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PRESENTATION

Operator

Good morning. Welcome to Equitable's First Quarter Analyst Call and Webcast on Wednesday, May 5, 2021. At this time, you are in a listen-only mode. Later we will conduct a Q&A session for analysts. Instructions will be provided at that time. It is now my pleasure to turn the call over to Richard Gill, Senior Director, Corporate Development and Investor Relations at Equitable.

Richard Gill — Senior Director, Corporate Development and Investor Relations, Equitable Group Inc.

Thanks Carol. Your hosts today are Andrew Moor, President and Chief Executive Officer, Chadwick Westlake, Chief Financial Officer, Mahima Poddar, Group Head, Personal Banking, and Ron Tratch, Chief Risk Officer. For those on the phone lines only, we encourage you to log onto our webcast as well as it will give you access to a video demonstration that accompanies our call. I'll also refer you to Slide 2 of the webcast presentation which contains Equitable's caution regarding forward-looking statements. It's now my pleasure to turn the call over to Andrew.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Thanks Richard and good morning everyone. Today I'll speak to our great outlook for 2021, Chadwick will provide insights into Q1 KPIs and update you on key business developments, and Ron is present for Q&A to answer any questions you have about our current view of credit and risk. However, in true challenger bank fashion, we're going to shake things up with a demo of our category-changing new EQ Bank bank service that launches this month. As Group Head of Personal Banking, Mahima and her team working tightly with our fantastic IT group, are driving a multi-year road map to be a catalyst for change in Canadian banking.

Before we get started, I want to say how proud I am of the team for building up and building out our institution, which is now ranked the number one bank in Canada by Forbes. This is a distinct honour based on extensive consumer surveys measuring factors that include trust and quality of digital services. Credit to the nearly 1,000 Challengers who work here at Equitable for making this award possible. Our employees are indeed our very best asset and I'm delighted how they have embraced our award-winning Challenger culture.

So, let's set the stage for outlook, I think it's important to note that Q1 turned out much better than we expected as our Challenger-backed services attracted over 28,000 new customers in just three months, with sizeable increases in deposits and assets. It was of course challenging to forecast this in the ongoing pandemic but is a testament to the strength of our franchise.

Year-over-year highlights include 114 percent growth in EQ Bank deposits and 8 percent or $2.2 billion growth in total assets, headlined by a 14 percent increase in commercial loan principal. The commercial bank does not get as much attention in credit as I think it really should from investors. In Q1, it really drove value, accounting for nearly half our earnings.

Q1 performance showcases Equitable's capability to grow deposits through our proprietary channels and deploy them across a range of commercial and personal asset categories. Record earnings for Q1 and characteristically high ROE of 17.1 percent are evidence that our Bank is deploying capital efficiently for our shareholders. We call ROEs our true north and it is a management imperative to create tangible returns for all of the bank's activities using our proven value creation methodology. We are poised to build on our growth momentum in upcoming quarters.

We published our annual outlook in February, and it doesn't typically change. This year, it has – and for the better – as we are increasing our growth expectations for assets in 2021, taking into account strong Q1 results. This may come as a surprise in that our original outlook called for healthy loan growth of 6 to 10 percent and EQ Bank deposit growth of 20 to 30 percent, but after exceeding our Q1 growth plan and considering the trend lines in our business over the past two quarters, particularly our commitment pipeline application activity plus improving economic forecasts, we feel confident in raising the bar.

What I'd like to particularly draw your attention to is expected growth of 15 to 20 percent in our conventional and insured portfolio. Conventional is the earnings engine for our bank, making this upgrade very welcome news. On that topic, one of the biggest changes is our outlook for single family alternative mortgages. This is an $11.3 billion portfolio with asset gathering and underwriting capabilities that are core strengths for Equitable and deliver great returns. We now expect portfolio growth of 12 to 15 percent in 2021 rather than mid to high single digits as originally envisaged.

