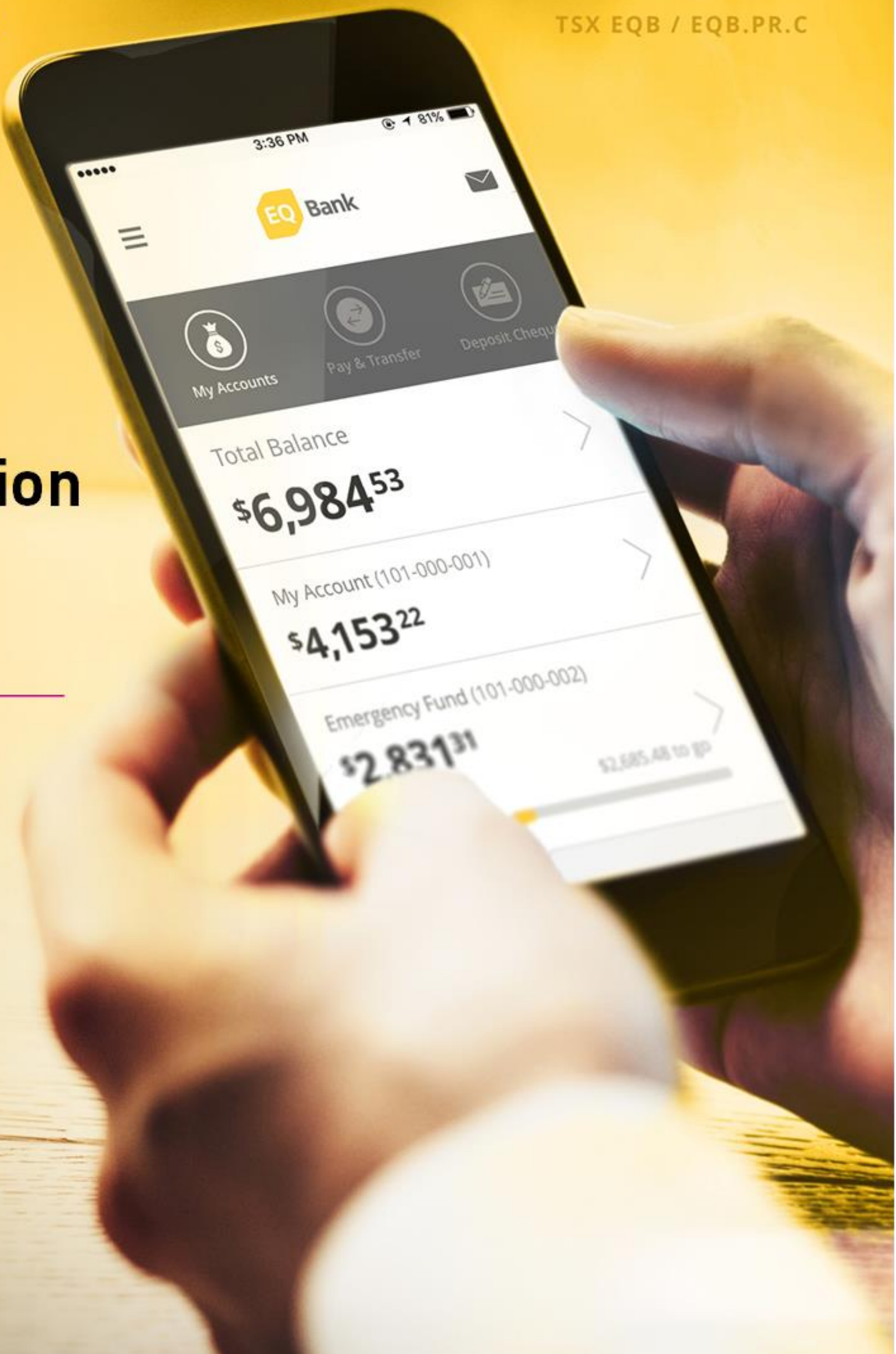
EQUITABLE

EQUITABLEBANK.CA

TSX EQB / EQB.PR.C



Annual Information Form

For the year ended December 31, 2016

2016

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Note: Unless otherwise specified, all information presented herein is as of December 31, 2016.

FORWARD-LOOKING STATEMENTS

Statements made by Equitable Group Inc. (the "Company" or "Equitable") in the sections of this report including those entitled "Sources of Funding", "Competitive Conditions", and "Risk Factors", 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" in the Company's Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2016 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, 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.

CORPORATE STRUCTURE

Name, Address and Incorporation

Equitable Group Inc. was formed on January 1, 2004 pursuant to a Certificate of Amalgamation issued under the Business Corporations Act (Ontario). Articles of Amendment dated September 1, 2009 and August 8, 2014 were filed in connection with the creation and issuance of the Series 1 Preferred Shares and Series 3 Preferred Shares of the Company, respectively.

The Company's registered and head office are in the Equitable Bank Tower, located at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario, M4V 3A1.

Intercorporate Relationships

The Company directly holds 100% of all issued and outstanding shares of its sole subsidiary, Equitable Bank (the "Bank"). Equitable Bank is a Schedule I Bank under the Bank Act (Canada) (the "Bank Act") and was formed effective July 1, 2013 through the issuance of Letters Patent of Continuance dated June 26, 2013 which continued The Equitable Trust Company as a bank under the Bank Act. The Equitable Trust Company was originally incorporated in 1970 by Letters Patent issued under the predecessor statute of the Trust and Loan Companies Act (Canada). Equitable Bank's activities are supervised by the Office of the Superintendent of Financial Institutions Canada ("OSFI").

DESCRIPTION OF THE BUSINESS

Business Overview

Equitable Group Inc. (TSX: EQB and EQB.PR.C) is a growing Canadian financial services business that operates through Equitable Bank. It does not hold any material assets outside of its investments in the Bank. Equitable had total Assets Under Management of approximately $22.3 billion at December 31, 2016. Measured by assets, Equitable Bank is the ninth largest independent Schedule I Bank in Canada.

Equitable operates with a branchless banking model and competes in niche lending and savings markets not well served by the larger Canadian banks or in which it has a unique advantage. The Company's strategy is to continue growing the Bank over time by delivering superior service to its customers and business partners across Canada, and to diversify by launching new offerings. With this approach, Equitable aims to grow earnings, produce a high Return on Equity for its shareholders and maintain strong regulatory capital ratios.

Currently, Equitable Bank provides mortgage loans to a wide range of customers that include 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. The Bank generally serves its customers through its extensive partnerships with Canada's mortgage brokers, mortgage bankers, deposit agents, investment dealers, and financial planners who provide independent professional advice to their clients. In January 2016, Equitable started providing select deposit products directly to Canadian savers through its digital banking platform, *EQ Bank*. The first deposit product offered through its digital bank was the *EQ Bank Savings Plus Account* which was received well by Canadian savers. The Company intends to expand the range of savings products and services that it offers through *EQ Bank* in future years, while at the same time maintaining a strong commitment to its broker partners.

