EQUITABLE

SECOND QUARTER 2015

INTERIM FINANCIAL STATEMENTS

EQUITABLE GROUP INC.

EQUITABLE GROUP INC.

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

1 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
1 CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS
2 BUSINESS PROFILE AND OBJECTIVES
3 FINANCIAL OVERVIEW
4 Q2 2015 HIGHLIGHTS
5 BUSINESS OUTLOOK
8 FINANCIAL REVIEW – EARNINGS
14 FINANCIAL REVIEW – BALANCE SHEET
22 SUMMARY OF QUARTERLY RESULTS
23 ACCOUNTING POLICY CHANGES
23 CRITICAL ACCOUNTING ESTIMATES
24 OFF-BALANCE SHEET ACTIVITIES
24 RELATED PARTY TRANSACTIONS
24 RISK MANAGEMENT
26 UPDATED SHARE INFORMATION
26 RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS
26 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING
27 NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") FINANCIAL MEASURES
28 ADDITIONAL GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") FINANCIAL MEASURES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

29 CONSOLIDATED BALANCE SHEETS
30 CONSOLIDATED STATEMENTS OF INCOME
31 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
32 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
34 CONSOLIDATED STATEMENTS OF CASH FLOWS
35 NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

59 **CORPORATE DIRECTORY AND SHAREHOLDER & CORPORATE INFORMATION**

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

For the three and six months ended June 30, 2015

Management's Discussion and Analysis ("MD&A") is provided to enable readers to assess the 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, 2015. 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, 2015, together with accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014, together with accompanying notes. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at August 13, 2015. 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", "Q2 2015 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 of approximately $16.2 billion. We serve retail and commercial customers across Canada with a range of savings solutions and mortgage lending products. 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 not well served by the larger Canadian banks or in which we have a unique advantage. Our strategy is to continue growing and diversifying the Bank over time by delivering superior service to our customers and business partners across Canada. With this approach, we aim to produce a high Return on Equity ("ROE") for our shareholders and to 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 Canadian savers with savings accounts and Guaranteed Investment Certificates ("GIC"s) that offer security and competitive interest rates. We 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 Equitable's customers.

For further information on Equitable's strategy, capabilities, key performance indicators, and business lines please refer to our 2014 annual Management's Discussion and Analysis.

FINANCIAL OVERVIEW

Table 1: Selected financial information

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	Three months ended					Six months ended		
	Jun 30, 2015	Mar 31, 2015	% Change	Jun 30, 2014	% Change	**Jun 30, 2015**	Jun 30, 2014	% Change
RESULTS OF OPERATIONS								
Net income	**$ 33,520**	$ 29,461	14%	$ 26,778	25%	**$ 62,981**	$ 52,069	21%
Net income available to common shareholders	**32,330**	28,270	14%	25,872	25%	**60,600**	50,257	21%
Total revenue[1]	**145,595**	137,279	6%	129,752	12%	**282,874**	256,139	10%
EPS – basic	**$ 2.09**	$ 1.83	14%	$ 1.68	24%	**$ 3.92**	$ 3.27	20%
EPS – diluted	**$ 2.06**	$ 1.81	14%	$ 1.65	25%	**$ 3.87**	$ 3.22	20%
ROE[2]	**19.8%**	17.9%	1.9%	18.0%	1.8%	**18.4%**	18.0%	0.4%
Return on average assets[2]	**1.0%**	0.9%	0.1%	1.0%	-%	**0.9%**	0.9%	-%
NIM – TEB – total assets[2]	**1.81%**	1.73%	0.08%	1.70%	0.11%	**1.76%**	1.67%	0.09%
Efficiency ratio – TEB[2][3]	**32.8%**	32.4%	0.4%	31.3%	1.5%	**32.6%**	31.6%	1.0%
BALANCE SHEET								
Total assets	**14,329,824**	13,387,915	7%	11,785,388	22%			
Assets under management[2]	**16,214,123**	15,075,279	8%	12,965,379	25%			
Mortgages receivable	**13,216,267**	12,785,852	3%	11,128,395	19%			
Mortgages under management[2]	**15,059,846**	14,437,643	4%	12,287,267	23%			
Shareholders' equity	**750,149**	723,606	4%	636,376	18%			
CREDIT QUALITY								
Impairment provision[2]	**85**	246	(65%)	332	(74%)	**331**	290	(14%)
Net impaired mortgages as a % of total mortgage assets[4]	**0.18%**	0.28%	(0.10%)	0.31%	(0.13%)			
Allowance for credit losses as a % of total mortgage assets	**0.26%**	0.26%	-%	0.29%	(0.03%)			
COMMON SHARE INFORMATION								
Shares outstanding	**15,469,787**	15,452,125	0%	15,406,247	0%			
Book value per share[2]	**$ 43.80**	$ 42.13	4%	$ 38.16	15%			
Share price – close	**$ 61.27**	$ 56.51	8%	$ 61.01	0%			
Market capitalization	**947,834**	873,200	9%	939,935	1%			
EQUITABLE BANK CAPITAL RATIOS[2]								
Common Equity Tier 1 capital ratio	**13.5%**	13.2%	0.3%	13.4%	0.1%			
Total capital ratio	**17.2%**	17.0%	0.2%	17.0%	0.2%			
Leverage ratio	**5.3%**	5.5%	(0.2%)	N/A	N/A			

(1) See Additional Generally Accepted Accounting Principles Financial Measures section of this MD&A.
(2) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.
(3) Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies.
(4) 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 2015 HIGHLIGHTS

PERFORMANCE AGAINST STRATEGIC PRIORITIES

Equitable produced record earnings and successfully delivered on several of our strategic priorities in the second quarter of 2015:

Strategic Objectives	Accomplishments
Grow by providing effective service, competitive products and cost-effective operations	• Increased Mortgages under Management by 23% over Q2 2014 • Originated a record $1.4 billion of mortgages, which represented a 51% increase over Q2 of the prior year • Successfully funded $380 million of Prime Single Family mortgages, further diversifying our business profile • Grew our portfolio of alternative single family assets by 30% compared with last year
Build our capabilities and brand	• Grew our *Equitable Bank High Interest Savings Account* balances by $149 million to $653 million, providing Canadians with a more competitive rate on their savings • Implemented a new $350 million revolving credit facility for funding insured single family mortgages prior to securitization • Accessed a program sponsored by a major Canadian bank, which provides matched funding for uninsured mortgages • Continued to grow our Home Equity Line of Credit ("HELOC") portfolio within our Single Family business, with a balance of $14.3 million at quarter end • Demonstrated continued and steady progress with our prime single family offering, expanding into new geographies such as British Columbia
Consistently create shareholder value	• Delivered record EPS of $2.06, which was up by 25% over Q2 2014 and 14% over the preceding quarter • Produced an ROE of 19.8% (above our five-year quarterly average of 17.5%) • Declared common share dividends that were 12% higher than in Q2 2014
Maintain a low risk profile	• Maintained a loan-to-value ratio of 70% on our residential mortgage portfolio • Sustained our low loss levels, recording an impairment provision of only $85 thousand, down 74% from Q2 2014 and 65% from Q1 2015 • Implemented hedging programs for the Company's Restricted Share Unit ("RSU") and Deferred Share Unit ("DSU") plans in order to reduce future income volatility • Reported a Common Equity Tier 1 ("CET1") capital ratio of 13.5%, which was well ahead of regulatory minimums and most industry benchmarks

ITEMS OF NOTE

Our Q2 2015 financial results were impacted by the following item:

- an investment gain from a securities transaction that increased net income by $1.5 million and diluted EPS by $0.10. The transaction resulted in a lower tax provision in the quarter.

There were no items of note in our financial results for Q2 2014 or Q1 2015.

DIVIDENDS

On August 13, 2015, the Company's Board of Directors declared a quarterly dividend in the amount of $0.19 per common share, payable on October 5, 2015, to common shareholders of record at the close of business on September 15, 2015. This dividend represents a 12% increase over the dividend declared in August 2014.

In addition, on August 13, 2015, the Company's Board of Directors declared a quarterly dividend in the amount of $0.396875 per preferred share, payable on September 30, 2015, to preferred shareholders of record at the close of business on September 15, 2015.

BUSINESS OUTLOOK

In the second quarter of 2015, our performance demonstrated the strength of our franchise and the benefits of our relentless focus on service excellence. We expect that our strategy, including our disciplined approach to capital allocation, will continue to deliver high returns on our shareholders' equity throughout the year.

Core Lending

In Q2, our Single Family mortgage business set a new record for second quarter originations, driven by our superior levels of customer service. At the end of the quarter, the portfolio was also at a record level of $5.9 billion and up 30% year-over-year. We expect that year-over-year growth of the Single Family portfolio will remain around this level for the remainder of 2015.

Single Family originations should remain high throughout this year despite reduced activity in some markets. In areas most affected by the decline in oil prices, we expect that originations will decline at double-digit rates as a result of economic conditions and our more cautious approach to lending. Those declines will be more than offset by strength in other provinces and by our continued product and geographic diversification. We anticipate that originations in Q3 will be well above the levels achieved in Q2. In percentage terms, year-over-year growth rates will moderate because of the Bank's exceptional origination performance in Q3 of last year (see table below). Management expects that originations in Q4 will be below the record levels achieved in the final quarter of last year, but acknowledges that there is more uncertainty with the Q4 outlook given competitive activity.

Summary of quarterly alternative single family originations

	2015		2014				2013	
($ THOUSANDS)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Single Family Lending Services	**641,095**	568,278	758,442	645,842	501,434	403,710	506,244	463,961

Management anticipates that the commercial portfolio may contract slightly throughout the remainder of 2015. Based on recent trends, we expect our business of lending to small and medium size enterprises to remain steady but the large commercial market to be more challenging as a result of competitive conditions and the economic slowdown in Alberta. Our focus for the year will be on deepening our existing distribution partnerships and increasing operating efficiencies.

Securitization Financing

Our Securitization Financing business is comprised of two distinct portfolios: multi-unit residential mortgages ("Multis") and prime single family residential mortgages ("Prime").

We believe that year-over-year growth in our multi-unit residential MUM will remain in the high single-digit range, as we aim for a level of securitization activity that utilizes our expected $300 million of quarterly CMB capacity ($0.6 billion for the remainder of the year). These new securitizations will be partly offset by just over $300 million dollars of mortgage maturities and natural amortization, and as a result multi-unit residential MUM should grow by roughly a quarter of a billion dollars, from $5.7 billion at the end of Q2 2015. Based on current activity, we believe that approximately one-half of

assets securitized will be derecognized and therefore that multi-unit residential Securitization Financing assets reported on our balance sheet will remain flat to Q2 levels through the end of the year. The overall securitization volume in our Multi business is dependent on the level of CMHC's CMB allocations, which may change from period-to-period.

In addition, we plan to originate and securitize a significant volume of Prime single family mortgages over the next two quarters, driving further growth in our overall Securitization Financing MUM. We believe that the level of origination and securitization activity in our Prime business will increase each quarter as we expand our broker relationships and geographic coverage. Our intention is to sell the residual interests (the "IO strips") in many of these securitizations going forward, which will result in derecognition of the mortgage balances and a gain on sale in the quarter during which they are derecognized. As a result, they will contribute to our MUM but not to balance sheet growth.

To date in 2015 we have not been actively selling the residual interests in securitized prime single family mortgages and as a result all of the prime single family assets we originated have been reported on our balance sheet and the income has been reported in our NIM. Management may choose to sell the IO strips on these assets at some point in the future and when we do so would recognize an associated gain on sale.

Credit Quality

Management continues to manage credit risk through the application of our traditional prudent lending practices. Accordingly, we expect our Single Family arrears rates and impairment provisions to remain low throughout 2015 at a national level, assuming that Canadian economic conditions stay within the range of broad market expectations. Our loan-by-loan and overall analysis of our commercial portfolio indicates that losses within that book should also stay low. Loss and arrears rates may, however, return to more normal levels from the exceptionally low rates experienced over the past several quarters.

Given recent oil price declines and the expected economic impact thereof, we anticipate that our overall arrears rates in Alberta and Saskatchewan will rise in the latter part of this year or early next year, though the timing of that increase is uncertain. Due to our conservative underwriting approach, our robust workout process, and our focus on lending in the larger urban centres within these provinces, such as Calgary and Edmonton, we do not expect to incur significant losses. We will continue to monitor economic developments closely and will adjust our risk management approach in both markets if warranted. We have provided further details of our Alberta and Saskatchewan portfolios in Table 9 of our Q2 2015 Supplemental Information and Regulatory Disclosures Report found on the Company's website at www.equitablebank.ca.

Net Interest Margin

Net Interest Income ("NII") should increase at year-over-year growth rates in the mid to high teens through the remaining quarters of 2015 due to continued growth of our assets. Management believes that our total Net Interest Margin ("NIM") will decrease slightly throughout the rest of the year. More specifically, relative to Q2 2015 levels, we expect that over the remainder of the year:

- Sustained growth of our alternative Single Family business will cause Core Lending NIM to decrease slightly, as the portfolio mix shifts toward these lower spread, but higher return on equity, Single Family assets. Within Core Lending, Commercial NIM will decrease slightly while Single Family NIM will remain stable. The effects of lower prepayment income in future quarters should be offset by a seasonal reduction in the size of our low yielding liquidity portfolio.
- The Securitization Financing portfolio will grow, with the spreads on new and renewed Multis being at just slightly lower levels than the overall portfolio. Prepayment income will also likely decline from Q2 levels and consequently Securitization Financing NIM should decrease marginally over the remainder of the year. We expect that the majority of Prime single Family mortgages originated will be derecognized and as such will not affect the portfolio's NIM.
- Growth rates of the Company's Core Lending and Securitization portfolios will converge this year and we will benefit to a lesser extent than in previous quarters from the mix shift towards our higher margin Core Lending business. As a result of this convergence and the trends within each portfolio, total NIM should decrease slightly quarter-to-quarter throughout the year.

Quarterly NIM may fluctuate and differ from our expectations due to mortgage prepayment charge income volatility and other factors.

Non-Interest Expenses

We continue to make investments that build the Bank's franchise and reinforce our current high level of customer service. Management intends to increase marketing expenditures by approximately $3 to 5 million in the last two quarters of 2015 in order to broaden consumer brand awareness of the Bank and support our longer-term product diversification strategy (see strategic initiatives below). We may adjust the level over time as our business plans evolve. We also intend to continue building our team and investing in our systems to support our key initiatives. Over the full year, the expense impact of these strategic investments should be largely offset by the revenue generated from securitizing Prime single family mortgages, and as a result the net impact on earnings will be minimal.

We anticipate that all other expenses will increase at rates in line with the growth of the overall business, as the Bank hires more people to support its larger lending and savings portfolios.

We expect that our efficiency ratio will increase through Q3 and Q4 as we continue to hire and as our marketing investments accelerate. Even with this increase, the Bank will continue to operate efficiently on both an absolute and relative basis compared to other financial institutions as a result of our branchless business model, and particularly taking into account the relative scale of our operations.