For our Prime business, recall that we grew mortgage balances quite substantially last year in a time of attractive economics. This is an $8 billion portfolio that we now expect to grow 5 to 10 percent. An important part of our new outlook here is the success we're having with internally generated prime loan originations, which are expected to grow nicely this year. Conversely, we have seen fewer opportunities to purchase mortgages from third parties. I would just remind you that purchasing prime mortgages is a thin margin business and slightly slower growth in this category is completely immaterial to this year's earnings.

For our wealth decumulation business, we continue to have high expectations and have effectively doubled our outlook from 100 percent to now 200 percent for reverse mortgages and 150 percent for CSV lending. We got an early indication of this potential with a year-over-year asset growth in reverse mortgages of 241 percent and 533 percent for our CSV portfolio in Q1. Demand for our reverse mortgages is accelerating primarily due to the work our team has done in delivering fantastic service and building distribution with key brokers in the market. Our rising market share provides the proof. The increasing product breadth we have, low interest rates and a more marked preference for aging in place as a result of the pandemic are also critical catalysts.

Our studies of reverse mortgages markets around the world continue to demonstrate that Canada is underserved and Equitable stands to benefit as this approach to funding retirement lifestyles gathers an appropriate degree of acceptance. We're putting a lot of effort into our CSV offering and are gaining traction with customers and new partners, such as SunLife. It's still early days for our decumulation business lines as we invest and scale up. We expect in coming years it will really start to translate into a key part of our investment story.

We're also raising our expectations for pretty much the entire commercial bank. The biggest upgrades to our $3.5 billion commercial finance group with growth now expected to be between 20 and 25 percent. This business provides mortgage financing, including short term bridge loans, term loans, and CMHC insured and uninsured construction loans to large corporates and institutions and offers attractive risk-managed returns. The quality of our new loans is stronger than in recent history, which itself has performed without losses.

Speaking of our commercial segment, it's now been two years since Bennington, our equipment leasing business joined the Equitable family. Like any acquisition, there's always a period of getting to know each other and the need to align systems, processes and policies. Hats off to Troy Campbell and the Bennington team for playing their part so well in this process. I'm certainly excited about the prospects for Bennington as we emphasize building the better credit buckets within the business.

I'm getting really comfortable with our ability to build value for our shareholders over the years ahead as we're able to reinvest earnings into our many businesses and create consistent compounding of that capital. It's a great business model.

As I noted, EQ Bank had a fantastic first quarter with deposits up by $1.2 billion since year end and an EQ Bank customer base now tops 202,000. We measure customer engagement closely and are thrilled with the trends we're seeing in service usage each month and the number of products held per customer. We're very pleased with customer uptake of EQ Banks TSFAs, RSPs and our all-new digital joint savings accounts, and our international money transfer service. As a result of recent momentum, we're very confident that we can grow EQ Bank deposits faster this year, which is reflected in our new outlook.

On that note, I'll turn the call over to Mahima. For those of you who don't know her, Mahima joined Equitable five years ago from Boston Consulting Group and has been a driving force in product and corporate development, including digital banking strategy. She was promoted to Group Head of Personal Banking last year to oversee key areas, including single family mortgages, wealth decumulation, and EQ Bank. On today's call, Mahima will update on exciting developments at EQ Bank and profile our latest Challenger service.

Mahima?

Mahima Poddar — Group Head, Personal Banking, Equitable Group Inc.

Thanks Andrew and good morning everyone. We operate with a long term innovation plan based on our multi-year vision of making EQ Bank the centre or the hub platform that Canadians can rely on for differentiated and simply better financial services. We create these both alone and in partnership with other fintech providers.

Using our cloud-based capabilities and development consistent with our product road map, we have really stepped up the pace of new product and service launches in the past six months. This effort will continue.

Today, I’ll quickly describe a few of our latest launches and share a demo of a product we’re about to introduce.