Equitable organizes its operations according to products and target customers:

Single Family Lending Services:

- **Products:** mortgages for owner-occupied and investment properties including detached and semi-detached houses, townhouses, and condos across Canada. Competitive product set includes a Home Equity Line of Credit ("HELOC").
- **Target customers:** business-for-self individuals, those who are new to Canada and establishing credit for the first time, and the credit challenged
- **Distribution:** through Canada's mortgage brokers
- **Strengths:** include superior levels of customer service, extensive broker relationships, and a disciplined approach to credit

Commercial Lending Services:

- **Products:** mortgages, which generally range from $0.5 million to $25 million, on a variety of commercial property types including mixed-use, multi-unit residential, shopping plazas, professional offices, and industrial
- **Target customers:** commercial clients, including both small and medium size enterprises and larger borrowers such as publicly traded entities
- **Distribution:** through mortgage brokers, mortgage banks, business partners, and other financial institutions
- **Strengths**: include service excellence, breadth and strength of distribution relationships, underwriting capabilities, and intimate market knowledge

Securitization Financing:

- **Products:** mainly insured mortgages on multi-unit and prime single family ("Prime") residential properties funded through securitization programs
- **Target customers:** individuals (prime borrowers) as well as commercial clients, from entrepreneurs to large, publicly traded entities
- **Distribution:** originate through mortgage brokers or source through mortgage banks and other third party distribution agents
- **Strengths:** include access to low-cost funding through the Canada Mortgage and Housing Corporation's ("CMHC") National Housing Act ("NHA") Mortgage-Backed Securities ("MBS") and Canada Mortgage Bond ("CMB") programs, distribution relationships, extensive experience in mortgage securitization, and experience capability to underwrite mortgages on specialized property types

Deposit Services:

- **Products:** safe and secure savings products including GICs, brokered HISAs, and deposit notes offered under the Equitable Bank
- **Target customers:** Canadians savers and institutional investors looking to build a secure fixed-income portfolio with a competitive rate of return and those who have short to medium-term liquidity needs
- **Distribution:** through third party deposit agents, investment dealers, and financial planners, including Canada's large banks
- **Strengths:** include relationships with the agents who recommend our products, our responsive service, and competitive product offerings and rates

EQ Bank Savings Plus Accounts:

- **Products:** a safe and secure high interest savings account with enhanced functionality such as bill payments, offered under the *EQ Bank* brand
- **Target customers:** Canadian savers who are technologically savvy and comfortable banking without access to traditional bank branches, and who are looking for an alternative to Canada's big banks
- **Distribution:** direct to consumer through the innovative *EQ Bank* digital platform
- **Strengths:** an efficient branchless operating model that allows *EQ Bank* to offer a competitive interest rate, an innovative and flexible technology platform, and low fees

Single Family Lending Services and Commercial Lending Services are collectively referred to as Equitable's "Core Lending" business. At year end, 60% of the Company's loans consisted of mortgages in the Core Lending business and 40% consisted of mortgages in the Securitization Financing segment. The Bank also had a total of $9.7 billion deposit balances at year end, including $1.1 billion generated through the new direct saving product, *EQ Bank Savings Plus Accounts*.

The Company's mortgage products consist of first and insured mortgages with terms of up to ten years. Equitable offers both fixed and adjustable rate mortgages, as well as a HELOC. At December 31, 2016, 45% of the Company's mortgage portfolio was insured compared to 46% a year earlier.

For further details on the Company's loan portfolio, including geographic and property type distribution, please refer to the Supplemental Information and Regulatory Disclosures Report available on the Company's website at www.equitablebank.ca.

Credit risk inherent in the mortgage portfolio is managed through the Company's lending policies and procedures, the establishment of lending limits and a documented approval process. Underwriting criteria are intended to minimize risks inherent in the Company's target markets and include prescribed loan-to-value ratios based on the nature of the property and strict debt service ratio guidelines.

The primary sources of revenue for the Company are interest income as well as commitment, renewal and other ancillary fees derived from its mortgage lending activities. In addition, the Company earns gains on the sale of securitized and derecognized mortgages, as well as interest, dividend income, and capital gains from its investments.

Table 1: Primary sources of revenues

	December 31, 2016		December 31, 2015	
($ THOUSANDS)	**Amount**	**% of total**	Amount	% of total
Mortgage Revenues:				
Interest – Mortgages – Core Lending	**$ 444,093**	**67%**	$ 392,462	67%
Interest – Mortgages – Securitization Financing	**179,838**	**27%**	159,247	27%
Fees and other income	**17,640**	**3%**	11,413	2%
Gains on securitization activities and income from retained interests	**8,672**	**1%**	5,886	1%
	650,243	**98%**	569,008	98%
Investment Revenues:				
Interest and dividends	**8,821**	**1%**	7,173	1%
Net gain on investments	**146**	**-%**	(463)	-%
Interest on short term investments and bank balances	**4,713**	**1%**	6,276	1%
	13,680	**2%**	12,986	2%
Total Revenue	**$ 663,923**	**100%**	$ 581,994	100%

Mortgage Distribution

Mortgages are originated through a network of mortgage brokers, business partners, other financial institutions, and other third party distribution agents. The majority of the mortgages we funded in 2016 were originated through the independent mortgage broker channel. One major mortgage brokerage firm accounted for approximately 16% of our total mortgage originations, the majority of which were multi-unit residential dwellings. In 2016, a significant portion of our funded Prime Single Family mortgages were acquired through one third party distribution agent, which represented 14% of our total mortgage originations. The remainder of the Company's mortgage originations were sourced by other mortgage brokers, with four providing between 5% and 10% each, and the rest individually providing 5% or less of the total dollar volume of new mortgage originations.

Sources of Funding

The Company funds its mortgage business mainly through its deposit taking activities. Securitizing insured mortgages through participation in the CMHC administered NHA-MBS and CMB Programs is the Company's second most significant source of funding.

Deposit Taking

Equitable Bank is a federally regulated deposit taking institution and offers diversified deposit products under the Equitable Bank and *EQ Bank* brands to savers across Canada.

The Equitable Bank brand deposit offerings, which primarily consist of GICs and brokered HISAs, provide a reliable and stable source of funding that can be effectively matched against mortgage maturities. Equitable Bank brand deposits are sourced primarily through a national distribution network of brokers, dealers and investment advisors. These agents are members of the Investment Industry Regulatory Organization of Canada ("IIROC"), the Mutual Fund Dealer's Association ("MFDA"), or the Registered Deposit Brokers Association ("RDBA").

Early in 2016, the Bank launched its *EQ Bank* digital banking platform, opening a channel to attract deposits directly from Canadian savers. *EQ Bank Savings Plus Accounts*, the brand's first product, accumulated deposit balances of almost $1.1 billion at December 31, 2016 and the Bank expects these balances will grow to represent a greater share of Equitable's total deposit funding over time. The Company plans to continue investing in this brand to further enhance its functionality, and to expand the range of savings products and services that it offers in future years.