Strategic Initiatives

Our key strategic initiatives for 2015 are focused on diversifying the products and services with which we serve our customers. We believe that the Bank is well positioned to develop new products targeted at market niches not well-served by Canada's larger financial institutions or in which we have a unique advantage.

Management launched a Prime single family mortgage business in August 2014 and intends to build in-house capabilities to originate $1 to $2 billion of prime loans annually within the next three to five years. We are pleased by the progress of our in-house offering to date; we closed $105 million of mortgages in Q2 and our pipeline is building well. Over the near term, as we develop our capabilities and systems we will supplement our internal originations with mortgages sourced through business partners, in order to optimize use of our available MBS capacity.

We also intend to broaden the range of products we offer to savers. Our near-term focus will be on continuing to grow our *Equitable Bank High Interest Savings Account,* a product that has been well received by Canadian savers and investment advisors. We are also working to position ourselves for the launch of a digital banking platform in late 2015. Management will provide the specifics of our strategy and platform in future quarters. These and other initiatives aimed at providing improved services for Canadian savers will build our brand and franchise value in the Canadian financial services market, reinforce our diversification strategy, and provide important risk management benefits.

Lastly, while we are still in the early stages of exploring a migration to the Advanced Internal Ratings Based ("AIRB") approach for risk-weighting our assets, we made positive progress during the quarter and will continue to invest in the initiative. We believe that this approach could have many benefits for Equitable, such as providing us with enhanced risk management models, matching appropriate levels of capital to our risks, and introducing a methodology that better allocates capital across a broader range of asset types. Management intends to determine the appropriate path forward by the end of fiscal 2015.

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 AMOUNTS)	Three months ended					Six months ended		
	Jun 30, 2015	Mar 31, 2015	% Change	Jun 30, 2014	% Change	**Jun 30, 2015**	Jun 30, 2014	% Change
Net income	**$ 33,520**	$ 29,461	14%	$ 26,778	25%	**$ 62,981**	$ 52,069	21%
EPS – diluted	**$ 2.06**	$ 1.81	14%	$ 1.65	25%	**$ $3.87**	$ $3.22	20%
Net interest income[1]	**60,995**	56,337	8%	49,902	22%	**117,332**	98,586	19%
Provision for credit losses	**830**	814	2%	545	52%	**1,644**	1,052	56%
Non-interest expenses	**21,710**	19,700	10%	16,880	29%	**41,410**	33,325	24%
Income taxes	**9,491**	10,169	(7%)	9,195	3%	**19,659**	17,985	9%

(1) *See Additional Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

NET INTEREST INCOME

Net interest income is the main driver of profitability for the Company. Table 3 details the Company's net interest income and NIM by product and business:

Table 3: Net interest income

($ THOUSANDS)	Three months ended						Six months ended			
	Jun 30, 2015		Mar 31, 2015		Jun 30, 2014		**Jun 30, 2015**		Jun 30, 2014	
	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	**$ 98,146**	**4.84%**	$ 93,333	4.80%	$ 83,266	4.93%	**$ 191,479**	**4.82%**	$ 163,391	4.91%
Liquidity investments	**1,700**	**1.28%**	1,076	1.36%	1,389	1.37%	**2,776**	**1.26%**	2,660	1.40%
Equity securities – TEB[2]	**2,595**	**7.00%**	2,047	5.42%	1,760	5.93%	**4,642**	**6.22%**	3,357	5.87%
	102,441	**4.66%**	96,456	4.68%	86,415	4.75%	**198,897**	**4.66%**	169,408	4.74%
Expenses related to:										
Deposits and bank facilities	**41,970**	**2.18%**	40,351	2.23%	37,083	2.35%	**82,321**	**2.21%**	72,827	2.35%
Debentures	**1,269**	**5.99%**	1,277	6.09%	1,399	6.07%	**2,546**	**6.04%**	2,793	6.09%
Securitization liabilities	**1,112**	**1.73%**	784	2.40%	1,116	2.46%	**1,896**	**1.87%**	2,047	2.52%
	44,351	**2.20%**	42,412	2.28%	39,598	2.41%	**86,763**	**2.24%**	77,667	2.41%
Net interest income – TEB[2][3]	**58,090**	**2.64%**	54,044	2.60%	46,817	2.57%	**112,134**	**2.62%**	91,741	2.55%
Taxable Equivalent Basis – adjustment[2]	**(660)**		(624)		(468)		**(1,284)**		(1,000)	
Core Lending	**$ 57,430**		$ 53,420		$ 46,349		**$ 110,850**		$ 90,741	
Securitization Financing:										
Revenues derived from:										
Mortgages	**$ 39,066**	**3.21%**	$ 37,296	3.20%	$ 39,528	3.58%	**$ 76,362**	**3.20%**	$ 80,377	3.56%
Liquidity investments	**193**	**0.93%**	344	1.77%	781	2.16%	**537**	**1.28%**	1,509	1.92%
	39,259	**3.22%**	37,640	3.18%	40,309	3.53%	**76,899**	**3.17%**	81,886	3.51%
Expenses related to:										
Securitization liabilities	**33,008**	**3.13%**	32,218	3.08%	35,506	3.30%	**65,226**	**3.05%**	71,198	3.27%
Deposits and secured funding facility	**2,686**	**2.21%**	2,505	2.24%	1,250	2.30%	**5,191**	**2.20%**	2,843	2.25%
	35,694	**3.04%**	34,723	2.99%	36,756	3.25%	**70,417**	**2.97%**	74,041	3.22%
Securitization Financing	**$ 3,565**	**0.29%**	$ 2,917	0.23%	$ 3,553	0.31%	**$ 6,482**	**0.25%**	$ 7,845	0.32%
Total – TEB[2][3]	**$ 61,655**	**1.81%**	$ 56,961	1.73%	$ 50,370	1.70%	**$ 118,616**	**1.76%**	$ 99,586	1.67%

(1) *Average rates are calculated based on the average of the month-end balances outstanding during the period.*
(2) *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*
(3) *See Additional Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

Q2 2015 v Q2 2014

Net interest income was up 22% due to an increase in our average asset balances and a widening of our NIM. NIM increased as our asset mix continued to shift towards our higher margin Core Lending business and we achieved higher margins within Core Lending itself.

NIM earned on Core Lending assets increased due to higher mortgage prepayment and dividend income during the quarter, offset in part by the effects of an increase in the size of our lower yielding liquidity portfolio. Our efforts to optimize renewal pricing in Single Family also helped NIM but were partially offset a mix shift within Core Lending towards lower spread but higher ROE single family assets.

Securitization Financing NIM was down by 2 bps as a result of lower mortgage prepayment income and expected spread compression within the book, offset in part by the origination of wider spread prime single family loans. To date, we have retained these prime loans on our balance sheet instead of executing transactions to derecognize them.

Q2 2015 v Q1 2015

Net interest income was up 8% sequentially due to growth in both average assets and NIM. The increase in NIM resulted mainly from higher levels of prepayment income in both our Core Lending and Securitization Financing portfolios.

Core Lending NIM was up primarily due to increases in mortgage prepayment and dividend income, which were offset in part by the effects of a seasonal increase in our liquidity portfolio. In addition, new lower cost funding sources added during the quarter supported NIM growth.

Securitization Financing NIM increased due to higher levels of prepayment income and the origination of wider spread prime single family loans.

YTD 2015 v YTD 2014

Net interest income was up 19% due to an increase in average assets balances and a widening of our NIM. Total NIM increased as we shifted our asset mix towards our higher margin Core Lending business and achieved higher margins within Core Lending itself.

NIM earned on Core Lending assets increased partly due to higher mortgage prepayment income. Our efforts to optimize renewal pricing in Single Family also helped NIM but were offset to an extent by a mix shift within Core Lending towards lower spread but higher ROE single family assets.

Securitization Financing NIM was down due to lower mortgage prepayment income and expected rate compression within the portfolio. The decrease was partially offset by reduced levels of low margin liquid assets and by the origination of wider spread prime single family loans.

The drivers of the changes in NIM from period to period are provided in more details in Table 4 below:

Table 4: Factors affecting NIM

(IN BASIS POINTS)	Q2 2015 vs. Q1 2015	Q2 2015 vs. Q2 2014	YTD 2015 vs. YTD 2014
Core Lending NIM:			
Mortgage prepayment income	8	4	3
Size and rate of liquidity investments	(9)	(2)	-
Size and rate of equity securities holdings	3	2	1
Other, including changes in spreads within the mortgage portfolio[(1)]	2	3	3
Total change in NIM	4	7	7
Securitization Financing NIM:			
Mortgage prepayment income	8	(1)	(5)
Size and rate of liquidity investments	(1)	-	2
Other[(1)]	(1)	(1)	(4)
Total change in NIM	6	(2)	(7)

(1) *Other may include the effects of various factors such as the shift in mix of the mortgage portfolio, pricing refinements, the timing of new originations and renewals and the timing of securitizations.*

PROVISION FOR CREDIT LOSSES

The credit quality of our mortgage portfolio continues to be strong. Our provision for credit losses was $0.8 million in the quarter, $0.3 million higher than in the same quarter last year and in line with Q1 2015.

The majority of the provision was represented by $0.7 million of additions to our collective allowance. After our normal extensive review of our mortgage assets and collective allowance, management determined that this amount of provision in the quarter would maintain our collective allowance at an appropriate level.

Our Impairment Provision represents the remaining $0.1 million of the total provision. Management uses the term impairment provision to refer to the provision that we have taken during the quarter on loans that we specifically identified as impaired, each of which is individually assessed for potential loss. We view the impairment provision metric as the most important indicator of the credit quality of our portfolio. The Q2 2015 impairment provision of $0.1 million compares to impairment provisions of $0.2 million and $0.3 million in Q1 2015 and Q2 2014 respectively. On a year-to-date basis, the Company recorded an impairment provision of $0.3 million, consistent with the provision recorded in the prior year.

OTHER INCOME

Table 5: Other income

($ THOUSANDS)	Three months ended					Six months ended		
	Jun 30, 2015	Mar 31, 2015	% Change	Jun 30, 2014	% Change	**Jun 30, 2015**	Jun 30, 2014	% Change
Fees and other income	**$ 2,534**	$ 2,308	10%	$ 2,168	17%	**$ 4,842**	$ 3,634	33%
Net (loss) gain on investments	**(246)**	(203)	(21%)	591	(142%)	**(450)**	608	(174%)
Securitization activities:								
Gains on securitization and income from retained interests	**1,973**	1,805	9%	888	122%	**3,778**	1,808	109%
Fair value gains (losses) on derivative financial instruments	**295**	(103)	386%	(151)	295%	**192**	(205)	194%
Total	**$ 4,556**	$ 3,807	20%	$ 3,496	30%	**$ 8,362**	$ 5,845	43%

Q2 2015 v Q2 2014

Other income increased $1.1 million or 30% compared with Q2 2014. The increase is mainly attributable to:

- an increase in gains recorded on securitization and income from retained interests, driven by an increase in securitization transactions that qualify for derecognition and a higher gain on sale percentage;
- an increase in mortgage administration fees, related to growth in the mortgage portfolio; and
- an increase in the fair value of derivative financial instruments;

offset by:

- mark-to-market losses recorded on certain equity securities during the quarter, compared to a gain in the prior year.

Q2 2015 v Q1 2015

Other income increased by $0.7 million mainly due to the reasons stated above in comparing Q2 2015 to the prior year.

YTD 2015 v YTD 2014

Other income increased by $2.5 million mainly due to the reasons stated above in comparing Q2 2015 to the same period of the prior year.

NON-INTEREST EXPENSES

Table 6: Non-interest expenses and efficiency ratio

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT FTE)	**Jun 30, 2015**	Mar 31, 2015	% Change	Jun 30, 2014	% Change	**Jun 30, 2015**	Jun 30, 2014	% Change
Compensation and benefits	**$ 12,804**	$ 11,386	12%	$ 10,224	25%	**$ 24,190**	$ 20,360	19%
Premises, equipment and system costs	**2,749**	2,408	14%	1,666	65%	**5,157**	3,296	56%
Other	**1,515**	1,237	22%	1,032	47%	**2,752**	1,905	44%
Licenses, regulatory fees and insurance	**1,181**	1,010	17%	847	39%	**2,191**	1,633	34%
Mortgage servicing	**1,018**	999	2%	993	3%	**2,017**	1,897	6%
Marketing, travel and communications	**897**	681	32%	750	20%	**1,578**	1,410	12%
Amortization	**823**	657	25%	764	8%	**1,480**	1,527	(3%)
Professional Services	**723**	1,322	(45%)	604	20%	**2,045**	1,297	58%
Total	**$ 21,710**	$ 19,700	10%	$ 16,880	29%	**$ 41,410**	$ 33,325	24%
Efficiency ratio – TEB	**32.8%**	32.4%	0.4%	31.3%	1.5%	**32.6%**	31.6%	1.0%
Full-time employee ("FTE") – period average	**430**	412	4%	333	29%	**421**	320	32%

Q2 2015 v Q2 2014

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 was 32.8% in the quarter, up 1.5 percentage points, as expense growth outpaced revenue growth during the period. The increase in non-interest expenses reflects the successful expansion of our business, as well as strategic investments made to enable future growth and to maintain the high level of service that we provide to mortgage brokers and borrowers. In most cases, these investments were made ahead of associated benefits, and as such, reduced our net income and increased our efficiency ratio in the current period. The investments will help to improve our growth and efficiency in future quarters.

The majority of the $4.8 million net increase in our expenses was driven by:

Growth of Our Franchise: $4.6 million or 95% of the net increase

- Compensation and benefits were up $2.6 million mainly due to 22% growth in our FTE; and
- System costs increased by $0.9 million as a result of investments in our core banking technology platform to support the growth of our business.

Investments in Our Future: $0.2 million or 5% of the net increase

- Compensation and other costs such as premises and equipment increased $0.2 million as a result of 27 additional FTE hired to support our strategic initiatives.

Q2 2015 v Q1 2015

The majority of the $2.0 million sequential increase in our expenses was driven by the growth of our franchise:

- Restricted Share Unit and Deferred Share Unit related compensation expenses were up by $1.1 million, as a result of mark-to-market adjustments related to our share price increase in the period and annual DSU grants (please refer to Note 16 of our Q2 Interim Consolidated Financial Statements for descriptions of these plans). During the quarter, we implemented hedging programs for the Company's RSU and DSU plans to reduce compensation expense volatility going forward; and
- Other compensation and related costs such as premises and equipment were $0.7 million higher due to an increase of 8 FTE.

We made $3.6 million of investments in our future during Q2, but due to the nature of the investments the majority of them were capitalized. Consulting spend on initiatives was also reduced by $0.5 million. The result is that non-interest expenses related to our strategic initiatives were down by $0.5 million quarter over quarter.

YTD 2015 v YTD 2014

The majority of the $8.1 million net increase in our expenses was driven by:

Growth of Our Franchise: $6.9 million or 86% of the net increase

- Compensation and other costs such as premises and equipment increased $3.2 million due to a 24% increase in FTE;
- System costs increased $1.6 million as a result of investments in our core banking technology platform to support the growth of our business; and
- Licenses, regulatory fees and insurance increased $0.5 million reflecting an increase in the base CDIC premium rate, higher deposit principal balances, and business growth.