First up is the EQ Bank’s Mortgage Marketplace, now taking our digital bank into the world of lending. We developed it in collaboration with Nesto, a Montreal-based fintech and online mortgage brokerage backed by Portag. Portag is one of the largest fintech VC funds in the world and Equitable has an equity stake as an LP. This investment keeps us at the forefront of innovation and opens the door to collaborations with the best and brightest in the world of fintech.

Nesto uses an innovative algorithm to analyze the entire Canadian landscape of 2,000-plus broker available mortgage products to recommend the best mortgage product to our customers. The platform is easy to use and requires just one application and one credit check to get pre-qualified for the perfect mortgage match.

The Mortgage Marketplace complements Equitable Bank’s existing mortgage channel and allows us to bring our product platforms together for EQ Bank customers. In the first couple of weeks since launch, applications have materially exceeded our expectations.

Next step on our road map is this month’s launch of the EQ Bank U.S. dollar account. We created this product to address the needs of financially savvy EQ Bank customers and use our Challenger Bank thinking to make it absolutely customer-centric. This meant completely reimagining a service that is typically cumbersome, opaque, and expensive for customers.

Conversely, when we launch in mid-May, our customers will now be able to fund their U.S. dollar accounts from either an external bank account or from their EQ Bank savings-plus account. This will present a real time exchange rate to let customers know exactly how many U.S. dollars they’re funding. The customer reviews the transfer prior to confirming and a countdown clock shows them exactly how long their exchange rate quote is valid for before it re-prices. That’s it - within a few clicks, the account is funded.

Another big benefit of the U.S. dollar is easier, cheaper and faster money transfers. Customers can transfer their U.S. dollars worldwide. They have the option of converting to the local currency or they can send U.S. dollars directly. Our customers get the benefit of transacting at the real exchange rate with full transparency on any service fees. Lastly, I am excited to share today that the new EQ Bank website launched last Friday. Its redesign better reflects our brand positioning, is easier to use, and it should translate to even better consumer conversion.

For our shareholders and analysts, a great way to gauge the value of the platform is to try our new Challenger Bank services for yourselves. I guarantee you will be delighted by the experience. For reference, on Slide 11 in the quarterly slides, the QR code will take you directly to our new website. From here, you can also sign up directly for an account in a matter of a few minutes.

Now, over to Chadwick to discuss more about our quarterly results.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Thanks Mahima.

We entered 2021 with good momentum and exited Q1 even stronger. Equitable continues to deliver above the high end of our ROE targets and we're driving continuous improvement across our business lines. Q1 last year was an outlier as it marked the beginning of the pandemic. While we are still living through lockdowns, the economic outlook has improved with the Bank of Canada forecasting GDP growth of 6.5 percent this year. This is reflected in a return to more normal value creation patterns so far in 2021.

At $150 million, revenue was ahead of Q1 last year by 20 percent. High quality revenue growth translated into diluted EPS of $3.97, a first quarter record and ahead of last year's suppressed levels by 172 percent. From a sequential earnings perspective, we expected Q1 to be lower than Q4, which it was for a few reasons. It always has the impact of fewer business days because of the month of February and we experienced 3 cents of EPS dilution from additional shares outstanding due to the impact of our share price increase in the quarter on employee stock options. As well, earnings from gains on sale continue to migrate back towards more normalized levels. If step one was back at a midpoint range of 13.5 percent, Q1 ROE would have been 18.4 percent versus 17.1 percent. Stated in dollar terms, the bank is holding $108 million of excess capital or $6.37 per common share.

Higher earnings and ROE primarily reflected higher net interest income from growth in core assets complemented by growth in non-interest income, including our regular focus on generating gains on sale of insured multi-unit residential mortgages and a modest release of allowances for credit losses. With revenue growing at a double digit pace, non-interest expenses were up 6 percent year-over-year. This resulted in net positive operating leverage for the quarter and enabled us to generate a sub-39 percent efficiency ratio again, better than the low end of our 2021 guidance. Expense growth was mainly due to an increase in compensation and benefits as we expanded our FTE by 9 percent to 968, to enable our continued growth momentum.

