325)**	(15,037)	(14,495)
Common Equity Tier 1 Capital	**971,992**	891,107	765,272
Additional Tier 1 capital:			
Non-cumulative preferred shares	**72,554**	72,554	72,554
Tier 1 Capital	**1,044,546**	963,661	837,826
Tier 2 Capital:			
Collective allowance	**31,890**	31,890	31,890
Subordinated debentures	**62,891**	65,000	65,000
Tier 2 Capital	**94,781**	96,890	96,890
Total Capital	**$ 1,139,327**	$ 1,060,551	$ 934,716

[1] *As prescribed by OSFI (under Basel III rules), AOCI is part of CET1 in its entirety, however, the amount of cash flow hedge reserves that relates to the hedging of items that are not fair valued are excluded.*

Note 16 – Interest Rate Sensitivity

The following table shows the Company's position with regard to interest rate sensitivity of assets, liabilities and equity on the date of the earlier of contractual maturity or re-pricing date, as at June 30, 2017.

								June 30, 2017
	Floating rate	**0 to 3 months**	**4 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Greater than 5 years**	**Non-interest sensitive[1]**	**Total[1]**
Total assets	**$ 4,453,478 $**	**1,576,009 $**	**4,280,187 $**	**10,309,674 $**	**7,998,829 $**	**1,181,430 $**	**306,053 $**	**19,795,986**
Total liabilities and equity[2][3]	**(280)**	**(5,719,930)**	**(3,656,213)**	**(9,376,423)**	**(7,953,192)**	**(1,075,158)**	**(1,391,213)**	**(19,795,986)**
Off-balance sheet items[4]	**-**	**(530,587)**	**56,678**	**(473,909)**	**471,875**	**2,034**	**-**	**-**
Interest rate sensitive gap	**$ 4,453,198 $**	**(4,674,508) $**	**680,652 $**	**459,342 $**	**517,512 $**	**108,306 $**	**(1,085,160) $**	**-**
Cumulative gap[2]	**$ 4,453,198 $**	**(221,310) $**	**459,342 $**	**459,342 $**	**976,854 $**	**1,085,160 $**	**- $**	**-**
Cumulative gap as a percentage of total assets	**22.50%**	**(1.12%)**	**2.32%**	**2.32%**	**4.93%**	**5.48%**	**-%**	**-%**

								December 31, 2016
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total[1]
Cumulative gap[2][3][4]	$ 3,846,101 $	565,024 $	624,813 $	624,813 $	511,572 $	987,710 $	- $	-
Cumulative gap as a percentage of total assets	20.27%	2.98%	3.29%	3.29%	2.70%	5.21%	-%	-%

								June 30, 2016
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total[1]
Cumulative gap[2][3][4]	$ 3,200,857 $	(459,189) $	193,751 $	193,751 $	642,545 $	819,987 $	- $	-
Cumulative gap as a percentage of total assets	18.67%	(2.68%)	1.13%	1.13%	3.75%	4.78%	-%	-%

[1] *Accrued interest is included in "Non- interest sensitive" assets and liabilities.*
[2] *Cashable GIC deposits are included in the "0 to 3 months" as these are cashable by the depositor upon demand after 30 days from the date of issuance.*
[3] *Any prepayments of debentures, contractual or otherwise, have not been estimated as these would require Equitable Bank to receive regulatory pre-approval.*
[4] *Off-balance sheet items include the Company's interest rate swaps, hedges on funded assets, as well as mortgage rate commitments that are not specifically hedged. Mortgage rate commitments that are specifically hedged, along with their respective hedges, are assumed to substantially offset.*

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David LeGresley
Chair of the Board and a Corporate Director

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