Investments in Our Future: $1.2 million or 14% of the net increase

- Compensation and other costs such as premises and equipment were higher by $0.6 million due to 25 additional FTE hired to support our strategic initiatives; and
- Professional costs of $0.5 million related to our digital banking and other strategic initiatives, including the preliminary phases of our AIRB assessment.

INCOME TAXES

Q2 2015 v Q2 2014

The Company's statutory tax rate is 26.5% for 2015, as compared to 26.4% in 2014. Our effective income tax rate for the quarter decreased to 22.0% from 25.6% a year ago, mainly due to an investment transaction in Q2 2015. Excluding the impact of the investment, our effective tax rate for the quarter would have remained the same.

Q2 2015 v Q1 2015

Our effective income tax rate for the quarter was 3.6% percentage points lower than Q1 2015, mainly due to an investment transaction in Q2 2015.

YTD 2015 v YTD 2014

Our year-to-date effective income tax rate decreased to 23.8% from 25.7% in the same period of 2014, largely due to the impact of the investment transaction in Q2 2015.

FINANCIAL REVIEW – BALANCE SHEET

Table 7: Balance sheet highlights

($ THOUSANDS)	**Jun 30, 2015**	Mar 31, 2015	% Change	Dec 31, 2014	% Change	Jun 30, 2014	% Change
Total assets	**$ 14,329,824**	$ 13,387,915	7%	$ 12,854,903	11%	$ 11,785,388	22%
Mortgage principal – Core Lending	**8,236,323**	8,020,116	3%	7,265,225	13%	6,831,508	21%
Mortgage principal – Securitization Financing	**4,939,224**	4,730,163	4%	4,975,473	(1%)	4,275,769	16%
Deposit principal	**8,128,474**	7,663,996	6%	7,385,456	10%	6,411,549	27%
Total liquid assets as a % of total assets[1]	**8.7%**	5.6%	3.1%	5.3%	3.4%	6.0%	2.7%

(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, and to focus our strategic growth efforts on Single Family Lending Services. The following tables provide quarterly mortgage principal continuity schedules by lending business for Q2 2015 and Q2 2014:

Table 8: Mortgage principal continuity schedule

	Three months ended June 30, 2015						
($ THOUSANDS)	**Single Family Lending**	**Commercial Lending**	**Total Core Lending**	**Securitization Financing**	**Total Mortgage Principal**	**Derecognized Mortgage Principal[1]**	**Securitization Financing MUM[2]**
Q1 2015 closing balance	**$ 5,691,465**	**$ 2,328,651**	**$ 8,020,116**	**$ 4,730,163**	**$ 12,750,279**	**$ 1,687,364**	**$ 6,417,527**
Originations	**641,095**	**199,977**	**841,072**	**555,272**	**1,396,344**	**-**	**555,272**
Securitized and derecognized	**-**	**-**	**-**	**(214,098)**	**(214,098)**	**214,098**	**-**
Net repayments	**(386,096)**	**(238,769)**	**(624,865)**	**(132,113)**	**(756,978)**	**(17,163)**	**(149,276)**
Q2 2015 closing balance	**$ 5,946,464**	**$ 2,289,859**	**$ 8,236,323**	**$ 4,939,224**	**$ 13,175,547**	**$ 1,884,299**	**$ 6,823,523**
% Change from Q1 2015	**4%**	**(2%)**	**3%**	**4%**	**3%**	**12%**	**6%**
% Change from Q2 2014	**30%**	**1%**	**21%**	**16%**	**19%**	**60%**	**25%**
Net repayments percentage[3]	**6.8%**	**10.3%**	**7.8%**	**2.8%**	**5.9%**	**1.0%**	**2.3%**

	Three months ended June 30, 2014						
($ THOUSANDS)	Single Family Lending	Commercial Lending	Total Core Lending	Securitization Financing	Total Mortgage Principal	Derecognized Mortgage Principal[1]	Securitization Financing MUM[2]
Q1 2014 closing balance	$ 4,334,212	$ 2,388,071	$ 6,722,283	$ 4,458,063	$ 11,180,346	$ 1,084,911	$ 5,542,974
Originations	501,434	187,036	688,470	237,522	925,992	-	237,522
Securitized and derecognized	-	-	-	(105,254)	(105,254)	105,254	-
Net repayments	(262,306)	(316,939)	(579,245)	(314,562)	(893,808)	(10,174)	(324,736)
Q2 2014 closing balance	$ 4,573,340	$ 2,258,168	$ 6,831,508	$ 4,275,769	$ 11,107,276	$ 1,179,991	**$** 5,455,760
% Change from Q1 2014	6%	(5%)	2%	(4%)	(1%)	9%	(2%)
Net repayments percentage[3]	6.1%	13.3%	8.6%	7.1%	8.0%	0.9%	5.9%

(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 a third party, resulting in the derecognition of the securitized mortgages.*

(2) *Securitization Financing MUM is the sum of Securitization Financing Assets and Derecognized Mortgage Principal.*

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

Q2 2015 v Q2 2014

Total Mortgages under Management increased 23% from a year ago, due to 21% growth in Core Lending balances and 25% growth in Securitization Financing MUM.

The growth in Core Lending was attributable to Single Family Lending, the growth of which was driven by a high level of originations over the past four quarters. Commercial Lending balances were up slightly from a year ago, as the benefits of our strong distribution partnerships were offset by our commitment to pricing discipline and prudent risk parameters in a highly competitive market.

Securitization Financing Mortgages under Management ("Securitization Financing MUM"), which includes $1.9 billion of derecognized mortgage principal, are more reflective of the performance of the underlying securitization business than are assets reported on the balance sheet. Securitization Financing MUM grew from 2014 levels largely due to our successful entry to the prime single family business almost a year ago.

Q2 2015 v Q1 2015

The Single Family Lending portfolio increased again in the quarter and was the largest contributor to growth in Core Lending and total MUM. The growth in Single Family assets was attributable to a high level of mortgage originations in the quarter.

Securitization Financing was also a key contributor to our MUM growth. Securitization Financing MUM increased due to strong levels of activity in both the multi and prime single family markets, combined with a low level of multi maturities during the quarter.

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 in Single Family Lending Services, and as such we do not focus on sequential origination comparisons. The table below provides our mortgage originations for Q2 2015, the first half of 2015, and the comparable periods in 2014:

Table 9: Mortgage origination – by lending business

	Three months ended					Six months ended				
	Jun 30, 2015		Jun 30, 2014			**Jun 30, 2015**		Jun 30, 2014		
($ THOUSANDS)	**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 Services	**$ 641,095**	**46%**	$ 501,434	54%	28%	**$ 1,209,373**	**46%**	$ 905,144	52%	34%
Commercial Lending Services	**199,977**	**14%**	187,036	20%	7%	**407,744**	**15%**	312,700	18%	30%
	841,072	**60%**	688,470	74%	22%	**1,617,117**	**61%**	1,217,844	70%	33%
Securitization Financing:										
Multi-unit residential	**175,585**	**13%**	237,522	26%	(26%)	**452,893**	**17%**	515,282	30%	(12%)
Single family residential	**379,687**	**27%**	-	-%	N/A	**571,101**	**22%**	-	-%	N/A
	555,272	**40%**	237,522	26%	134%	**1,023,994**	**39%**	515,282	30%	99%
Total mortgage origination	**$ 1,396,344**	**100%**	$ 925,992	100%	51%	**$ 2,641,111**	**100%**	$ 1,733,126	100%	52%

Q2 2015 v Q2 2014

The Company delivered record second quarter mortgage origination volumes in Q2 2015.

The Company's Core Lending origination volumes grew as a result of an increase in both Single Family and Commercial Lending activity. This performance is attributable to the strength of the Canadian real estate market and our consistently high levels of service quality, which we achieved while maintaining our pricing discipline and risk parameters.

Securitization Financing originations were up in the quarter reflecting the success of our Prime Single Family business. We originate Prime Single Family loans internally or through third-party agents and then securitize them through the CMHC's MBS program. Both of our origination programs grew in the quarter. Originations of multi-unit residential mortgages declined compared to the same period of the prior year. We aim to originate Multis such that we utilize the full amount of our CMB capacity each quarter, after considering our renewal volumes and inventory on-hand. More of our capacity this year was used to securitize renewed mortgages or inventory, which in turn left less room for new originations in the quarter.

YTD 2015 v YTD 2014

Total mortgage originations increased as a result of stronger performance in both portfolios and most notably due to our entry into the prime single family business in Q3 2014.

SECURITIZATION

We securitize mortgages in order to effectively manage our margins and diversify our sources of funding. If the securitized mortgages and the structure of a transaction meet specific criteria, they may qualify for balance sheet derecognition. The table below provides a summary of the mortgages securitized and derecognized in the quarter and year-to-date, as well as the associated retained interests and gain on sale amounts.

Table 10: Securitization and derecognition activity

	Three months ended					Six months ended		
($ THOUSANDS)	**Jun 30, 2015**	Mar 31, 2015	% Change	Jun 30, 2014	% Change	**Jun 30, 2015**	Jun 30, 2014	% Change
Securitized and derecognized[1]	**$ 214,098**	$ 180,753	18%	$ 105,254	103%	**$ 394,851**	$ 200,106	97%
Retained interests recorded	**6,962**	9,631	(35%)	3,374	86%	**16,593**	7,310	117%
Gains on sale	**1,703**	1,530	11%	764	123%	**3,233**	1,515	113%
Gains on sale – percentage[2]	**0.79%**	0.85%	(0.06%)	0.73%	0.06%	**0.82%**	0.76%	0.06%

[1] *Securitized and derecognized reflects mortgages which were sold, removed from the Company's balance sheet and a retained interest recorded.*
[2] *Gains on sale – percentage represents the gains on sale as a percentage of total principal derecognized.*

Q2 2015 v Q2 2014

Gains on sale were up primarily due to an increase the volumes derecognized. Volumes derecognized increased as a result of higher demand for non-prepayable mortgage products (which generally qualify for derecognition). The 79 bps of gains recognized in the quarter relative to the principal derecognized were also higher than in Q2 2014, largely due to differences in the cash flow discount rates used to calculate the gains. The spreads on the underlying mortgages remained relatively consistent period over period.

Q2 2015 v Q1 2015

The volume of mortgages securitized and derecognized increased sequentially, resulting in a higher gain on sale despite a decrease in the gain on sale percentage. Volumes derecognized were up as a result of higher demand for non-prepayable mortgage products.

YTD 2015 v YTD 2014

On a year-to-date basis, gains on sale more than doubled as a result of higher demand for non-prepayable mortgage products (which qualify for derecognition).

CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES

The Company's active management of credit risk and our workout efforts continue to yield positive results. The success of our credit management strategies is highlighted in the metrics in Table 11 below. We believe that these measures reflect the health of the Company's mortgage portfolio and indicate that our allowance for credit losses adequately provides for our risk of loss.

Beginning Q4 2014, management has been extensively examining and stress testing our exposure to the Alberta and Saskatchewan markets, given the economic risks associated with declining oil prices. We are comfortable that our current portfolios in those provinces are well managed and believe that there is a low likelihood of Equitable incurring any significant credit losses. The highlights of our investments in Alberta and Saskatchewan at June 30, 2015 include:

- $2.4 billion or 19% of the Company's total mortgage principal is in these two provinces.
  - $1.2 billion or 51% of those assets are insured. $0.5 billion of the insured assets are single family residential, with the remainder being multi-unit residential.
  - $1.2 billion of the assets are uninsured, with $0.9 billion of that total being single family residential and $0.3 billion being commercial. These uninsured assets represent only 9% of our total mortgage principal.
- Of the uninsured mortgages in these two provinces, $1.0 billion or 84% are in the cities of greater Edmonton and Calgary. Similarly, $99 million or 8% are in Regina and Saskatoon. Those cities have diversified economies and real estate markets that would be more resilient in the face of economic shocks.
- The average loan to value of our uninsured single family residential portfolio in these provinces is 68%.

Details of our Alberta and Saskatchewan lending portfolios can be found in Table 9 of our Q2 2015 Supplemental Information and Regulatory Disclosures Report found on the Company's website at www.equitablebank.ca.

Table 11: Mortgage credit metrics

($ THOUSANDS)	**Jun 30, 2015**	Mar 31, 2015	Jun 30, 2014
Impairment provision[1]	**$ 85**	$ 246	$ 332
Impairment provision – rate[1]	**0.00%**	0.01%	0.01%
Gross impaired mortgage assets[2]	**27,566**	39,436	38,040
Net impaired mortgage assets[2][3]	**24,382**	35,742	34,646
Net impaired mortgage assets as a % of total mortgage assets[2][3]	**0.18%**	0.28%	0.31%
Allowance for credit losses	**34,007**	33,772	32,252
Allowance for credit losses as a % of total mortgage assets	**0.26%**	0.26%	0.29%
Allowances for credit losses as a % of gross impaired mortgage assets	**123%**	86%	85%

(1) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.
(2) Conventional 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.
(3) Net impaired mortgage assets reflect gross impaired mortgages less individual allowances.

Q2 2015 v Q2 2014

In aggregate, our credit metrics indicate that the quality of our mortgage portfolio remained high in Q2 2015:

- Impaired mortgages decreased in both dollar terms and relative to total mortgage assets, largely because an $8.5 million commercial loan became current in the quarter. Impairment rates remained low by historical standards.
- Our Impairment Provision was less than 1 bp, partly as a result of the decline in impaired loan balances.
- The allowance for credit losses as a percentage of total assets remains sufficient in the opinion of management and is greater than gross impaired mortgage balances at quarter end.

Q2 2015 v Q1 2015

Our key credit risk metrics also compared well to the prior quarter for the reasons discussed above in comparing the results to Q2 2014.

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 other receivables and meet 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.

Table 12: Liquid assets[(1)]

($ THOUSANDS)	**Jun 30, 2015**	Mar 31, 2015	Jun 30, 2014
Eligible deposits with regulated financial institutions[(2)]	**$ 631,775**	$ 243,269	$ 294,124
Debt securities issued by regulated financial institutions	**-**	-	10,003
Investments purchased under reverse repurchase agreements	**100,295**	10,535	9,999
Debt securities guaranteed by Government of Canada	**20,585**	20,881	25,749
Mortgages held in the form of debt securities guaranteed by Government of Canada[(3)]	**527,317**	552,739	244,205
Obligations under repurchase agreements	**(167,767)**	(225,698)	-
Liquid assets held for regulatory purposes	**1,112,205**	601,726	584,080
Other deposits with regulated financial institutions	**142**	364	770
Equity securities[(4)]	**139,346**	153,927	122,781
Total liquid assets[(1)]	**$ 1,251,693**	$ 756,017	$ 707,631
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**7.8%**	4.5%	5.0%
Total liquid assets as a % of total assets	**8.7%**	5.6%	6.0%

(1) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.
(2) Eligible deposits with regulated financial institution represents deposits of Equitable Bank which are held with major Canadian financial institutions and excludes $10.3 million (March 31, 2015 – $11.2 million, June 30, 2014 – $10.4 million) of restricted cash held as collateral by third parties for the Company's interest rate swap transactions and $97.0 million (March 31, 2015 – $52.9 million, June 30, 2014 – $48.6 million) of cash held in trust accounts and deposits held with banks as collateral for the Company's securitization activities.
(3) 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.
(4) Equity securities include publicly traded common and preferred shares.