All of the Bank's deposit products, except its deposit notes, are eligible for CDIC insurance.

Securitization

Equitable regularly securitizes insured residential mortgages by issuing MBS, either to third party investors or to the CMHC sponsored Canada Housing Trust No. 1 ("CHT") under the CMB program, to effectively manage its funding costs and diversify its funding sources. When the Company securitizes mortgages, it applies the IFRS derecognition rules to determine whether it has effectively transferred substantially all the risks and rewards associated with the mortgages. If Equitable is able to structure and execute transactions that transfer substantially all the risks and rewards or control associated with the mortgages to third parties, it may fully or partially derecognize the securitized mortgages and record an upfront gain on sale. In some cases, the Company retains residual interests in the mortgages which are recorded as securitization retained interests and servicing liabilities on the Company's consolidated balance sheet.

The Bank also has two revolving credit facilities with major Schedule I Canadian Banks to fund insured residential mortgages prior to securitization.

The Bank utilizes another funding program which is sponsored by a major Canadian Schedule I Bank and provides Equitable with a source of matched funding for its uninsured single family mortgages. Once securitized, mortgages remain in the facility until they mature. Equitable bears no risk for the funding of the facility itself.

Seasonality

The Company's revenues and expenses are not subject to any material degree of seasonality. Mortgage origination levels in Single Family Lending are seasonal, which is related to sales activity patterns in the Canadian residential real estate market. Specifically, mortgage origination levels in Single Family tend to reach seasonally low levels in the first quarter of each year and peak in the third quarter.

Competitive Conditions

Equitable Bank's products compete with those offered by chartered banks, trust companies, credit unions, insurance companies and other financial institutions and intermediaries in the jurisdictions in which it operates.

There have been no other material changes to the Company's competitive environment.

Employees and Facilities

Equitable Bank is licensed to conduct business across Canada. At December 31, 2016, Equitable Bank had 555 active full-time employees operating out of leased offices in Toronto, Montreal, Calgary, Vancouver and Halifax.

Environmental Matters

The Company is exposed to some financial risk as a result of environmental laws. There is a possibility that hazardous substances could be found on properties which Equitable Bank holds as security. This could affect the value of the properties or result in a liability to a governmental entity or third parties if Equitable Bank realizes on its security and takes possession or becomes the owner of any such properties. To manage this potential exposure, environmental risk is evaluated as part of Equitable Bank's underwriting process. To date, environmental risk has not had a material adverse effect on the Company's operations or financial condition.

Supervision and Regulation

As a federally regulated Schedule I Bank, Equitable Bank is supervised by OSFI and its activities are governed by the Bank Act, which prohibits the Bank from engaging in or carrying on any business other than the business of banking, except as specifically permitted. OSFI is required to examine the affairs and business of each institution governed by the Bank Act to ensure compliance therewith and to ensure that each bank is in sound financial condition. OSFI is responsible to the Minister of Finance and its examination reports are submitted to the Minister.

Equitable Bank is also subject to regulation by the CDIC, which insures certain deposits held at the member institutions, and by the Financial Consumer Agency of Canada ("FCAC"). The FCAC is responsible for enforcing the Financial Consumer Agency of Canada Act, and the consumer-related provisions of the federal statutes that govern financial institutions, which includes the Bank Act and its regulations. The Company is also subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act' which applies to all federally regulated financial institutions in Canada and sets out the expectations and obligations on financial institutions related to detecting and deterring money laundering and the financing of terrorist activities.

The Government of Canada continues to focus on maintaining the stability of the domestic housing market. In October and November, the Federal Government implemented regulatory changes that tightened the qualification criteria for insured loans. In addition, the government has proposed lender risk sharing arrangements that could further affect the insured mortgage market. It will take some time for the recent changes to have an impact on market activity, but the Company believes that directionally these regulatory interventions should have a negative impact on the level of activity in many segments of the housing market and exert downward pressure on house price growth across the country. There is a great deal of uncertainty regarding the future of the market due to competitive and consumer behaviours, however, and as a result the Company may change its views over time. The Company also believes that the changes will be positive in the longer-term in that they will create more market stability.

Based on its deep industry experience and consultations with other industry participants, the Company does not believe that the changes will have a significant impact on its 2017 prospects or strategy. The Company's Prime Single Family portfolio represents less than 2% of its earnings after tax, so even significant decreases in the business would not have a material impact on its overall profitability.

Risk Factors

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 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 plays an active role in monitoring the Company's key risks and in determining the policies and limits that are best suited to manage these risks. The Risk and Capital Committee assists the Board of Directors in its oversight of the Company's management of its key risks.

The key risks faced by the Company are described in the "Risk Management" section of the Company's 2016 MD&A.

Three Year History

Business Line and Product Diversification

The Company has stated that it intends to continue broadening its range of lending and savings solutions over time.

On January 14, 2016, Equitable launched *EQ Bank*, a new and completely digital way of banking. *EQ Bank* operates as part of Equitable Bank but under a separate brand. The *EQ Bank* platform was launched to diversify the Bank's sources of funding by providing a direct-to-consumer channel for deposit gathering. *EQ Bank* can be accessed at www.eqbank.ca or through a mobile application (available on both the App Store and Google Play) and is accessible by all Canadian consumers outside of Québec.

In August 2014, Equitable announced its intention to begin competing in the prime mortgage market and launched its *eqb evolution suite™* of residential prime mortgage products. The *eqb evolution suite™* is designed to provide financial solutions that will appeal to a wide range of borrowers who may be salaried, salaried with commission, or self-employed and are looking for financing solutions.

Other Funding Diversification

In 2016, the Company expanded its funding program for uninsured single family mortgages from $500 million to $1.0 billion. As a result, the aggregate size of its three funding facilities increased to $1.7 billion from $300 million in 2013 when the first credit facility commenced.

In 2015, Equitable introduced two new funding facilities. The Company entered into a new funding program sponsored by a major Canadian Schedule I Bank to provide Equitable with a source of matched funding for its uninsured single family mortgages. This program started with a capacity of $350 million and increased to $500 million in the same year. The Bank also expanded its funding solutions for insured residential mortgages prior to securitization by increasing an existing credit facility from $300 million to $350 million and by adding a second facility of $350 million which was provided by a group of major Schedule I Canadian Banks.

In 2014, Equitable initiated a deposit note program, which provides institutional investors with access to uninsured deposits issued by the Company through the capital markets. In April 2014, Equitable issued a 3-year, $150 million deposit note. An additional $85 million deposit note was issued in March 2015 and was fully redeemed in September 2016. As at December 31, 2016, the outstanding deposit note principal balance was $150 million.