Q2 2015 v Q2 2014

Liquid assets held for regulatory purposes as a percentage of total assets were up significantly in 2015, in anticipation of higher mortgage fundings and GIC maturities in the weeks following the end of the quarter. The size and composition of our liquidity portfolio at any point in time is influenced by several metrics and factors, most notably by our expected cash needs over the subsequent eight week period.

Effective January 1, 2015, Canadian deposit-taking institutions are required to report on OSFI's new Liquidity Coverage Ratio ("LCR") which is based on Basel III guidelines. This ratio is intended to promote short-term resilience to liquidity risk and ensure that an institution has sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. At June 30, 2015, our LCR was well in excess of the regulatory minimum of 100%.

Q2 2015 v Q1 2015

The reasons for the increase in liquid assets held for regulatory purposes are the same as those cited when comparing Q2 2015 to the prior year above.

OTHER ASSETS

Q2 2015 v Q2 2014

Other assets were $51.9 million at the end of Q2 2015, up by 97% or $25.6 million from a year ago. The increase was mainly due to:

- $10.4 million of capitalized system development costs, the majority of which will be amortized over a 10 year period;
- $6.4 million of income tax receivable;
- $4.1 million of capital asset investments, related mainly to our digital banking initiative and to leasehold improvements associated with an office expansion in support of our growth;
- $4.0 million increase in receivables relating to securitization activities; and
- $2.0 million of prepaid expenses and other receivables;

Offset by:

- $1.0 million decrease in the fair value of interest rate swaps.

Included in Prepaid expenses and other is a net receivable of $3.2 million (June and December 31, 2014 – $3.2 million) related to an alleged fraud that was identified in 2011. The Company is currently pursuing 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 2015 v Q1 2015

Other assets increased by $3.3 million or 7% from March 31, 2015. The change was primarily due to:

- $3.8 million of capital asset investments, related to our digital banking initiative and the leasehold improvements discussed above;
- $2.8 million in prepaid expenses and other receivables;
- $2.1 million of income tax receivable; and
- $0.9 million of capitalized system development costs;

Offset by:

- $4.4 million decrease in fair value of interest rate swaps;
- $1.1 million decrease in receivables relating to securitization; and
- $1.1 million decrease in real estate owned assets.

DEPOSITS

Deposit balances were up 6% over Q1 2015 and up 27% over Q2 2014. Deposits have grown in-line with our overall non-securitized assets, for which they are the primary source of funding. During the quarter, we grew our Equitable Bank High Interest Savings Account balances by 30% or $149 million to $653 million.

SECURITIZATION LIABILITIES

Securitization liability principal was up $422 million or 9% over Q1 2015 and $504 million or 11% over Q2 2014. The net increase was largely due to the success of our Prime Single Family business and the securitization of $230 million of uninsured single family mortgages in a funding program during the quarter. This new program, which is sponsored by a major Canadian Schedule I Bank, 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.

BANK FACILITIES AND DEBENTURES

In Q2 2015, the Bank secured a $350 million credit facility with a group of major Schedule I Canadian Banks to finance insured residential mortgages prior to securitization. Equitable now has two such facilities in place, with an aggregate size of $650 million. At the end of Q2 2015, the outstanding balances on these facilities were $142 million in total, as compared to $67.1 million at the end of Q1 2015 and $118 million a year ago.

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 2014 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 to maintain the business based on its 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 2014 Annual Report.

OSFI's Capital Adequacy Requirements ("CAR") Guideline details how Basel III rules apply to Canadian Banks. OSFI mandated all Canadian-regulated financial institutions to meet a target CET1 ratio of 7% on an "all-in" basis (defined by OSFI as capital calculated to include all of the Basel III regulatory adjustments that will be required by 2019, but retaining the phase-out rules for non-qualifying capital instruments). For Tier 1 and Total capital ratios, the "all-in" capital targets are 8.5% and 10.5%, respectively.

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. Equitable Bank's CET1 ratio on an "all-in" basis was 13.5% as at June 30, 2015, while our Tier 1 and Total capital ratios were 14.9% and 17.2%, respectively, exceeding the regulatory minimums on an "all-in" basis. Our Tier I and Total Capital ratios were up compared with the prior quarter and Q2 of last year mainly reflecting internal capital generation driven by our strategy of retaining the vast majority of our earnings. Capital growth in Q2 continued to be impacted by mark-to-market losses on our preferred share portfolio and a capital deduction for intangible assets related to our new product initiatives.

Under IFRS, we record the book losses on our preferred share portfolio through OCI and not through our Income Statement since we do not believe that the assets are impaired. The losses are a function of current market conditions, specifically reduced expectations for future yields on rate-reset preferred shares. There has not been 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.

Effective Q1 2015, Canadian Banks were required to report on OSFI's new Leverage Ratio, which is based on Basel III guidelines and replaced the ACM framework. OSFI has established leverage ratio targets on a confidential, institution by

institution basis. We began to disclose our leverage ratio in the previous quarter and are fully compliant with regulatory requirements. The leverage ratio is not applicable for periods prior to Q1 2015.

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 even 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 13: Capital measures of Equitable Bank[1]

($ THOUSANDS)	**Jun 30, 2015**	Mar 31, 2015	Jun 30, 2014
Total risk-weighted assets ("RWA")	**$ 4,983,762**	$ 4,867,218	$ 4,399,956
Common Equity Tier 1 capital ("CET1"):			
Common shares	**144,276**	143,728	142,240
Contributed surplus	**5,732**	5,596	5,128
Retained earnings	**545,500**	516,230	443,977
Accumulated other comprehensive (loss) income ("AOCI")[2]	**(13,023)**	(8,263)	(2,016)
Less: Regulatory adjustments to Common Equity Tier 1	**(12,088)**	(11,396)	(1,160)
Common Equity Tier 1 capital	**670,397**	645,895	588,169
Additional Tier 1 capital:			
Non-cumulative preferred shares[3]	**72,554**	72,554	40,000
Less: Regulatory adjustments to Common Equity Tier 1	**-**	(4,735)	-
Tier 1 capital	**742,951**	713,714	628,169
Tier 2 capital:			
Collective allowance	**30,275**	29,082	28,858
Subordinated debentures	**85,000**	85,000	92,483
Tier 2 capital	**115,275**	114,082	121,341
Total capital	**$ 858,226**	$ 827,796	$ 749,510
Capital ratios and multiples:[1]			
Common Equity Tier 1 capital ratio	**13.5%**	13.2%	13.4%
Tier 1 capital ratio	**14.9%**	14.6%	14.3%
Total capital ratio	**17.2%**	17.0%	17.0%
Leverage Ratio[4]	**5.3%**	5.5%	N/A

(1) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A. Capital Ratios are calculated on an "all-in" basis.

(2) 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.

(3) Under Basel III rules, Equitable Bank's Series 1 preferred shares outstanding at June 30, 2014 were subject to phase-out at a rate of 10% per year. The Series 3 preferred shares, which were outstanding at March 31, 2015 and June 30, 2015, are Basel III compliant and not subject to phase out.

(4) Non Domestic Systemically Important Banks are required to disclose the Leverage Ratio and its components, which has replaced the OSFI Asset-to-capital multiple ("ACM"), effective the end of the first quarter of 2015. The Leverage Ratio is not applicable for prior year periods.

SUMMARY OF QUARTERLY RESULTS

Table 14 summarizes the Company's performance over the last eight quarters. Equitable does not typically experience material seasonality in its earnings, but changes in short-term interest rates and the impact thereof on the Company's hedging activities may cause some volatility in earnings from quarter to quarter.

Table 14: Summary of quarterly results

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
RESULTS OF OPERATIONS								
Net income	**$ 33,520**	$ 29,461	$ 26,885	$ 27,764	$ 26,778	$ 25,291	$ 26,492	$ 23,226
Net income available to common shareholders	**32,330**	28,270	24,993	26,857	25,872	24,385	25,586	22,319
EPS – basic	**$ 2.09**	$ 1.83	$ 1.62	$ 1.74	$ 1.68	$ 1.59	$ 1.67	$ 1.46
EPS – diluted	**$ 2.06**	$ 1.81	$ 1.59	$ 1.71	$ 1.65	$ 1.56	$ 1.65	$ 1.44
Net interest income[1]	**60,995**	56,337	54,220	51,716	49,902	48,684	47,264	44,705
NIM – TEB:[2][3]								
Total Assets	**1.81%**	1.73%	1.76%	1.76%	1.70%	1.66%	1.63%	1.52%
Core Lending	**2.64%**	2.60%	2.61%	2.66%	2.57%	2.53%	2.50%	2.46%
Securitization Financing	**0.29%**	0.23%	0.30%	0.28%	0.31%	0.37%	0.40%	0.32%
Total revenues[1]	**145,595**	137,279	134,928	131,900	129,752	126,387	128,813	127,861
ROE[3]	**19.8%**	17.9%	16.0%	17.8%	18.0%	17.9%	19.2%	17.5%
Return on average assets[3]	**1.0%**	0.9%	0.8%	0.9%	1.0%	0.8%	0.9%	0.8%
Efficiency ratio – TEB[3]	**32.8%**	32.4%	35.4%	31.5%	31.3%	31.9%	28.4%	31.8%
MORTGAGE ORIGINATIONS								
Single Family Lending Services	**641,095**	568,278	758,442	645,842	501,434	403,710	506,244	463,961
Commercial Lending Services	**199,977**	207,767	253,961	193,668	187,036	125,664	183,008	265,383
Core Lending	**841,072**	776,045	1,012,403	839,510	688,470	529,374	689,252	729,344
Securitization Financing	**555,272**	468,722	576,527	479,104	237,522	277,760	365,771	190,537
BALANCE SHEET								
Total assets	**14,329,824**	13,387,915	12,854,903	12,193,335	11,785,388	11,886,479	11,816,453	11,831,155
Mortgages receivable	**13,216,267**	12,785,852	12,269,945	11,555,700	11,128,395	11,204,349	11,129,867	10,970,223
MUM	**15,059,846**	14,437,643	13,759,706	12,897,242	12,287,267	12,265,257	12,105,968	11,737,731
Liquid assets[3]	**1,251,693**	756,017	676,559	664,663	707,631	711,385	704,012	858,349
Shareholders' equity	**750,149**	723,606	703,694	682,863	636,376	611,456	588,318	565,506
SHARE CAPITAL								
Dividends declared per:								
Common share	**$ 0.19**	$ 0.18	$ 0.18	$ 0.17	$ 0.17	$ 0.16	$ 0.16	$ 0.15
Preferred share	**$ 0.40**	$ 0.40	$ 0.63	$ 0.45	$ 0.45	$ 0.45	$ 0.45	$ 0.45
Common shares outstanding:								
Weighted average basic	**15,450,802**	15,440,328	15,416,625	15,408,311	15,398,461	15,371,973	15,326,042	15,294,743
Weighted average diluted	**15,674,815**	15,660,067	15,683,821	15,672,253	15,644,288	15,588,303	15,526,253	15,480,627
Book value per common share	**$ 43.80**	$ 42.13	$ 40.90	$ 39.61	$ 38.16	$ 36.58	$ 35.14	$ 33.77

(1) See Additional Generally Accepted Accounting Principles Financial Measures section of this MD&A.
(2) NIM – TEB is calculated based on the average of the month-end balances outstanding during the period.
(3) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.

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 2015 interim consolidated financial statements are the same as those applied by the Company as at and for the year ended December 31, 2014. Refer to Note 3 of the audited consolidated financial statements in the Company's 2014 Annual Report.

FUTURE ACCOUNTING POLICIES

Financial Instruments – IFRS 9

IFRS 9 (2014) addresses classification and measurement of financial assets and liabilities, including impairment of financial assets, and hedge accounting. Under this standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The accounting model for financial liabilities is largely unchanged from IAS 39 except for the presentation of the impact of own credit risk on financial liabilities designated at fair value through profit or loss account. The new impairment model is an expected loss model as against an incurred loss model in IAS 39. The new general hedge accounting principles under IFRS 9 are aimed to align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it is expected to provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

IFRS 9 is mandatorily effective for annual periods beginning on or after January 1, 2018. The Company is in process of evaluating the impact of IFRS 9 on its financial statements.

Revenue from Contracts with Customers – IFRS 15

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on January 1, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

IFRS 15 is mandatorily effective for annual periods beginning on or after January 1, 2018 and the Company is in the process of evaluating the impact of IFRS 15 on its financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim 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 interim consolidated financial statements and the reported amounts of revenue and expenses during the periods. Estimates and underlying assumptions are reviewed by management on an ongoing basis. The critical estimates and judgments utilized in preparing the Company's interim 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, the derecognition of financial assets transferred in securitization transactions, the effectiveness of financial hedges for accounting purposes and income taxes.

The critical estimates and judgments made in the preparation of the Company's interim 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 relies on 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, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these interim consolidated financial statements. Actual results could differ from these estimates, in which case the impact would be recognized in the interim consolidated financial statements in future periods. For further information regarding critical accounting estimates, please refer to the notes to the interim consolidated financial statements.

OFF-BALANCE SHEET ACTIVITIES

The Company engages in certain financial transactions that, for accounting purposes, are not recorded on our consolidated balance sheets. Off-Balance sheet transactions are generally undertaken for risk, capital and funding management purposes. These include certain securitization transactions that qualify for derecognition, 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 2014 Annual Report) and letters of credit issued in the normal course of business.

SECURITIZATION OF FINANCIAL ASSETS

Securitization transactions qualify for derecognition when the Company has transferred substantially all of the risks and rewards or control associated with the transferred assets. The outstanding securitized mortgage principal that qualified for derecognition totaled $1.9 billion at June 30, 2015 (March 31, 2015 – $1.7 billion; June 30, 2014 – $1.2 million). The securitization retained interests recorded with respect to these securitization transactions were $57.0 million (March 31, 2015 – $53.0 million; June 30, 2014 – $35.5 million) and the associated servicing liability was $13.7 million at June 30, 2015 (March 31, 2015 – $12.4 million; June 30, 2014 – $9.1 million).

COMMITMENTS AND LETTERS OF CREDIT

The Company provides commitments to extend credit to our borrowers. The Company had outstanding commitments to fund $915 million of mortgages in the ordinary course of business at June 30, 2015 (March 31, 2015 – $843 million; June 30, 2014 – $643 million).

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 $7.3 million were outstanding at June 30, 2015 (March 31, 2015 – $7.0 million; June 30, 2014 – $2.2 million), none of which have been drawn upon.

RELATED PARTY TRANSACTIONS

Certain of the Company's key management personnel have invested in GIC 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 consolidated financial statements in the Company's 2014 Annual Report for further details.

RISK MANAGEMENT

Through its 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.

The Company's business activities, including its use of financial instruments, exposes the Company to various risks, the most significant of which are credit risk, liquidity and funding risk, and market risk. For a detailed discussion of the risks that affect the Company, please refer to pages 65 to 74 of the Company's 2014 Annual Report which is available on SEDAR at www.sedar.com.

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 it if counterparties fail to honor their obligations to the Company. Credit risk arises principally from the Company's lending activities and its 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 the Investment Committee of the Board of Directors, which undertakes the approval and monitoring of the Company's 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 on page 17 of this MD&A.

The Company also invests in equity securities to generate returns that meet an acceptable ROE threshold. Securities rated P-2 and higher comprised 48% or $66.8 million of the preferred share equity securities portfolio at June 30, 2015, compared to 48% or $53.5 million a year earlier.

LIQUIDITY AND FUNDING RISK

Liquidity and Funding risk is defined as the possibility that the Company will be unable to generate sufficient funds in a timely manner and at a reasonable price to meet its financial obligations as they come due. These financial obligations mainly arise from the maturity of deposits, the maturity of mortgage backed securities and commitments to extend credit. The objective of liquidity risk management is to protect the Company's ability to meet all payment obligations as they come due.

The Company has a low tolerance for liquidity and funding risk and adheres to a Liquidity and Funding Risk Management policy that requires it to maintain a pool of high quality liquid assets. Assets held for the purpose of providing liquidity protection may consist of cash and cash equivalents, debt instruments guaranteed by governments and debt securities issued by regulated financial institutions. These assets amounted to $1.1 billion at June 30, 2015, $602 million at March 31, 2015, and $584 million at June 30, 2014.

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, 2015, see Note 19 to the 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 on 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, 2015. 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 15: Net interest income shock

($ THOUSANDS)		**Increase in interest rates**		**Decrease in interest rates**[1]
100 basis point shift				
Impact on net interest income	**$**	**9,692**	**$**	**(3,878)**
Impact on EVE		**(1,263)**		**4,940**
EVE impact as a % of common shareholders' equity		**(0.19%)**		**0.73%**
200 basis point shift				
Impact on net interest income	**$**	**20,075**	**$**	**(3,878)**
Impact on EVE		**(1,920)**		**9,921**
EVE impact as a % of common shareholders' equity		**(0.29%)**		**1.47%**

(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 due to an adverse movement in the value of the Company's securities portfolio due to volatility in financial markets. The company mitigates this risk by investing only in high-quality, liquid shares and actively monitoring its 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 the Investment Committee of the Board quarterly.

UPDATED SHARE INFORMATION

At August 13, 2015, the Company had 15,470,087 common shares and 3,000,000 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 604,499 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $23.0 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.

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 2015 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 do not have any standardized meaning, and therefore, are unlikely to be comparable to similar measures presented by other companies. Management believes that adjusted results can enhance comparability between reporting periods or provide the reader with a better understanding of how management views the Company's performance. 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 will present adjusted results in addition to reported results by removing the non-recurring or unusual items from the reported results. Adjusted results are intended to provide the user with a better assessment of the Company's performance and provide greater consistency and comparability with 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-to-capital multiple ("ACM"):** is measured by dividing Equitable Bank's gross adjusted assets by total regulatory capital.
- **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.
- **Book value per common share:** is calculated by dividing common shareholder's equity by the number of common shares outstanding.
- **Capital Ratios:**
  - **Common Equity Tier 1 Capital ("CET1") ratio:** this key measure of capital strength is defined as CET1 as a percentage of total risk-weighted assets. This ratio is calculated for the Company's subsidiary, Equitable Bank, in accordance with the guidelines issued by OSFI. CET1 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, Tier 2 and Total capital ratios:** these adequacy ratios are calculated for Equitable Bank, in accordance with the guidelines issued by OSFI by dividing Tier 1, Tier 2 or Total capital by total risk-weighted assets.
  - **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 CAR Guideline.
- **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 its liability cash flows on an after-tax basis. This measure is more comprehensive than measuring changes in net interest income given that 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.
- **Impairment provision (recovery):** is the portion of the total provision for credit losses recorded during the period that relates to loans that have been individually assessed as impaired by management.
- **Impairment provision (recovery) rate:** this credit quality metric is calculated on an annualized basis and is defined as the impairment provision (recovery) as a percentage of average loan portfolio outstanding during the period.
- **Liquid assets:** is a measure of the Company's liquid resources, 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 12 of this MD&A.

- **Liquidity Coverage Ratio ("LCR"):** this measure is calculated by the Bank's high quality liquid assets by total net cash outflows over the next 30 days under a stress scenario.
- **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.
- **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.
- **Net revenue:** is calculated as the sum of net interest income; other income; and the TEB adjustment.
- **Return on average assets:** this profitability measure is calculated on an annualized basis and is defined as net income as a percentage of average total assets outstanding during the period.
- **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. For the three months ended June 30, 2015, ROE equaled 19.8% (Q1 2015 – 17.9%, Q2 2014 – 18.0%) – net income available to common shareholders of $32,330 (Q1 2015 – $28,270, Q2 2014 – $25,872) divided by weighted average common equity outstanding of $654,442 (Q1 2015 – $641,075, Q2 2014 – $575,513). For the six months ended June 30, 2015, ROE equaled 18.4% (June 30, 2014 – 18.0%) – net income available to common shareholders of $60,600 (June 30, 2014 – $50,257) divided by weighted average common equity outstanding of $664,281 (June 30, 2014 – $564,015).
- **Risk-weighted assets:** 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.
- **Taxable Equivalent Basis ("TEB"):** the presentation of financial information on a TEB is a common practice among financial institutions and does not have a standardized meaning within GAAP. Therefore, TEB calculations may not be comparable to similar measures presented by other companies. 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, 2015 and June 30, 2014, the TEB adjustment was $0.7 million and $0.5 million. For the six months ended June 30, 2015, the TEB adjustment was $1.3 million as compared to $1.0 million for the same period in 2014.

ADDITIONAL GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") FINANCIAL MEASURES

In addition to GAAP and non-GAAP financial measures, management also uses additional GAAP financial measures it believes provide useful information to investors regarding the Company's financial results of operations. Readers are cautioned that additional GAAP measures do not have any standardized meaning, and therefore, may not be comparable to similar measures presented by other companies. Management believes that these measures enhance comparability of the Company's results between reporting periods and helps the reader better understand how management views the Company's performance. The primary additional GAAP measures used in this MD&A are:

- **Net interest income:** this additional GAAP measure is defined as total revenues derived from interest or dividend generating assets less total expenses related to interest bearing liabilities.
- **Total revenue:** is defined as total interest income plus other income.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (unaudited)

AS AT JUNE 30, 2015

With comparative figures as at December 31, 2014 and June 30, 2014

($ THOUSANDS)

	June 30, 2015	December 31, 2014	June 30, 2014
Assets:			
Cash and cash equivalents	**$ 631,917**	$ 230,063	$ 294,894
Restricted cash	**107,338**	67,690	59,061
Securities purchased under reverse repurchase agreements	**102,025**	18,117	9,999
Investments *(Note 6)*	**163,390**	187,664	231,249
Mortgages receivable – Core Lending *(Notes 7 & 8)*	**8,229,510**	7,684,425	6,824,141
Mortgages receivable – Securitization Financing *(Notes 7 & 8)*	**4,986,757**	4,585,520	4,304,254
Securitization retained interests *(Note 8)*	**56,982**	44,983	35,471
Other assets *(Note 10)*	**51,905**	36,441	26,319
	$ 14,329,824	$ 12,854,903	$ 11,785,388
Liabilities and Shareholders' Equity			
Liabilities:			
Deposits *(Note 11)*	**$ 8,236,361**	$ 7,489,418	$ 6,510,114
Securitization liabilities *(Note 8)*	**4,870,987**	4,355,328	4,374,999
Obligations under repurchase agreements	**167,767**	52,413	-
Deferred tax liabilities *(Note 12)*	**20,747**	14,843	12,122
Other liabilities *(Note 13)*	**57,011**	61,971	41,353
Bank facilities *(Note 14)*	**141,802**	92,236	117,941
Debentures	**85,000**	85,000	92,483
	13,579,675	12,151,209	11,149,012
Shareholders' equity:			
Preferred shares *(Note 15)*	**72,557**	72,412	48,494
Common shares *(Note 15)*	**141,794**	140,657	139,784
Contributed surplus *(Note 16)*	**4,640**	4,331	5,542
Retained earnings	**550,979**	496,097	449,644
Accumulated other comprehensive loss	**(19,821)**	(9,803)	(7,088)
	750,149	703,694	636,376
	$ 14,329,824	$ 12,854,903	$ 11,785,388

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015

With comparative figures for the three and six month periods ended June 30, 2014

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Interest income:				
Mortgages – Core Lending	**$ 98,146**	$ 83,266	**$ 191,479**	$ 163,391
Mortgages – Securitization Financing	**39,066**	39,528	**76,362**	80,377
Investments	**2,102**	1,515	**3,680**	2,994
Other	**1,726**	1,947	**2,991**	3,532
	141,040	126,256	**274,512**	250,294
Interest expense:				
Deposits	**43,226**	37,634	**85,054**	74,437
Securitization liabilities	**34,120**	36,622	**67,122**	73,245
Debentures	**1,269**	1,399	**2,546**	2,793
Bank facilities	**885**	699	**1,499**	1,212
Other	**545**	-	**959**	21
	80,045	76,354	**157,180**	151,708
Net interest income	**60,995**	49,902	**117,332**	98,586
Provision for credit losses *(Note 7)*	**830**	545	**1,644**	1,052
Net interest income after provision for credit losses	**60,165**	49,357	**115,688**	97,534
Other income:				
Fees and other income	**2,534**	2,168	**4,842**	3,634
Net (loss) gain on investments	**(247)**	591	**(450)**	608
Gains on securitization activities and income from securitization retained interests *(Note 8)*	**2,268**	737	**3,970**	1,603
	4,555	3,496	**8,362**	5,845
Net interest and other income	**64,720**	52,853	**124,050**	103,379
Non-interest expenses:				
Compensation and benefits	**12,804**	10,224	**24,190**	20,360
Other	**8,906**	6,656	**17,220**	12,965
	21,710	16,880	**41,410**	33,325
Income before income taxes	**43,010**	35,973	**82,640**	70,054
Income taxes *(Note 12):*				
Current	**7,250**	8,480	**13,859**	16,689
Deferred	**2,240**	715	**5,800**	1,296
	9,490	9,195	**19,659**	17,985
Net income	**$ 33,520**	$ 26,778	**$ 62,981**	$ 52,069
Earnings per share *(Note 17):*				
Basic	**$ 2.09**	$ 1.68	**$ 3.92**	$ 3.27
Diluted	**$ 2.06**	$ 1.65	**$ 3.87**	$ 3.22

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015

With comparative figures for the three and six month periods ended June 30, 2014

($ THOUSANDS)

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Net income	**$ 33,520**	$ 26,778	**$ 62,981**	$ 52,069
Other comprehensive income – items that may be reclassified subsequently to income:				
Available for sale investments:				
Net unrealized (losses) gains from change in fair value	**(6,451)**	2,258	**(12,753)**	3,831
Reclassification of net (gains) losses to income	**(16)**	(348)	**359**	(357)
	(6,467)	1,910	**(12,394)**	3,474
Income tax recovery (expense)	**1,707**	(504)	**3,272**	(917)
	(4,760)	1,406	**(9,122)**	2,557
Cash flow hedges *(Note 9):*				
Net unrealized gains (losses) from change in fair value	**842**	(1,326)	**(2,674)**	(3,384)
Reclassification of net losses to income	**825**	548	**1,457**	1,065
	1,667	(778)	**(1,217)**	(2,319)
Income tax (expense) recovery	**(440)**	205	**321**	612
	1,227	(573)	**(896)**	(1,707)
Total other comprehensive (loss) income	**(3,533)**	833	**(10,018)**	850
Total comprehensive income	**$ 29,987**	$ 27,611	**$ 52,963**	$ 52,919

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2015

With comparative figures for the three month period ended June 30, 2014

($ THOUSANDS)

					Accumulated other comprehensive income (loss)			
June 30, 2015	**Preferred shares**	**Common shares**	**Contributed surplus**	**Retained earnings**	**Cash flow hedges**	**Available for sale investments**	**Total**	**Total**
Balance, beginning of period	**$ 72,557**	**$ 141,245**	**$ 4,505**	**$ 521,587**	**$ (8,025)**	**$ (8,263)**	**$ (16,288)**	**$ 723,606**
Net income	**-**	**-**	**-**	**33,520**	**-**	**-**	**-**	**33,520**
Other comprehensive income (loss), net of tax	**-**	**-**	**-**	**-**	**1,227**	**(4,760)**	**(3,533)**	**(3,533)**
Issuance cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exercise of stock options	**-**	**445**	**-**	**-**	**-**	**-**	**-**	**445**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(1,190)**	**-**	**-**	**-**	**(1,190)**
Common shares	**-**	**-**	**-**	**(2,938)**	**-**	**-**	**-**	**(2,938)**
Stock-based compensation	**-**	**-**	**239**	**-**	**-**	**-**	**-**	**239**
Transfer relating to the exercise of stock options	**-**	**104**	**(104)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 72,557**	**$ 141,794**	**$ 4,640**	**$ 550,979**	**$ (6,798)**	**$ (13,023)**	**$ (19,821)**	**$ 750,149**

					Accumulated other comprehensive income (loss)			
June 30, 2014	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cash flow hedges	Available for sale investments	Total	Total
Balance, beginning of period	$ 48,494	$ 139,107	$ 5,385	$ 426,391	$ (4,498)	$ (3,423)	$ (7,921)	$ 611,456
Net income	-	-	-	26,778	-	-	-	26,778
Other comprehensive income (loss), net of tax	-	-	-	-	(573)	1,406	833	833
Reinvestment of dividends	-	262	-	-	-	-	-	262
Exercise of stock options	-	342	-	-	-	-	-	342
Dividends:								
Preferred shares	-	-	-	(906)	-	-	-	(906)
Common shares	-	-	-	(2,619)	-	-	-	(2,619)
Stock-based compensation	-	-	230	-	-	-	-	230
Transfer relating to the exercise of stock options	-	73	(73)	-	-	-	-	-
Balance, end of period	$ 48,494	$ 139,784	$ 5,542	$ 449,644	$ (5,071)	$ (2,017)	$ (7,088)	$ 636,376

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015

With comparative figures for the six month period ended June 30, 2014

($ THOUSANDS)