Geographic Diversification

Equitable Bank is a national single family residential lender. During 2014, it expanded its Single Family Lending business into Québec and the Maritime provinces (Newfoundland, New Brunswick, and Prince Edward Island). This follows the successful launches in Nova Scotia in 2012, Saskatchewan in 2011, British Columbia in 2010 and Manitoba in 2008. Equitable has been lending in Ontario since 1970 and in Alberta since 2006.

Regulatory Capital

To efficiently support ongoing growth and optimize Equitable Bank's regulatory capital position, Equitable Group Inc.:

- Issued 809,585 Common Shares through a private placement on December 23, 2016 for gross cash consideration of $50 million;
- Redeemed $20 million of the Company's Series 9 subordinated debentures ("Series 9") held by third party investors on December 15, 2015;
- Redeemed $7.5 million of its Series 8 subordinated debentures ("Series 8") on December 31, 2014 and $15.8 million on March 6, 2013;
- Issued three million non-cumulative, perpetual, 5-Year Rate Reset Preferred Shares ("Series 3 Preferred Shares") for gross cash consideration of $75 million in August 2014. Equitable Group Inc. used these proceeds to subscribe for $75 million of preferred shares ("Bank Series 3 Preferred Shares"), which were Basel III compliant but similar in all other respects, issued by the Bank; and
- Redeemed $50 million of the Company's Series 1 Preferred Shares on September 30, 2014. At the same time, the Bank redeemed $50 million of similar preferred shares ("Bank Series 1 Preferred Shares") that it had issued to Equitable Group Inc.

Credit Rating

In June 2012, DBRS initiated credit rating coverage of the Company and its debt instruments. The ratings were confirmed by DBRS on July 11, 2016 as follows:

- BBB on the deposits and senior debt of Equitable Bank
- BBB (low) on the subordinated debt of Equitable Bank
- BBB (low) on the senior debt of Equitable Group Inc.

These ratings are currently stable and are subject to periodic review by DBRS.

DIVIDENDS

Dividends are payable on the Company's common shares and Series 3 Preferred Shares. The Company's Series 3 Preferred Shares are non-cumulative and are entitled to preference over the common shares with respect to the payment of dividends.

Equitable has a policy of maintaining a balance between the distribution of profits to shareholders via the payment of dividends and the need to retain earnings to fund its business and strategic objectives. It does not set a specific dividend payout ratio target. The declaration and payment of dividends is within the discretion of Equitable Group Inc.'s Board of Directors and is dependent on several factors, including the liquidity position of the Company. The Company's liquidity position is impacted by the payments of dividends from Equitable Bank to its parent company, Equitable Group Inc.

The declaration and payment of dividends by Equitable Bank to Equitable Group Inc. is also within the discretion of Equitable Bank's Board of Directors and is subject to regulatory restrictions. The Bank is precluded from paying or declaring a dividend if there are reasonable grounds for believing that it is, or that payment would cause Equitable Bank to be, in contravention of any regulation made under the Bank Act with respect to the maintenance of adequate capital and liquidity or with any direction given by OSFI with respect to such matters.

Equitable increased its dividend nine times during the past 5 years. Equitable's Board of Directors has increased the dividend twice each year since 2011 and intends to consistently increase the dividend going forward, subject to market conditions and regulatory approvals.

The table below provides a summary of annual dividends per share declared for 2016 and the two preceding years:

Type of Shares	2016	2015	2014
Common Shares	$0.84	$ 0.76	$ 0.68
Preferred Shares:			
Series 1[(1)]	-	-	$ 1.36
Series 3[(2)]	$1.59	$ 1.59	$ 0.63

(1) *The Company fully redeemed its Series 1 Preferred Shares on September 30, 2014.*
(2) *The 2014 Series 3 Preferred Shares dividend declaration represented dividends payable for the period from August 8, 2014 to December 31, 2014.*

In Q3 2014 the Company suspended its Dividend Reinvestment Plan ("DRIP") but maintains its right to reinstate the DRIP in future periods. Before the suspension became effective, the Company reinvested $542 thousand pursuant to the plan in 2014 and $849 thousand in 2013.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2016, 16,460,142 common shares and 3,000,000 Series 3 Preferred Shares were issued and outstanding. The material provisions of the common shares and the preferred shares are summarized or otherwise referred to below.

Common Shares

Holders of the Company's common shares are entitled to one vote per share at all meetings of the shareholders of the Company except meetings at which only holders of a specified class or series of shares are entitled to vote. After payment of all outstanding obligations, including preferred shares, the holders of common shares are entitled to receive the remaining property of the Company upon the liquidation, dissolution or winding-up thereof.

Preferred Shares

The preferred shares are issuable from time to time in one or more series. The Board of Directors of the Company is authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to the preferred shares of each series, which may include voting rights. The preferred shares of each series will rank pari passu with the preferred shares of every other series and will be entitled to preference over the common shares and any assets in the event of liquidation, dissolution or winding-up of the Company. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the preferred shares of all series will participate ratably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums that would be payable on the return of capital if all amounts so payable were paid in full, as the case may be.

The provisions of the preferred shares, including the Series 3 Preferred Shares and the Company's non-cumulative floating rate Series 4 preferred shares ("Series 4 Preferred Shares"), are described on pages 7 through 17 of the prospectus supplement of the Company dated July 25, 2014 in connection with the public offering of the Series 3 Preferred Shares, and those pages are incorporated herein by reference.

Debentures

On December 18, 2009, the Company entered into a Master Trust Indenture with Equity Financial Trust Company (formerly Equity Transfer & Trust Company) (the "Trustee"), as Trustee (the "Master Trust Indenture"), in connection with the issuance of debentures. Pursuant to the terms of the Master Trust Indenture, the aggregate principal amount of debentures is unlimited and may be issued in one or more series. The Board of Directors of the Company is authorized to determine the aggregate principal amount of the debentures and the attributes attaching to the debentures by resolution and set forth in a supplemental indenture. The debentures issued under the Master Trust Indenture shall rank equally with other debentures of such series, except to the extent any Security Interest has been granted for the purpose of securing the obligations under a particular Series of Debentures issued thereunder.

On October 22, 2012, the Company entered into a fourth supplemental trust indenture with the Trustee, (the "Fourth Supplemental") in connection with the issuance of up to $65 million aggregate principal amount of Series 10 subordinated debentures (the "Series 10 Debentures") of the Company. The Series 10 Debentures pay interest semi-annually at a fixed rate of 5.399% per annum. The Series 10 Debentures are traded on the over-the-counter market under the symbol ETCCN. The material details of the debentures may be found in Note 17 to the Company's 2016 audited consolidated financial statements, which are incorporated herein by reference.

MARKET FOR SECURITIES

Trading Price and Volumes

The Company's common shares and Series 3 Preferred Shares are traded on the TSX under the symbols EQB and EQB.PR.C respectively. The following table sets out the price range and trading volume for these securities on the TSX for each month of the year ended December 31, 2016.