					Accumulated other comprehensive income (loss)			
June 30, 2015	**Preferred shares**	**Common shares**	**Contributed surplus**	**Retained earnings**	**Cash flow hedges**	**Available for sale investments**	**Total**	**Total**
Balance, beginning of period	**$ 72,412**	**$ 140,657**	**$ 4,331**	**$ 496,097**	**$ (5,902)**	**$ (3,901)**	**$ (9,803)**	**$ 703,694**
Net income	**-**	**-**	**-**	**62,981**	**-**	**-**	**-**	**62,981**
Other comprehensive income (loss), net of tax	**-**	**-**	**-**	**-**	**(896)**	**(9,122)**	**(10,018)**	**(10,018)**
Issuance cost	**145**	**-**	**-**	**-**	**-**	**-**	**-**	**145**
Exercise of stock options	**-**	**939**	**-**	**-**	**-**	**-**	**-**	**939**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(2,381)**	**-**	**-**	**-**	**(2,381)**
Common shares	**-**	**-**	**-**	**(5,718)**	**-**	**-**	**-**	**(5,718)**
Stock-based compensation	**-**	**-**	**507**	**-**	**-**	**-**	**-**	**507**
Transfer relating to the exercise of stock options	**-**	**198**	**(198)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 72,557**	**$ 141,794**	**$ 4,640**	**$ 550,979**	**$ (6,798)**	**$ (13,023)**	**$ (19,821)**	**$ 750,149**

					Accumulated other comprehensive income (loss)			
June 30, 2014	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cash flow hedges	Available for sale investments	Total	Total
Balance, beginning of period	$ 48,494	$ 137,969	$ 5,326	$ 404,467	$ (3,364)	$ (4,574)	$ (7,938)	$ 588,318
Net income	-	-	-	52,069	-	-	-	52,069
Other comprehensive income (loss), net of tax	-	-	-	-	(1,707)	2,557	850	850
Reinvestment of dividends	-	528	-	-	-	-	-	528
Exercise of stock options	-	1,054	-	-	-	-	-	1,054
Dividends:								
Preferred shares	-	-	-	(1,812)	-	-	-	(1,812)
Common shares	-	-	-	(5,080)	-	-	-	(5,080)
Stock-based compensation	-	-	449	-	-	-	-	449
Transfer relating to the exercise of stock options	-	233	(233)	-	-	-	-	-
Balance, end of period	$ 48,494	$ 139,784	$ 5,542	$ 449,644	$ (5,071)	$ (2,017)	$ (7,088)	$ 636,376

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015

With comparative figures for the three and six month periods ended June 30, 2014

($ THOUSANDS)

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	**$ 33,520**	$ 26,778	**$ 62,981**	$ 52,069
Adjustments for non-cash items in net income:				
Financial instruments at fair value through income	**7,880**	(432)	**4,642**	(899)
Amortization of premium/discount on investments	**203**	492	**399**	1,077
Amortization of capital assets	**522**	319	**857**	622
Amortization of deferred costs	**389**	541	**800**	1,097
Provision for credit losses	**830**	545	**1,644**	1,052
Securitization gains	**(1,703)**	(764)	**(3,233)**	(1,515)
Net loss (gain) on sale or redemption of investments	**247**	(591)	**450**	(608)
Stock-based compensation	**239**	230	**507**	449
Income taxes	**9,490**	9,195	**19,659**	17,985
Changes in operating assets and liabilities:				
Restricted cash	**(43,221)**	(1,374)	**(39,648)**	28,258
Securities purchased under reverse repurchase agreements	**(91,490)**	10,173	**(83,908)**	44,861
Mortgages receivable	**(647,081)**	(32,425)	**(1,352,319)**	(205,851)
Other assets	**2,606**	798	**1,948**	1,933
Deposits	**487,317**	(52,795)	**744,018**	39,113
Securitization liabilities	**413,227**	(96,955)	**515,659**	(216,405)
Obligations under repurchase agreements	**(57,930)**	-	**115,354**	(8,143)
Bank facilities	**74,716**	25,947	**49,566**	117,941
Other liabilities	**(3,410)**	(4,144)	**(5,335)**	(7,188)
Income taxes paid	**(8,089)**	(8,082)	**(18,941)**	(24,508)
Proceeds from loan securitizations	**209,970**	105,412	**390,655**	200,577
Securitization retained interests	**2,594**	1,490	**4,867**	2,829
Cash flows from (used in) operating activities	**390,826**	(15,642)	**410,622**	44,746
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid on preferred shares	**(1,190)**	(906)	**(2,381)**	(1,812)
Dividends paid on common shares	**(2,780)**	(2,199)	**(2,780)**	(4,389)
Preferred share issuance cost	**-**	-	**145**	-
Proceeds from issuance of common shares	**445**	342	**939**	1,054
Cash flows used in financing activities	**(3,525)**	(2,763)	**(4,077)**	(5,147)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	**(2,592)**	(56,347)	**(15,436)**	(95,743)
Proceeds on sale or redemption of investments	**5,307**	96,898	**8,805**	142,087
Net change in Canada Housing Trust re-investment accounts	**3,954**	(30,688)	**11,795**	(34,321)
Purchase of capital assets and system development costs	**(5,687)**	(226)	**(9,855)**	(373)
Cash flows from (used in) investing activities	**982**	9,637	**(4,691)**	11,650
Net increase (decrease) in cash and cash equivalents	**388,283**	(8,768)	**401,854**	51,249
Cash and cash equivalents, beginning of period	**243,634**	303,662	**230,063**	243,645
Cash and cash equivalents, end of period	**$ 631,917**	$ 294,894	**$ 631,917**	$ 294,894
Cash flow from operating activities include:				
Interest received	**$ 141,973**	$ 127,756	**$ 273,511**	$ 251,544
Interest paid	**(88,838)**	(87,745)	**(147,968)**	(136,056)
Dividends received	**7,600**	1,327	**9,365**	2,836

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 of Equitable Group Inc. have been prepared 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 2014 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 13, 2015.

(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 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.

(e) Consolidation:

The interim consolidated financial statements as at and for the six months ended June 30, 2015 and June 30, 2014 include the assets, liabilities and results of operations of the Company and its wholly owned subsidiary, Equitable Bank, after the elimination of intercompany transactions and balances. The Company has control of Equitable Bank as it is exposed to and has rights to variable returns from its involvement with Equitable Bank and it has the ability to affect those returns through its power over the relevant activities of Equitable Bank.

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, 2014. Refer to Note 3 of the audited consolidated financial statements in the Company's 2014 Annual Report.

Future accounting policies:

(a) Financial Instruments (IFRS 9)

IFRS 9 (2014) addresses classification and measurement of financial assets and liabilities, including impairment of financial assets, and hedge accounting. Under this standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The accounting model for financial liabilities is largely unchanged from IAS 39 except for the presentation of the impact of own credit risk on financial liabilities designated at fair value through profit or loss account. The new impairment model is an expected loss model as against an incurred loss model in IAS 39. The new general hedge accounting principles under IFRS 9 are aimed to align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it is expected to provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

IFRS 9 is mandatorily effective for annual periods beginning on or after January 1, 2018. The Company is in process of evaluating the impact of IFRS 9 on the Company's financial statements.

(b) Revenue from Contracts with Customers (IFRS 15):

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on January 1, 2017 and is available for early adoption. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

IFRS 15 is mandatorily effective for annual periods beginning on or after January 1, 2018 and the Company is in the process of evaluating the impact of IFRS 15 on its financial statements.

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 65 to 74 of the Company's 2014 Annual Report.

Note 5 – Financial Instruments

The Company's business activities result in a consolidated balance sheet 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 risk.

(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 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 bond prices, share 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, 2015 and December 31, 2014. The tables do not include assets and liabilities that are not considered financial instruments.

							June 30, 2015
	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	$ 631,917	$ -	$ -	$ -	$ -	$ 631,917	$ 631,917
Restricted cash	107,338	-	-	-	-	107,338	107,338
Securities purchased under reverse repurchase agreements	-	-	-	-	102,025	102,025	102,025
Investments	810	-	2,459	159,121	1,000	163,390	163,390
Mortgages receivable – Core Lending	-	48,519	-	-	8,180,991	8,229,510	8,269,177
Mortgages receivable – Securitization Financing	24,512	-	-	-	4,962,245	4,986,757	5,160,113
Securitization retained interests	-	-	-	56,982	-	56,982	56,982
Other assets:							
Derivative financial instruments – interest rate swaps	1,245	-	-	-	-	1,245	1,245
Mortgage commitments	83	-	-	-	-	83	83
Other	-	-	-	-	14,040	14,040	14,040
Total financial assets	$ 765,905	$ 48,519	$ 2,459	$ 216,103	$ 13,260,301	$ 14,293,287	$ 14,506,310
Financial liabilities:							
Deposits	$ -	$ 46,429	$ -	$ -	$ 8,189,932	$ 8,236,361	$ 8,272,596
Securitization liabilities	-	-	-	-	4,870,987	4,870,987	5,053,877
Obligations under repurchase agreements	-	-	-	-	167,767	167,767	167,767
Other liabilities:							
Derivative financial instruments – bond forwards	651	-	-	-	-	651	651
Derivative financial instruments – total return swaps	219	-	-	-	-	219	219
Other	-	-	-	-	49,501	49,501	49,501
Bank facilities	-	-	-	-	141,802	141,802	141,802
Debentures	-	-	-	-	85,000	85,000	86,247
Total financial liabilities	$ 870	$ 46,429	$ -	$ -	$ 13,504,989	$ 13,552,288	$ 13,772,660

							December 31, 2014
	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	$ 230,063	$ -	$ -	$ -	$ -	$ 230,063	$ 230,063
Restricted cash	67,690	-	-	-	-	67,690	67,690
Securities purchased under reverse repurchase agreements	-	-	-	-	18,117	18,117	18,117
Investments	6,399	-	14,254	166,011	1,000	187,664	187,664
Mortgages receivable – Core Lending	-	49,122	-	-	7,635,303	7,684,425	7,698,794
Mortgages receivable – Securitization Financing	41,310	-	-	-	4,544,210	4,585,520	4,713,069
Securitization retained interests	-	-	-	44,983	-	44,983	44,983
Other assets:							
Derivative financial instruments – interest rate swaps	1,916	-	-	-	-	1,916	1,916
Mortgage commitments	16	-	-	-	-	16	16
Other	-	-	-	-	6,330	6,330	6,330
Total financial assets	$ 347,394	$ 49,122	$ 14,254	$ 210,994	$ 12,204,960	$ 12,826,724	$ 12,968,642
Financial liabilities:							
Deposits	$ -	$ 135,732	$ -	$ -	$ 7,353,686	$ 7,489,418	$ 7,500,809
Securitization liabilities	-	-	-	-	4,355,328	4,355,328	4,496,820
Obligations under repurchase agreements	-	-	-	-	52,413	52,413	52,413
Other liabilities:							
Derivative financial instruments – bond forwards	908	-	-	-	-	908	908
Other	-	-	-	-	60,314	60,314	60,314
Bank Facilities	-	-	-	-	92,236	92,236	92,236
Debentures	-	-	-	-	85,000	85,000	85,474
Total financial liabilities	$ 908	$ 135,732	$ -	$ -	$ 11,998,977	$ 12,135,617	$ 12,288,974

(b) Fair value hierarchy:

Financial instruments recorded 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 table presents the financial instruments recorded in the consolidated balance sheets, classified using the fair value hierarchy:

				June 30, 2015
	Level 1	**Level 2**	**Level 3**	**Total financial assets/ financial liabilities at fair value**
Financial assets:				
Investments	**$ 159,931**	**$ 2,459**	**$ 1,000**	**$ 163,390**
Mortgages receivable – Core Lending	**-**	**48,519**	**8,220,658**	**8,269,177**
Mortgages receivable – Securitization Financing	**-**	**24,512**	**5,135,601**	**5,160,113**
Securitization retained interests	**-**	**56,982**	**-**	**56,982**
Other assets:				
Derivative financial instruments – interest rate swaps	**-**	**1,245**	**-**	**1,245**
Mortgage commitments	**-**	**83**	**-**	**83**
Total financial assets	**$ 159,931**	**$ 133,800**	**$ 13,357,259**	**$ 13,650,990**
Financial liabilities:				
Deposits	**$ -**	**$ -**	**$ 8,272,596**	**$ 8,272,596**
Securitization liabilities	**-**	**1,738,162**	**3,315,715**	**5,053,877**
Other liabilities:				
Derivative financial instruments – securitization activities	**-**	**651**	**-**	**651**
Derivative financial instruments – total return swaps	**219**	**-**	**-**	**219**
Debentures	**-**	**86,247**	**-**	**86,247**
Total financial liabilities	**$ 219**	**$ 1,825,060**	**$ 11,588,311**	**$ 13,413,590**

				December 31, 2014
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Investments	$ 172,410	$ 14,254	$ 1,000	$ 187,664
Mortgages receivable – Core Lending	-	49,122	7,649,672	7,698,794
Mortgages receivable – Securitization Financing	-	41,310	4,671,759	4,713,069
Securitization retained interests	-	44,983	-	44,983
Other assets:				
Derivative financial instruments – interest rate swaps	-	1,916	-	1,916
Mortgage Commitments	-	16	-	16
Total financial assets	$ 172,410	$ 151,601	$ 12,322,431	$ 12,646,442
Financial liabilities:				
Deposits	$ -	$ -	$ 7,500,809	$ 7,500,809
Securitization liabilities	-	1,908,915	2,587,905	4,496,820
Other liabilities:				
Derivative financial instruments – bond forwards	-	908	-	908
Debentures	-	85,474	-	85,474
Total financial liabilities	$ -	$ 1,995,297	$ 10,088,714	$ 12,084,011

Note 6 – Investments

Carrying value:

	June 30, 2015	December 31, 2014	June 30, 2014
Debt securities issued by regulated financial institutions	**$ -**	$ -	$ 10,003
Debt securities guaranteed by Government of Canada	**20,585**	20,597	25,749
Debt securities – corporate debt	**1,000**	1,000	-
Equity securities – preferred shares	**138,481**	143,054	110,926
Equity securities – common shares	**865**	8,759	11,854
Canada Housing Trust re-investment accounts[1][2]	**2,459**	14,254	72,717
	$ 163,390	$ 187,664	$ 231,249

[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.*
[2] *Excludes reverse repurchase agreements of $1,730 (December 31, 2014 – $8,119, June 30, 2014 – nil) which are reclassified to Securities purchased under reverse repurchase agreements.*

Net unrealized gains (losses) on available for sale investments recorded in the consolidated statements of comprehensive income are as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Debt securities issued by regulated financial institutions	**$ -**	$ -	$ 3
Debt securities guaranteed by Government of Canada	**1,408**	1,147	985
Equity securities – preferred shares	**(20,478)**	(7,149)	(5,354)
Equity securities – common shares	**-**	(396)	906
	$ (19,070)	$ (6,398)	$ (3,460)

Note 7 – Mortgages Receivable

(a) Mortgages receivable:

		Allowance for credit losses			
June 30, 2015	**Gross amount**	**Individual**	**Collective**	**Total**	**Net amount**
Mortgages – Core Lending	**$ 8,235,443**	**$ 1,908**	**$ 30,823**	**$ 32,731**	**$ 8,202,712**
Mortgages – Securitization Financing	**4,975,427**	**-**	**-**	**-**	**4,975,427**
Accrued interest	**39,404**	**1,276**	**-**	**1,276**	**38,128**
	$ 13,250,274	**$ 3,184**	**$ 30,823**	**$ 34,007**	**$ 13,216,267**

		Allowance for credit losses			
December 31, 2014	Gross amount	Individual	Collective	Total	Net amount
Mortgages – Core Lending[(1)]	$ 7,690,252	$ 2,433	$ 29,510	$ 31,943	$ 7,658,309
Mortgages – Securitization Financing[(1)]	4,574,251	-	-	-	4,574,251
Accrued interest	38,889	1,504	-	1,504	37,385
	$ 12,303,392	$ 3,937	$ 29,510	$ 33,447	$ 12,269,945

		Allowance for credit losses			
June 30, 2014	Gross amount	Individual	Collective	Total	Net amount
Mortgages – Core Lending[(1)]	$ 6,831,750	$ 2,153	$ 28,858	$ 31,011	$ 6,800,739
Mortgages – Securitization Financing[(1)]	4,292,556	-	-	-	4,292,556
Accrued interest	36,341	1,241	-	1,241	35,100
	$ 11,160,647	$ 3,394	$ 28,858	$ 32,252	$ 11,128,395

[(1)] *In prior years, alternative single family mortgages were reported under Mortgages – Core Lending before being securitized and under Mortgages – Securitization Financing after securitization. Beginning 2015, the Company is reporting all its alternative single family mortgages under Mortgages – Core Lending as it reflects a clearer picture of both our Alternative Single Family business and our Prime Single Family business. Accordingly at December 31, 2014, the Company reclassified $425,831 (June 30, 2014 – $415,216) of securitized alternative single family mortgages from Securitization Financing to Core Lending. The Company also reclassified $7,294 of Interest income from Mortgages – Securitized Financing to Mortgages – Core Lending for the period ending June 30, 2014.*

Included in Mortgages – Securitization Financing are mortgages held for securitization which consist of Government of Canada insured residential mortgages of $373,302 (December 31, 2014 – $356,479, June 30, 2014 − $167,440), of which $24,493 (December 31, 2014 – $41,310, June 30, 2014 – $36,334) are classified as held for trading and are carried at fair value, with changes in fair value included in Gains on securitization activities and income from securitization retained interests. The fair value adjustment as at June 30, 2015 is ($31) (December 31, 2014 – $218, June 30, 2014 – $114).

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, 2015, mortgage principal outstanding for these mortgages was $46,657 (December 31, 2014 – $47,180, June 30, 2014 – $47,689) and the fair value adjustment was $1,862 (December 31, 2014 – $1,942, June 30, 2014 – $2,217).

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

	June 30, 2015	June 30, 2014
Changes in fair value for mortgages held for trading included in Gains on securitization activities and income from securitization retained interests	**$ (249)**	$ 221
Changes in fair value for mortgages designated as at fair value through income and recognized in Interest income – Mortgages – Core Lending	**(80)**	(102)

At June 30, 2015, the Company had commitments to fund a total of $914,773 (December 31, 2014 – $777,890, June 30, 2014 – $642,783) 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.

As at June 30, 2015, accrued interest on impaired mortgages amounted to $1,343 (December 31, 2014 – $2,153, June 30, 2014 – $1,655).

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

			June 30, 2015	December 31, 2014	June 30, 2014
	Gross	**Individual allowance**	**Net**	Net	Net
Mortgages – Core Lending	**$ 27,566**	**$ 3,184**	**$ 24,382**	$ 36,511	$ 33,032
Mortgages – Core Lending – Insured	**-**	**-**	**-**	148	135
Mortgages – Securitization Financing – Insured	**-**	**-**	**-**	657	1,479
	$ 27,566	**$ 3,184**	**$ 24,382**	$ 37,316	$ 34,646

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

				June 30, 2015
	30 – 59 days	**60 – 89 days**	**90 days or more**	**Total**
Mortgages – Core Lending	**$ 28,328**	**$ 11,328**	**$ -**	**$ 39,656**
Mortgages – Core Lending – Insured	**875**	**73**	**1,904**	**2,852**
Mortgages – Securitization Financing – Insured	**2,927**	**942**	**1,430**	**5,299**
	$ 32,130	**$ 12,343**	**$ 3,334**	**$ 47,807**

				December 31, 2014
	30 – 59 days	60 – 89 days	90 days or more	Total
Mortgages – Core Lending	$ 35,522	$ 8,679	$ -	$ 44,201
Mortgages – Core Lending – Insured	890	508	291	1,689
Mortgages – Securitization Financing – Insured	1,983	1,980	1,091	5,054
	$ 38,395	$ 11,167	$ 1,382	$ 50,944

(c) Allowance for credit losses:

			June 30, 2015
	Individual allowance	**Collective allowance**	**Total**
Balance, beginning of period	**$ 3,937**	**$ 29,510**	**$ 33,447**
Provision for credit losses	**331**	**1,313**	**1,644**
Realized losses	**(1,106)**	**-**	**(1,106)**
Recoveries	**22**	**-**	**22**
Balance, end of period	**$ 3,184**	**$ 30,823**	**$ 34,007**

			June 30, 2014
	Individual allowance	Collective allowance	Total
Balance, beginning of period	$ 3,381	$ 28,096	$ 31,477
Provision for credit losses	290	762	1,052
Realized losses	(290)	-	(290)
Recoveries	13	-	13
Balance, end of period	$ 3,394	$ 28,858	$ 32,252

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 sale and repurchase agreements and its securitization activities. For further details, refer to Note 9 to the audited consolidated financial statements in the Company's 2014 Annual Report.

During the quarter, the Company extended its securitization activities by entering into an agreement with another Schedule I Canadian bank to sell uninsured residential mortgages into a program sponsored by that bank. Under this agreement, the Company sells the mortgages to the program which remain in the program until maturity, and the bank that sponsors the program retains all of the refinancing risks related to the program. The sale of these mortgages does not qualify for derecognition as the Company continues to be exposed to substantially all of the risks and rewards associated with the transferred assets. As a result, the mortgages continue to be recognized on the consolidated balance sheets at amortized cost and the proceeds received on securitization are recognized under securitization liabilities, with the mortgages transferred pledged as collateral for these securitization liabilities.

(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, 2015		December 31, 2014		June 30, 2014	
	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	**$ 5,153,094**	**$ 167,767**	$ 4,656,651	$ 52,413	$ 4,553,140	$ -
Carrying amount of associated liability	**4,870,987**	**167,767**	4,355,328	52,413	4,374,999	-
Carrying amount, net position	**$ 282,107**	**$ -**	$ 301,323	$ -	$ 178,141	$ -
Fair value of assets	**$ 5,328,562**	**$ 167,767**	$ 4,783,429	$ 52,413	$ 4,656,464	$ -
Fair value of associated liability	**5,053,877**	**167,767**	4,496,820	52,413	4,484,879	-
Fair value, net position	**$ 274,685**	**$ -**	$ 286,609	$ -	$ 171,585	$ -

The carrying amount of assets include securitized assets that were not transferred to third parties of $503,945 (December 31, 2014 – $309,797, June 30, 2014 – $224,744). The fair value of these assets are $506,323 (December 31, 2014 – $310,754, June 30, 2014 – $225,892).

The carrying amount of assets exclude mortgages held for securitization of $373,735 (December 31, 2014 – $356,650, June 30, 2014 – $167,326).

The Company's outstanding securitization liabilities are as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Securitization principal	**$ 4,887,868**	$ 4,368,886	$ 4,383,815
Deferred net discount and issuance costs	**(28,263)**	(25,307)	(22,504)
Accrued interest	**11,382**	11,749	13,688
Total	**$ 4,870,987**	$ 4,355,328	$ 4,374,999

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

The following table provides information on the Company’s securitization activities during the period for transfers that are derecognized in their entirety:

	June 30, 2015	June 30, 2014
Mortgages securitized and sold	**$ 394,851**	$ 200,106
Carrying value of Securitization retained interests	**16,593**	7,310
Carrying value of Securitized mortgage servicing liability	**3,699**	1,907
Gains on mortgages securitized and sold	**3,233**	1,515
Income from securitization activities and retained interests	**737**	88

Note 9 – Derivative Financial Instruments

(a) Hedge instruments:

Cash flow hedges

The Company's securitization activities are subject to interest rate risk, which represents the potential for changes in interest rates between the time the Company commits to funding a mortgage it intends to securitize through the issuance of a securitization liability, and the time the liability is actually issued. The Company utilizes derivative financial instruments in the form of bond forwards to hedge this exposure, with the intent to manage the change in cash flows of the future interest payments on the highly probable forecasted issuance of the securitization liability. The Company applies hedge accounting to these derivative financial instruments to minimize the volatility in income caused by changes in interest rates.

Effective May 2015, the Company began hedging the risk of changes in future cash flows related to its Restricted share unit plan by entering into total return equity swap contracts with third parties, the value of which is linked to the price of the Company's common shares. Changes in the fair value of these derivative financial instruments offset the compensation expense related to the change in share price, over the period in which the swap is in effect. The Company applies hedge accounting to these derivative financial instruments to minimize the volatility in income caused by changes in the Company's share price.

Effective May 2015, the Company also began hedging the risk of changes in future cash flows related to its Deferred share unit plan by entering into a total return equity swap contract with a third party. The value of this derivative financial instrument is linked to the price of the Company's common shares. Changes in fair value of the derivative offsets the compensation expense related to the change in share price, over the period in which the swap is in effect. The Company does not apply hedge accounting to this derivative financial instrument.

Fair value hedges

The Company enters into hedging transactions to manage interest rate exposure on mortgage commitments and deposits used to fund floating rate mortgages. The hedging instruments used to manage these exposures are interest rate swaps and bond forwards. The Company does not apply hedge accounting to these hedging relationships.

The Company also enters into hedging transactions to manage interest rate exposures on certain deposits and has applied hedge accounting to these relationships.

(b) Financial impact of derivatives:

The fair values and notional amounts of hedge instruments outstanding are as follows:

				June 30, 2015
		Fair value		
Derivative instrument and term (years)	Notional amount	Assets	Liabilities	Net[1]
Cash flow hedges:				
Bond forwards – hedge accounting				
1 or less	$ 216,981	$ -	$ (581)	$ (581)
Total return swaps – hedge accounting				
1 or less	21	-	(49)	(49)
1 to 5	44	-	(101)	(101)
Total return swaps – non-hedge accounting				
1 or less	30	-	(69)	(69)
Fair value hedges:				
Interest rate swaps – hedge accounting				
1 or less	40,000	21	-	21
1 to 5	100,000	1,224	-	1,224
Bond forwards – non-hedge accounting				
1 or less	33,550	-	(70)	(70)
	$ 390,626	$ 1,245	$ (870)	$ 375

				December 31, 2014
		Fair value		
Derivative instrument and term (years)	Notional amount	Assets	Liabilities	Net[1]
Cash flow hedges:				
Bond forwards – hedge accounting				
1 or less	$ 100,684	$ -	$ (660)	$ (660)
Fair value hedges:				
Interest rate swaps – hedge accounting				
1 or less	185,000	83	-	83
1 to 5	322,000	1,827	-	1,827
Interest rate swaps – non-hedge accounting				
1 or less	90,000	6	-	6
Bond forwards – non-hedge accounting				
1 or less	42,300	-	(248)	(248)
	$ 739,984	$ 1,916	$ (908)	$ 1,008

				June 30, 2014
		Fair value		
Derivative instrument and term (years)	Notional amount	Assets	Liabilities	Net[1]
Cash flow hedges:				
Bond forwards – hedge accounting				
1 or less	$ 35,825	$ -	$ (478)	$ (478)
Fair value hedges:				
Interest rate swaps – hedge accounting				
1 or less	175,000	278	-	278
1 to 5	362,000	1,898	-	1,898
Interest rate swaps – non-hedge accounting				
1 or less	225,000	82	-	82
Bond forwards – non-hedge accounting				
1 or less	36,600	-	(134)	(134)
	$ 834,425	$ 2,258	$ (612)	$ 1,646

[1] Derivative financial assets are included in Other Assets (Note 10) and derivative financial liabilities are included in Other Liabilities (Note 13).

Cash flow hedges:

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

	June 30, 2015	June 30, 2014
Fair value changes recorded in Other comprehensive income	**$ (1,217)**	$ (2,319)
Fair value changes recorded in Income	**123**	(205)
Amounts reclassified from Other comprehensive income to Interest expense – securitization liabilities	**(1,445)**	(1,065)
Amounts reclassified from Other comprehensive income to Non-interest expenses – compensation and benefits	**(12)**	-

Fair value hedges:

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

	June 30, 2015	June 30, 2014
Interest rate swaps – hedge accounting	**$ 2,687**	$ 787
Interest rate swaps	**(6)**	(179)
Bond forwards	**178**	(267)
Changes in fair value recognized in income	**$ 2,859**	$ 341

Note 10 – Other Assets

	June 30, 2015	December 31, 2014	June 30, 2014
Deferred system costs	**$ 16,005**	$ 11,669	$ 5,592
Prepaid expenses and other	**8,149**	6,399	6,105
Capital assets	**7,824**	3,964	3,772
Real estate owned	**6,717**	7,473	7,144
Income taxes recoverable	**6,416**	-	-
Receivables relating to securitization activities	**5,105**	4,592	1,088
Derivative financial instruments – interest rate swaps	**1,245**	1,916	2,258
Accrued interest and dividends on non-mortgage assets	**361**	412	360
Mortgage commitments	**83**	16	-
	$ 51,905	$ 36,441	$ 26,319

Note 11 – Deposits

	June 30, 2015	December 31, 2014	June 30, 2014
Term and other deposits	**$ 8,128,474**	$ 7,385,456	$ 6,411,549
Accrued interest	**126,380**	122,670	116,925
Deferred deposit agent commissions	**(18,493)**	(18,708)	(18,360)
	$ 8,236,361	$ 7,489,418	$ 6,510,114

Term and other deposits also include $46,268 (December 31, 2014 – $135,841, June 30, 2014 – $270,496) of deposits designated as at fair value through income and are carried at fair value with changes in fair value included in Interest expense – Deposits. 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, 2015 is $160 (December 31, 2014 – ($109), June 30, 2014 – $45).

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

	June 30, 2015	June 30, 2014
Changes in fair value recognized in income	**$ (269)**	$ (215)

Term and other deposits also include $139,210 (December 31, 2014 – $502,060, June 30, 2014 – $532,868) of deposits designated in qualifying fair value interest rate hedging relationships and are 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, 2015 is $1,193 (December 31, 2014 – $1,764, June 30, 2014 – $2,004).