Table 2: Price ranges and trading volumes by security type

Period	Common Shares		Series 3 Preferred Shares	
	Price Range	Volume	Price Range	Volume
January-16	$44.73 - $52.09	666,284	$19.71 - $22.64	55,553
February-16	$45.20 - $51.98	294,989	$20.31 - $22.31	31,398
March-16	$48.50 - $55.20	299,045	$21.27 - $22.75	41,355
April-16	$50.17 - $61.18	455,812	$22.50 - $24.05	35,636
May-16	$53.50 - $61.00	396,903	$23.52 - $24.45	35,579
June-16	$53.32 - $63.05	304,111	$23.39 - $24.50	30,087
July-16	$53.00 - $58.99	341,959	$23.72 - $24.60	19,490
August-16	$54.00 - $62.00	271,582	$24.45 - $25.00	35,627
September-16	$58.00 - $61.90	513,037	$24.19 - $24.94	64,766
October-16	$50.85 - $59.31	1,324,775	$22.74 - $24.65	80,573
November-16	$50.12 - $60.90	1,109,335	$23.08 - $23.77	54,925
December-16	$58.38 - $63.69	567,321	$23.15 - $23.96	55,226

DIRECTORS AND OFFICERS

Directors

The following are the directors of the Company as at February 16, 2017. Each director is also a director of Equitable Bank. Directors are elected annually and hold office until the next annual meeting of shareholders.

Name and Municipality of Residence	Principal Occupation	Director Since
Eric Beutel Toronto, Ontario, Canada	Vice-President, Oakwest Corporation Limited, an investment holding company	January 2004
Johanne Brossard Toronto, Ontario, Canada	Corporate Director	February 2015
Michael Emory Toronto, Ontario, Canada	President and Chief Executive Officer, Allied Properties REIT	May 2014
Kishore Kapoor Winnipeg, Manitoba, Canada	Corporate Director	November 2016
Eric Kirzner Toronto, Ontario, Canada	Professor of Finance, Rotman School of Management, University of Toronto	January 2004
David LeGresley Toronto, Ontario, Canada	Chair of the Board and a Corporate Director	May 2011
Lynn McDonald Toronto, Ontario, Canada	Corporate Director	May 2011
Andrew Moor Toronto, Ontario, Canada	President and Chief Executive Officer	May 2007
Rowan Saunders Toronto, Ontario, Canada	President and Chief Executive Officer, Economical Mutual Insurance Company	May 2013
Vincenza Sera Toronto, Ontario, Canada	Corporate Director	May 2013
Michael Stramaglia Toronto, Ontario, Canada	Corporate Director and President and Founder of Matrisc Advisory Group Inc., a risk management consulting firm	May 2014

All directors have held their current position for the past five years except for:

Johanne Brossard, who was President and CEO of Bank West, a subsidiary of Desjardins from June 2013 to June 2014, and CEO of ResMor Trust Company from May 2010 to February 2013.

Kishore Kapoor, who was President of Wellington West Holdings Inc. until 2011.

Rowan Saunders, who was President and CEO of Royal & Sun Alliance Insurance Company of Canada from September 2003 to October 2016.

Michael Stramaglia, who was Executive Vice-President and Chief Risk Officer of Sun Life Financial Inc. from 2006 to 2012.

The Board of Directors has five standing committees made up of the following members:

Committee	Members
Audit Committee	Michael Stramaglia (Chair) Eric Kirzner Kishore Kapoor Lynn McDonald Rowan Saunders
Corporate Governance Committee	Vincenza Sera (Chair) Eric Beutel Johanne Brossard Rowan Saunders
Human Resources and Compensation Committee	Lynn McDonald (Chair) Johanne Brossard Michael Emory Michael Stramaglia
Investment Committee	Eric Beutel (Chair) Michael Emory Vincenza Sera
Risk and Capital Committee	Eric Kirzner (Chair) Eric Beutel Lynn McDonald Vincenza Sera Michael Stramaglia

Officers

The following are the Company's and/or the Bank's executive officers as at February 16, 2017:

Name and Municipality of Residence	Position
Andrew Moor Toronto, Ontario	President and Chief Executive Officer
Aviva Braude Toronto, Ontario	Vice-President, Mortgage Services
Dan Dickinson Toronto, Ontario	Vice-President, Digital Banking
Kimberly Kukulowicz Toronto, Ontario	Vice-President, Residential Sales and Partner Relations
Brian Leland Toronto, Ontario	Vice-President, Residential Credit
Darren Lorimer Etobicoke, Ontario	Vice-President, Commercial Lending
Dan Ruch Toronto, Ontario	Vice-President and Chief Compliance Officer
Jody Sperling Toronto, Ontario	Vice-President, Human Resources
Ron Tratch Toronto, Ontario	Vice-President and Chief Risk Officer
Tim Wilson Toronto, Ontario	Vice-President and Chief Financial Officer

All of the above executive officers have held their present positions or other management positions with the Company or Equitable Bank for the past five years with the exception of:

- Dan Dickinson who was Managing Director, Online & Mobile Banking Canada at the Bank of Montreal from 2011 to 2013
- Darren Lorimer who was Vice-President, Financial Restructuring Group at the Toronto-Dominion Bank from 2010 to 2015
- Dan Ruch who was Vice-President, Chief Compliance Officer and Chief Privacy Officer at Resmor Trust Company from 2011 to 2013

At December 31, 2016, the directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,201,307 (2015 – 2,162,298) common shares of the Company, representing approximately 13.4% (2015 – 13.9%) of the outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, after due inquiry, no director or executive officer of the Company:

(a) is, at the date of this AIF or has been within the last 10 years, a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued:

(i) while the director or executive officer was acting in the capacity of a director, chief executive officer or chief financial officer; or

(ii) after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) is, as at the date of this AIF, or has been within the last 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, or within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

To the best of the knowledge of the Company, after due inquiry, no director or executive officer of the Company has been subject to: (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Company, no director or executive officer of the Company has an existing or potential material conflict of interest with the Company or Equitable Bank.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

In the ordinary course of business, the Company is routinely involved with or a party to legal proceedings. A description of certain legal proceedings in which the Company is a party is set out in Note 22 to the Company's 2016 audited consolidated financial statements, which are incorporated herein by reference.

Regulatory Actions

In the ordinary course of business, the Company may be subject to penalties or sanctions imposed by regulatory authorities from time to time in relation to administrative matters, including late filings or reporting, which may be considered penalties or sanctions pursuant to Canadian securities regulators but which are not, individually or in the aggregate, material, nor would they likely be considered important to a reasonable investor making an investment decision.

During the 2016 financial year, the Company did not face any penalties imposed by securities regulatory authorities, or enter into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority, as such terms may be defined by National Instrument 14-101[1].