The impact of changes in fair value attributable to deposits designated in hedging relationships is as follows:

	June 30, 2015	June 30, 2014
Changes in fair value recognized in income	**$ (2,657)**	$ (758)

Note 12 – Income Taxes

(a) Income tax provision:

	June 30, 2015	June 30, 2014
Current tax expense:		
Current period	$ 13,919	$ 17,518
Adjustments for prior years	(60)	(829)
	13,859	16,689
Deferred tax expense:		
Reversal of temporary differences	5,764	451
Adjustments for prior years	(59)	817
Change in tax rates	95	28
	5,800	1,296
Total income tax expense	$ 19,659	$ 17,985

The provision for income taxes shown in the consolidated statements of income differs from that obtained by applying statutory income tax rates to income before the provision for income taxes due to the following reasons:

	June 30, 2015	June 30, 2014
Canadian statutory income tax rate	26.5%	26.4%
Increase (decrease) resulting from:		
Tax-exempt income	(3.0%)	(1.1%)
Future tax rate changes	0.1%	0.1%
Non-deductible expenses and other	0.2%	0.3%
Effective income tax rate	23.8%	25.7%

(b) Deferred tax liabilities:

Net deferred tax liabilities are comprised of:

	June 30, 2015	December 31, 2014	June 30, 2014
Deferred income tax assets:			
Allowance for credit losses	$ 8,270	$ 7,896	$ 7,664
Share issue expenses	1,180	1,427	-
Other	1,317	1,165	169
	10,767	10,488	7,833
Deferred income tax liabilities:			
Securitization activities	16,702	13,974	11,506
Deposit agent commissions	4,786	4,822	4,712
Net mortgage fees	6,018	3,720	3,551
Other	4,008	2,815	186
	31,514	25,331	19,955
Net deferred income tax liabilities	$ 20,747	$ 14,843	$ 12,122

Note 13 – Other Liabilities

	June 30, 2015	December 31, 2014	June 30, 2014
Accounts payable and accrued liabilities	$ **23,486**	$ 16,075	$ 12,192
Mortgagor realty taxes	**19,003**	31,512	17,973
Securitized mortgage servicing liability	**13,652**	11,192	9,084
Derivative financial instruments – bond forwards	**651**	908	612
Derivative financial instruments – total return swaps	**219**	-	-
Income taxes payable	**-**	2,284	1,492
	$ **57,011**	$ 61,971	$ 41,353

Note 14 – Bank Facilities

During the period, the Company secured a $350,000 revolving facility with a group of major Schedule I Canadian banks to finance insured residential mortgages until such time as they can be securitized. The balance outstanding on this facility as at June 30, 2015 is $60,000.

The Company also has a $300,000 credit facility with a major Schedule I Canadian Bank to finance insured residential mortgages prior to securitization. The balance outstanding on this facility as at June 30, 2015 is $81,802 (December 31, 2014 – $92,236, June 30, 2014 – $117,941). For further details on bank facilities, refer to Note 16 to the audited consolidated financial statements in the Company's 2014 Annual Report.

Note 15 – 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, 2015			June 30, 2014		
	Number of shares	**Amount**	**Dividends per share**(1)	Number of shares	Amount	Dividends per share(1)
Preferred shares:						
Series 1 - Balance, beginning of period	**-**	**$ -**		2,000,000	$ 50,000	
Balance, end of period	**-**	**$ -**	**$ -**	2,000,000	$ 50,000	$ 0.91
Series 3, Balance - beginning of period	**3,000,000**	**$ 75,000**		-	$ -	
Balance, end of period	**3,000,000**	**$ 75,000**	**$ 0.79**	-	$ -	$ -
Balance, end of period, before issuance cost	**3,000,000**	**$ 75,000**		2,000,000	$ 50,000	
Issuance cost		**(2,443)**			(1,506)	
Balance, end of period, after issuance cost	**3,000,000**	**$ 72,557**	**$ 0.79**	2,000,000	$ 48,494	$ 0.91

	June 30, 2015			June 30, 2014		
	Number of shares	**Amount**	**Dividends per share**(1)	Number of shares	Amount	Dividends per share(1)
Common shares:						
Balance, beginning of period	**15,435,356**	**$ 140,657**		15,355,405	$ 137,969	
Contributions from reinvestment of dividends	**-**	**-**		9,831	528	
Contributions from exercise of stock options	**34,431**	**939**		41,011	1,054	
Transferred from contributed surplus relating to the exercise of stock options	**-**	**198**		-	233	
Balance, end of period	**15,469,787**	**$ 141,794**	**$ 0.60**	15,406,247	$ 139,784	$ 0.33

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

Note 16 – 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 six to seven years and vest over a four or five-year period. As at June 30, 2015, the maximum number of common shares available for issuance under the plan is 1,475,570. The outstanding options expire on various dates to March 2022. A summary of the Company's stock option activity and related information for the periods ended June 30, 2015 and June 30, 2014 is as follows:

	June 30, 2015		June 30, 2014	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**544,449**	**$ 33.52**	521,631	$ 28.54
Granted	**101,695**	**59.98**	100,430	52.90
Exercised	**(34,431)**	**27.26**	(41,011)	25.70
Forfeited/cancelled	**(6,914)**	**63.78**	(8,100)	42.83
Outstanding, end of period	**604,799**	**$ 37.98**	572,950	$ 32.81
Exercisable, end of period	**299,715**	**$ 29.67**	198,211	$ 26.53

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $507 (June 30, 2014 − $449) 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, 2015 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

	June 30, 2015	June 30, 2014
Risk-free rate	**0.7%**	1.6%
Expected option life (years)	**4.8**	4.8
Expected volatility	**22.4%**	23.3%
Expected dividends	**1.1%**	1.5%
Weighted average fair value of each option granted	**$ 10.56**	$ 9.04

(b) Employee share purchase ("ESP") plan:

The Company has an ESP plan for eligible employees. Under the plan, eligible employees can contribute between 1% and 10% of their annual base salary towards the purchase of common shares of the Company. For each eligible contribution, the Company contributes 50% of the employee's contribution to purchase common shares of the Company.

During the period ended June 30, 2015, the Company expensed $273 (June 30, 2014 − $198) under this plan.

(c) Deferred share unit ("DSU") plan:

The Company has a DSU plan for Directors. Under the plan, notional units are allocated to a Director from time to time by the Board of Directors and the units vest at the time of the grant. For further details, refer to Note 19 to the audited consolidated financial statements in the Company's 2014 Annual Report.

A summary of the Company's DSU activity for the periods ended June 30, 2015 and June 30, 2014 is as follows:

	June 30, 2015	June 30, 2014
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	**24,709**	32,754
Granted	**5,117**	5,090
Dividends reinvested	**148**	195
Exercised	**-**	(13,464)
Outstanding, end of period	**29,974**	24,575

The liability associated with DSUs outstanding as at June 30, 2015 was $1,863 (June 30, 2014 – $1,501). Compensation expense recorded relating to DSUs outstanding during the six months ended June 30, 2015 amounted to $346 (June 30, 2014 – $769).

(d) Restricted share unit ("RSU") plan:

The Company has a RSU plan for eligible employees. Under the plan, RSUs and/or Performance share units ("PSU") are awarded by the Board to eligible employees during the annual compensation process and vest at the end of three years ("cliff vest"). Under the RSU plan, each RSU or PSU represents one notional common share and earns notional dividends, which are re-invested into additional RSUs or PSUs when cash dividends are paid on the Company's common shares. Each RSU or PSU held at the end of the vesting period including those acquired as dividend equivalents will be paid to the eligible employees in cash, the value of which will be based on the volume-weighted average closing price of the Company's common shares on the TSX for the five consecutive trading days immediately prior to, and including the vesting date. The value of PSUs can be increased or decreased up to 25%, based on the Company's relative total shareholder return compared to a defined peer group of financial institutions in Canada. Please refer to the Company's 2014 Management Information Circular for further details on its compensation plan structure.

A summary of the Company's RSU activity for the periods ended June 30, 2015 and June 30, 2014 is as follows:

	June 30, 2015	June 30, 2014
	Number of RSUs	Number of RSUs
Outstanding, beginning of year	**39,794**	44,376
Granted	**26,855**	21,455
Dividends reinvested	**138**	157
Forfeited/cancelled	**(993)**	(657)
Outstanding, end of year	**65,794**	65,331

The liability associated with RSUs outstanding as at June 30, 2015 was $1,857 (June 30, 2014 – $1,848). Compensation expense recorded relating to RSUs outstanding during the six months ended June 30, 2015 amounted to $575 (June 30, 2014 – $873).

Note 17 – 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 quarter, taking into account the dilution effect of stock options using the treasury stock method.

		June 30, 2015		June 30, 2014
Earnings per common share – basic:				
Net income	$	62,981	$	52,069
Dividends on preferred shares		2,381		1,812
Net income available to common shareholders	$	60,600	$	50,257
Weighted average basic number of common shares outstanding		15,450,802		15,385,290
Earnings per common share – basic	$	3.92	$	3.27
Earnings per common share – diluted:				
Net income available to common shareholders	$	60,600	$	50,257
Weighted average basic number of common shares outstanding		15,450,802		15,385,290
Adjustment to weighted average number of common shares outstanding:				
Stock options		224,013		231,160
Weighted average diluted number of common shares outstanding		15,674,815		15,616,450
Earnings per common share – diluted	$	3.87	$	3.22

For the period ended June 30, 2015, the calculation of the diluted earnings per share excluded 67,664 (June 30, 2014 – 15,190) average options outstanding with a weighted average exercise price of $60.14 (June 30, 2014 – $51.67) as the exercise price of these options was greater than the average price of the Company's common shares.

Note 18 – 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 pages 20 of this MD&A.

Equitable Bank maintains capital management policies, including an internal capital adequacy assessment process, to govern the quality and quantity of capital utilized in its operations. During the period, Equitable Bank complied with all internal and external capital requirements.

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

	June 30, 2015	December 31, 2014	June 30, 2014
Common Equity Tier 1 capital ("CET1"):			
Common shares	$ 144,276	$ 143,141	$ 142,240
Contributed surplus	5,732	5,423	5,128
Retained earnings	545,500	490,774	443,977
Accumulated other comprehensive loss[1]	(13,023)	(2,453)	(2,016)
Less: Regulatory adjustments	(12,088)	(1,723)	(1,160)
Common Equity Tier 1 capital:	670,397	635,162	588,169
Additional Tier 1 capital:			
Non-cumulative preferred shares	72,554	67,603	40,000
Net Tier 1 capital:	742,951	702,765	628,169
Tier 2 capital:			
Collective allowance	30,275	29,510	28,858
Subordinated debentures	85,000	85,000	92,483
Tier 2 capital:	115,275	114,510	121,341
Total capital	$ 858,226	$ 817,275	$ 749,510

[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 in AOCI corresponding to the hedged items that are not recognized in the balance sheet are excluded.*

Note 19 – 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, 2015:

								June 30, 2015
	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	**$ 2,703,596**	**$ 1,064,843**	**$ 3,161,851**	**$ 6,930,290**	**$ 5,873,322**	**$ 1,364,737**	**$ 161,475**	**$ 14,329,824**
Total liabilities and equity(2)(3)	**(653,053)**	**(2,393,538)**	**(3,274,257)**	**(6,320,848)**	**(5,816,169)**	**(1,315,611)**	**(877,196)**	**(14,329,824)**
Off-balance sheet items(4)	**-**	**(310,432)**	**45,811**	**(264,621)**	**299,219**	**(34,598)**	**-**	**-**
Interest rate sensitive gap	**$ 2,050,543**	**$ (1,639,127)**	**$ (66,595)**	**$ 344,821**	**$ 356,372**	**$ 14,528**	**$ (715,721)**	**$ -**
Cumulative gap (2)	**$ 2,050,543**	**$ 411,416**	**$ 344,821**	**$ 344,821**	**$ 701,193**	**$ 715,721**	**$ -**	**$ -**
Cumulative gap as a percentage of total assets	**14.31%**	**2.87%**	**2.41%**	**2.41%**	**4.89%**	**4.99%**	**-%**	**-%**

								December 31, 2014
	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)	$ 1,563,626	$ 603,890	$ 114,147	$ 114,147	$ 714,130	$ 645,369	$ -	$ -
Cumulative gap as a percentage of total assets	12.16%	4.70%	0.89%	0.89%	5.56%	5.02%	-%	-%

								June 30, 2014
	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)	$ 1,566,063	$ 158,190	$ 336,007	$ 336,007	$ 658,690	$ 614,493	$ -	$ -
Cumulative gap as a percentage of total assets	13.29%	1.34%	2.85%	2.85%	5.59%	5.21%	-%	-%

(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.*

DIRECTORS

Eric Beutel
Vice-President, Oakwest Corporation Limited, an investment holding company

Johanne Brossard
Corporate Director

Michael Emory
President and Chief Executive Officer, Allied Properties REIT

Eric Kirzner
Professor of Finance, Rotman School of Management, University of Toronto

David LeGresley
Chair of the Board of the Company and Equitable Bank, and a Corporate Director

Lynn McDonald
Corporate Director

Andrew Moor
President and Chief Executive Officer of the Company and Equitable Bank

Rowan Saunders
President and Chief Executive Officer, Royal & Sun Alliance Insurance Company of Canada

Vincenza Sera
Corporate Director

Michael Stramaglia
Corporate Director and President and Founder of Matrisc Advisory Group Inc., a risk management consulting firm

OFFICERS

Andrew Moor
President and Chief Executive Officer of the Company and Equitable Bank

Ron Tratch
Vice-President of the Company and Chief Risk Officer of Equitable Bank

Tim Wilson
Vice-President and Chief Financial Officer of the Company and Equitable Bank

Aviva Braude
Vice-President, Mortgage Services of Equitable Bank

Dan Dickinson
Vice-President, Digital Banking of Equitable Bank

David Downie
Vice-President, Commercial Mortgage Origination of Equitable Bank

Isabelle Farella
Vice-President, Internal Audit of Equitable Bank

Vince Faustini
Vice-President, Commercial Mortgage Origination of Equitable Bank

Scott Fryer
Vice-President, Deposit Services of Equitable Bank

Kimberly Kukulowicz
Vice-President, Residential Sales and Partner Relations of Equitable Bank

Brian Leland
Vice-President, Residential Credit of Equitable Bank

Tamara Malozewski
Vice-President, Finance of Equitable Bank

Rajesh Raut
Vice-President and Controller of Equitable Bank

Dan Ruch
Vice-President and Chief Compliance Officer of Equitable Bank

John Simoes
Vice-President, Financial Planning and Reporting of Equitable Bank

David Soni
Vice-President, Risk Policy of Equitable Bank

Jody Sperling
Vice-President, Human Resources of Equitable Bank

Nicholas Strube
Vice-President and Treasurer of Equitable Bank

David Yu
Vice-President, Information Technology of Equitable Bank

SHAREHOLDER AND CORPORATE INFORMATION

Corporate Head Office
30 St. Clair Avenue West, Suite 700
Toronto, Ontario, Canada, M4V 3A1

Regional Offices:

Quebec
1411 Peel Street, Suite 501
Montreal, Quebec, Canada, H3A 1S5

Calgary
600 - 1333 8th Street S.W, Suite 600
Calgary, Alberta, Canada, T2R 1M6

Vancouver
777 Hornby Street, Suite 1240
Vancouver, British Columbia, Canada, V6Z 1S4

Website
www.equitablebank.ca

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario, Canada, M5J 2Y1
1.800.564.6253

Stock Listings
TSX: EQB and EQB.PR.C

Investor Relations
Tim Wilson
Vice-President and Chief Financial Officer
416.515.7000
investor@equitablegroupinc.com