[1] National Instrument 14-101 limits the meaning of 'securities legislation' to Canadian provincial and territorial legislation and 'securities regulatory authority' to Canadian provincial and territorial securities regulatory authorities.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no director, or executive officer, or any of their associates or affiliates has or had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

MATERIAL CONTRACTS

The Company did not enter into any other material contracts during the year ended December 31, 2016.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc. is the transfer agent and registrar for the Company's common shares and Series 3 Preferred Shares at the following address: 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

EXPERTS

The Company's auditor is KPMG LLP and it is located at the Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5. KPMG LLP is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

KPMG LLP has been the auditor of the Company since 2002.

AUDIT COMMITTEE INFORMATION

Composition of the Audit Committee

The following directors are members of the Audit Committee: Michael Stramaglia (Chair), Eric Kirzner, Kishore Kapoor, Lynn McDonald and Rowan Saunders. The Board has determined that each member of the Audit Committee is financially literate and independent as defined by Canadian securities laws. The mandate of the Audit Committee is attached as Schedule "A".

Relevant Education and Experience

The following sets out the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities in that role:

Michael Stramaglia (Chair) – Mr. Stramaglia is President and Founder of Matrisc Advisory Group Inc., a risk management firm that specializes in providing enterprise risk management advisory services to the financial services sector. He is also Executive in Residence at the Global Risk Institute where he advises on various education and research programs in the area of risk management for financial institutions. Mr. Stramaglia has over 30 years of financial services professional experience including over ten years at Sun Life Financial where he served in roles including Executive Vice-President and Chief Risk Officer, EVP Investments, and EVP Financial Regulatory Initiatives. He was previously Executive Vice-President and Chief Investment Officer for Clarica, head of the international Reinsurance Business for Clarica/Sun Life, and Appointed Actuary, Chief Financial Officer, Chief Operations Officer, and ultimately President & Chief Executive Officer for Zurich Life Insurance Company of Canada. Mr. Stramaglia is currently a director and member of the audit committees of Foresters Financial, the Economical Insurance Group (was previously audit committee chair) and the Canadian subsidiaries of Munich Reinsurance Company (where he also serves as audit committee chair). He holds a Bachelor of Mathematics (Hons) degree from the University of Waterloo. He is a Fellow of the Society of Actuaries, Fellow of the Canadian Institute of Actuaries, a Chartered Enterprise Risk Analyst and a member of the Institute of Corporate Directors with the designation ICD.D.

Eric Kirzner – Mr. Kirzner is a Professor of Finance and the John H. Watson Chair in Value Investing at the Rotman School of Management, University of Toronto where he teaches a number of investment finance courses including Security Analysis and Applied Portfolio Management. He is the lead external advisor to the Healthcare of Ontario Pension Plan and a member of the Canada Council for the Arts Investment Committee. He served as a Director of the Investment Industry Regulatory Organization of Canada until 2012 and as Chair of the Independent Review Committee of the funds managed by Scotia Management L.P. until 2010. He was previously chair of the Audit Committee of Deutsche Bank Canada and Chair of the Audit and Compliance Committee of University of Toronto Asset Management Corporation. He holds a Bachelor of Arts degree and a Master of Business Administration degree from the University of Toronto.

Kishore Kapoor – Mr. Kapoor is a Corporate Director. Until 2011 he was President of Wellington West Holdings Inc., the parent company of a number of subsidiaries that provided wealth management and corporate finance services to retail and institutional clientele in Canada. He was also co-founder and Executive Vice President, Corporate Development of Assante Corporation, previously one of the largest wealth management firms in Canada, from 1994 until 2005. Mr. Kapoor currently serves as a director and member of the audit committee of Richardson Financial Group Limited, and as a director and chair of the audit committee of Manitoba Telecom Services, Inc. He has a Bachelor of Science degree from the University of Manitoba and is a Chartered Accountant and former tax partner with KPMG LLP.

Lynn McDonald – Ms. McDonald is a Corporate Director. She has nearly 25 years of corporate lending and corporate finance experience gained in progressively senior positions with the Canadian Imperial Bank of Commerce including Managing Director, CIBC World Markets. Prior to joining CIBC she was Deputy Minister and Executive Director in the Office of the Premier and Cabinet Office for the Government of Ontario. Ms. McDonald is currently an independent director of a wholly owned investment subsidiary of the Ontario Hospital Association. She is a member of the Finance and Audit Committee of Frontier College. She has also served on the board of Bridgepoint Active Care Foundation where she was Chair of the Finance and Audit Committee, and is a former Governor of Trent University where she served as Chair of the Investment and Audit Committee. Ms. McDonald earned a Bachelor of Arts (Honours) degree in Economics from the University of Waterloo and is a member of the Institute of Corporate Directors.

Rowan Saunders – Mr. Saunders is President and Chief Executive Officer of Economical Mutual Insurance Company since November 2016. Before that, he was President and Chief Executive Officer of Royal & Sun Alliance Insurance Company of Canada (RSA). Since joining RSA Canada in 1987, Mr. Saunders has held progressive leadership roles in the areas of underwriting, marketing, sales and finance. He was also a former member of the global Executive Committee of RSA Insurance Group plc. He is currently a member of the Board of Directors of the Insurance Bureau of Canada. Mr. Saunders holds a Bachelor of Arts degree from York University, the Canadian Risk Management designation and is a Fellow of the Insurance Institute of Canada.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy for the pre-approval of services that may be performed by the Company's external auditor. The Policy specifies the scope of services permitted to be performed by the external auditor as well as those services they are prohibited from providing to ensure their independence is not compromised. The policy states all audit, audit-related and tax services shall be pre-approved by the Audit Committee, together with the associated fees for those services. The policy also delegates authority to the Chair of the Audit Committee to approve permissible non-audit services and their fees between Committee meetings and report such approval to the Audit Committee at its next scheduled meeting. On a quarterly basis the Audit Committee is presented with a report of all services approved by the Audit Committee or the Committee Chair on a year-to-date basis, as well as details of any proposed assignment to be pre-approved by the Committee. The policy does not delegate any responsibilities of the Audit Committee to management of the Company.

External Auditor Service Fees

Category	2016(1)	2015(1)
Audit Fees	$425,100	$406,000
Audit–related Fees	$78,000	$47,500
Tax Fees	$54,780	$48,500
Other Fees	$20,000	$301,550
Total	**$577,880**	**$803,550**

(1) *Amounts exclude HST, CPAB fees, and disbursements.*

Audit Fees

Audit fees include amounts paid or accrued for professional services rendered by the auditors in connection with the audit of the Company's annual consolidated financial statements, the review of the Company's interim financial statements, and accounting advisory services related to the audited financial statements. The increase of $19,100 from 2015 to 2016 is largely due to an ad hoc advisory service provided in 2016.

Audit-related Fees

Audit-related fees include amounts of $47,500 paid in 2016 and 2015 for a specified procedures report to support Equitable's participation in CMHC sponsored securitization programs. Also included in the 2016 fees is $30,000 for the advisory services rendered to assist the Company's transition to IFRS 9 "*Financial Instruments*" that is mandatorily effective for annual periods beginning on or after January 1, 2018.

Tax Fees

Tax fees were paid for professional services primarily relating to the review of the Company's corporate tax returns, commodity tax return, filing of Scientific Research and Experimental Development ("SRED") tax claim, and for tax advisory services. The increase of $6,000 is largely due to a fee paid for assistance with a CRA SRED audit.

Other Fees

Other fees paid in 2016 relate to a Cybersecurity review. The decrease of $281,550 is primarily due to a boarder scope of work performed in 2015 in connection with the launch of Equitable Bank's digital banking platform, *EQ Bank*.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR and on the Company's website:

www.sedar.com
www.equitablebank.ca

Additional financial information is provided in the Company's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2016. Information related to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular for its most recent annual meeting of shareholders. All of these documents can be obtained from SEDAR or from Equitable's corporate website.

Copies of the reports referred to in this section may be obtained from the Corporate Secretary's office of the Company at Equitable Bank Tower, 30 St. Clair Avenue West, Suite 700, Toronto, Ontario, M4V 3A1 or by contacting the Company at:

investor@equitablegroupinc.com

SCHEDULE "A"

Audit Committee Mandate

A. ROLE

The Audit Committee (the "Committee") of Equitable Group Inc. and Equitable Bank (the "Bank") (collectively, "Equitable") shall assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

(i) the quality and integrity of the Equitable's financial reporting;
(ii) the qualifications, independence and performance of the internal auditors and external auditors;
(iii) the system of internal control, including internal control over financial reporting and disclosure controls and procedures; and
(iv) Equitable's Internal Audit and Finance functions.

B. ACCOUNTABILITIES AND RESPONSIBILITIES

The Committee shall:

Financial Reporting

1. Review and recommend for Board approval and public disclosure Equitable's interim and annual consolidated financial statements, the interim and annual management's discussion and analysis, the Annual Information Form, any supplemental disclosures, and earnings news releases and satisfy itself that the documents present fairly the financial position, results of operations, cash flows, and operating prospects of Equitable.

2. Discuss with the external auditor and management the results of the audit or interim review any concern of the external auditor including, but not limited to, (i) critical accounting policies, accounting principles and practices, (ii) key areas of risk for material misstatement of the financial statements, (iii) significant management estimates and judgments, (iv) areas requiring significant external auditor judgment, including accounting policies, accounting estimates and financial statement disclosures, (v) significant or unusual transactions, (vi) difficult or contentious matters noted during the audit, (vii) internal control deficiencies identified during the audit, (viii) areas of financial statement disclosures that could be improved, and (ix) tax and tax planning matters that are material to the financial statements.

3. Review and discuss with management and the external auditor any proposed changes in accounting standards and securities policies or regulations relevant to Equitable's financial statements and, if appropriate, approve any material changes to Equitable's accounting policies as suggested by management, the external auditor or Internal Audit.

4. Review any investment or transaction that could adversely affect the well-being of Equitable.

5. Review such returns of the Bank as the Superintendent of Financial Institutions may specify.

6. Ensure adequate procedures are in place for the review of Equitable's public disclosure of all financial information extracted or derived from Equitable's financial statements, other than the public disclosure in Equitable's interim and annual financial statements, and periodically assess the adequacy of those procedures.

7. Review the process relating to, and the certifications of, the Chief Executive Officer and the Chief Financial Officer on the integrity of Equitable's interim and annual financial statements and other disclosure documents as required.

8. Review any litigation claim or other contingency that could have a material impact on the financial statements and the appropriateness of any required disclosure.

9. Review financial information and earnings guidance (if any) provided to analysts and any rating agencies.

Internal Audit Function

1. Review at least annually the organizational structure of the Internal Audit function and ensure the function has sufficient stature and authority within Equitable and has unfettered access and a direct reporting line to the Audit Committee.

2. Approve the appointment or removal of the Vice-President of Internal Audit.

3. Review and approve annually the mandate of the Internal Audit function developed in accordance with the professional standards of the Institute of Internal Auditors.

4. Review and approve annually the annual audit plan, ensuring that it is appropriate, risk-based and addresses all relevant activities over a measurable cycle, and annually review the Internal Audit function's budget and resources.

5. Annually assess the effectiveness and performance of the Vice-President of Internal Audit, taking into account the objectivity and independence of the Internal Audit function and any regulatory findings with respect to the Internal Audit function, and provide the results to the Chief Executive Officer as input into the compensation approval process.

6. Request at least every five years an independent quality assurance review of the Internal Audit function, review the results of such reviews and report such results to the Board.

7. Provide a forum for the Vice-President of Internal Audit to raise any financial reporting issues or issues with respect to the relationship and interaction among Internal Audit, management, the external auditor and/or regulators.

8. Review quarterly the status of the audit plan and Internal Audit reports, including any significant issues reported to management and management's response and/or corrective action, and ensure that Internal Audit's recommendations are acted on within an appropriate timeframe.

9. Discuss with the Vice-President of Internal Audit the effectiveness of Equitable's internal controls, risk management and governance systems and processes.

10. Approve any reliance on Internal Audit's work by the external auditor.

11. Review any difficulties encountered by Internal Audit in the course of internal audits, such as audit scope, information access or resource limitations.

12. Oversee that deficiencies related to the Internal Audit function are remedied within an appropriate timeframe and report to the Board on the progress of necessary corrective actions.

Oversight of the External Auditor

1. Oversee the work of the external auditor who reports directly to the Audit Committee.

2. Review and evaluate the independence, objectivity and professional skepticism of the external auditor, including the lead partner on the engagement.

3. Annually assess the qualifications and performance of the external auditor and the lead partner, considering factors such as the quality of service provided and taking into consideration the opinions of management and Internal Audit and any concerns raised by Equitable's regulators about the external auditor's independence, and report on the overall effectiveness of the external auditor to the Board.

4. Recommend to the Board the appointment or termination of the external auditor, subject to shareholder ratification.

5. Perform a comprehensive review of the external auditor every 5 years to provide further insight on the audit firm, its independence and the application of professional skepticism.

6. Review and approve the external auditor's letter of engagement and the annual audit plan, ensuring the audit plan is risk-based and covers all relevant activities over a measurable cycle, and monitor its execution. Assess whether any proposed change to the scope of the plan, including any changes to the level of materiality, continues to ensure a quality audit and that the work of the Internal and External Auditors is coordinated.

7. Review and recommend to the Board for approval the annual fee for the audit of the consolidated financial statements. As part of this review the Committee should satisfy itself that the level of audit fees is commensurate with the scope of work undertaken and that any fee reductions continue to ensure a quality audit.

8. Pre-approve in accordance with the External Auditor Oversight Policy any other services to be provided by the external auditor, including audit and audit-related services and permitted non-audit and tax services, and the associated fees. Delegate pre-approval authority to a Committee member and review any service pre-approved by the Committee member in accordance with such Policy at the next scheduled meeting.

9. Review annually the total fees billed and paid to the external auditor by the required categories.

10. Review with the external auditor any issues that may be brought forward by it, including any audit problems or difficulties, such as restrictions on its audit activities or access to requested information, and management's response.

11. Review and discuss the Canadian Public Accountability Board's annual public report on the audit firm and any report specific to an inspection of the firm's audit of Equitable.

12. Review at least annually a report from the external auditor describing:

    (i) their internal quality control practices and procedures, including the audit firm's engagement quality control process;
    (ii) any material issues raised by their most recent internal quality control review, peer review, or by governmental or professional inquiry or investigation within the preceding five years regarding one or more independent audits carried out by the external auditor and any steps taken to deal with such issues;

(iii) the external auditor's internal procedures to ensure independence and their written confirmation that they are independent in accordance with professional standards;
(iv) details concerning all relationships between the external auditor and Equitable that may affect the objectivity or independence of the external auditor; and
(v) the rotation plan for partners on the engagement.

13. Establish and review a policy that stipulates the criteria for tendering the external audit contract and requires the Committee to periodically consider whether the contract should be put out for tender, taking into consideration the length of the current audit firm's tenure and the risks it may pose to the audit firm's objectivity and independence.

14. Review Equitable's policy for hiring current or former partners and employees of the current or former external auditor, as required by applicable laws.

15. Review all substantive correspondence between the external auditor and management about audit findings.

16. If applicable, review and approve transfers of tax amounts between Equitable and the Bank.

Finance Function

1. Review at least annually the organizational structure of the Finance function and ensure the function has unfettered access and a functional reporting line to the Committee.

2. Approve the appointment or removal of the Chief Financial Officer.

3. Review and approve annually the mandate of the Chief Financial Officer.

4. Review and approve annually the Finance function's resources and budget.

5. Annually assess the effectiveness and performance of the Chief Financial Officer, taking into account any regulatory findings with respect to the Finance function, and provide the results to the Chief Executive Officer as input into the compensation approval process.

6. Periodically engage an independent third party to assess the effectiveness of the Finance function, review the results of that assessment and report such results to the Board.

7. Provide a forum for the Chief Financial Officer to raise any financial reporting issues or issues with respect to the relationship and interaction among the Finance Department, management, the external auditor and/or regulators.

Internal Controls

1. Require management to implement and maintain appropriate internal control processes and procedures, including internal controls over financial reporting and disclosure, and controls related to the prevention, identification and detection of fraud, as part of the Bank's Internal Control Framework, and review, evaluate and approve these procedures.

2. Review the external auditor's annual report on Equitable's internal controls over financial reporting.

3. Review reports from management and Internal Audit on the design and operating effectiveness of internal controls, adequacy of reporting practices, disclosure controls and any significant control breakdowns,

including any reports concerning significant deficiencies and material weaknesses in the design or operation of internal controls.

4. Review as required correspondence relating to inquiries or investigations by regulators concerning internal controls.

5. Review and approve the procedures established for the receipt, retention and treatment of complaints received by Equitable regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions from employees of concerns regarding questionable accounting or auditing matters (Whistleblower Policy). Review reports from the Chief Compliance Officer related to such matters and results of the associated investigations.

Other

1. Review and assess the adequacy of this Mandate at least annually and where necessary, recommend changes to the Board for approval.

2. Annually evaluate the Committee's effectiveness with respect to this Mandate.

3. Participate as required or as determined by the Committee Chair in internal or external educational sessions to enhance familiarity with the Committee's responsibilities. The Bank will provide appropriate funding for such sessions.

4. Perform such other functions and tasks imposed on the Committee by regulatory requirements or delegated to it by the Board.

5. Prepare a report on its activities on an annual basis for inclusion in Equitable Group Inc.'s Management Information Circular.

C. <u>Membership</u>

1. The Committee shall consist of a minimum of three directors.

2. Each Committee member shall be independent within the meaning of applicable laws, rules and regulations and as determined pursuant to the Director Independence Policy. No member of the Committee may be an officer or employee of the Bank or any of its affiliates. Members of the Committee will not be "affiliated" with the Bank as such term is defined in the *Bank Act*.

3. Committee members shall be financially literate or be willing and able to acquire the necessary knowledge within a reasonable period of time. Financially literate means the ability to read and understand financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by Equitable's financial statements.

4. Committee members are appointed or reappointed annually by the Board immediately following the annual meeting of shareholders and shall hold office until their successors are appointed or until they cease to be directors of Equitable.

D. **Vacancies**

1. Vacancies may be filled for the remainder of the current term of appointment of Committee members by the Board.

E. **Chair and Secretary**

1. The Board shall appoint one member of the Committee as the Committee Chair. In the absence of the appointed Chair, the Committee members present may appoint a chair from their number for that meeting. The Chair shall work with management to develop the Committee's meeting agendas and annual workplan.

2. The Corporate Secretary, or his or her designate shall act as secretary at Committee meetings and record and maintain minutes of all meetings of the Committee and subsequently present them to the Committee for approval.

F. **Meetings and Quorum**

1. The Committee shall meet at least quarterly, or more frequently as circumstances dictate to carry out its mandate. Meetings shall be convened at such times, places and in such a manner as determined by the Committee Chair.

2. Meetings of the Committee may be called by the Committee Chair, by any Committee member or by the external auditor. Members may participate in meetings in person or by telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other. A member participating by such means is deemed to be present at that meeting.

3. The Committee may invite any director, officer or employee or any other person to attend meetings to assist the Committee with its deliberations.

4. Notice of Committee meetings shall be sent to each Committee member by pre-paid mail, personal delivery, electronic-mail or by telephone at least 24 hours before the time and date set for the meeting at the Member's contact information last recorded with the Corporate Secretary.

5. Notice of each Committee meeting shall also be given to the external auditor and the Internal Auditor, to attend and be heard at each meeting.

6. Quorum for a meeting of the Committee shall be a majority of its members, subject to a minimum of two members.

7. A resolution in writing signed by all Committee members, other than a resolution of the Committee in carrying out its duties under subsection 194(3) of the *Bank Act* (Canada), shall be as valid as if it had been passed at a meeting of the Committee.

8. Matters decided by the Committee shall be by majority vote.

9. The Committee shall meet *in camera* immediately prior to and/or after each meeting. The Committee shall also meet in separate *in camera* sessions with each of the external auditor, the Internal Auditor and the Chief Financial Officer.

G. **Report to the Board**

1. The Committee Chair shall report to the Board after each Committee meeting on matters reviewed by the Committee and, where applicable, present the Audit Committee's recommendations to the Board for its approval.

H. Access to Management and Outside Advisors

1. The Committee shall have unrestricted access to management and records of Equitable. The Committee shall have the authority to retain and terminate external counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the compensation of these advisors without consulting or obtaining the approval of the Board or any officer of Equitable. Equitable shall provide appropriate funding, as determined by the Committee, for the services of these advisors.

This mandate was last reviewed and approved by the Board on August 11, 2016.