The revised business outlook Andrew shared is achievable with the investments we're making in the business, including in people, innovative products, a new EQ Bank marketing campaign, and leading edge technology, as Mahima demonstrated earlier. While we expect expenses to increase in Q2 and Q3 at a slightly higher rate than the past couple quarters, it will be difficult to compare these expense levels year-over-year due to the constrained spending in the same periods of 2020. My underlying point here is we're going to invest more in Q2 and Q3, possibly taking the efficiency range slightly above our target in Q2 or Q3, but our plan is still to land 2021 within the best-in-class efficiency range we set of 39 to 41 percent. These investments will strengthen our momentum moving into 2022 and our ability to achieve our medium term guidance.

Moving to business lines, the growth leader in capital deployment this quarter was our $9.4 billion commercial bank with asset growth of almost $1.2 billion or plus-14 percent year-over-year. Conventional commercial loan originations were up 65 percent year-over-year. Multi-unit residential mortgages were up 42 percent and we achieved 35 percent growth in equipment leases primarily within the logistics and transportation sectors, both growing parts of the economy. Our equipment leasing business produced a bank-leading 10.2 percent yield in Q1 which reflects its higher risk-return characteristics, a steady risk-adjusted margin behind that, and greater than 20 percent ROE.

Thinking about the leasing portfolio, our original plan was to achieve 1 to 4 percent growth, but that too has been upgraded to 5 to 8 percent, reflecting good ongoing opportunities with credit-worthy customers.

From a portfolio perspective, our original expectation for 2021 and one we have not changed is that our insured multi-unit residential book will stay around the $4.1 billion mark. On-balance sheet portfolio growth in this segment is a function of not only volumes we generate but also levels of de-recognition in any given period. We're also capped to a large extent on new originations by the available allocations from CMHC under the CMB program. We like this business because of its risk-return profile. Notwithstanding the outlook, the portfolio increased 10 percent year-over-year, reflecting changes in CMHC's allocation approach to the CMB program and our initiatives to bring broader capability to this program.

In personal banking, asset growth was 5 percent year-over-year or $920 million. Segment loan originations increased $291 million or plus-28 percent year-over-year, led by 78 percent growth in prime loan originations. More notable from a trend perspective is the return to a more constructive posture in alternative single family lending, where originations increased 17 percent year-over-year. You'll note that the old book was 3 percent lower than a year ago as a result of 2020's pullback; however, assuming we achieve the top end of our upgraded guidance for growth of 12 to 15 percent now, we will add as much as $2.9 billion to the portfolio this year using our proven underwriting methodology.

Moving to sources of capital, total deposits increased $2 billion year-over-year or 13 percent, and by 6 percent sequentially, a very strong showing and indicative of our brand power particularly since EQ Bank now accounts for 33 percent of all deposits, a great accomplishment for a platform that celebrated its fifth anniversary in January. We're also very pleased that our deposit note program surpassed a billion dollars in Q1 with the issuance of a $250 million four-year fixed rate deposit note. This note was priced at 120 basis points over comparable term Canada bonds, representing the lowest spread of all of our issuances to date. Deposit notes have the additional benefit of being a reliable, long term source of funds. Our plan is to continue to reduce our cost of funds through activities such a regular deposit note offerings plus through our covered bond program.

We are progressing well on our covered bond readiness. We filed the bank's issuer application with CMHC and look forward to the first of multiple issuances in Europe this spring for what will end up being more than a $1.5 billion program at the current 5.5 percent of total assets regulatory limit. This first covered bond issuance will be up to €300 million, and based on our updated structure, we now expect this may represent lower cost of funding over GICs by as much as 50 basis points. In that context, as we continue our issuances up to our limit, by around 2023 we may be saving as much as $7.5 million a year just from the program, depending on how much we have issued by that point.

Continuing on the topic of margin, overall NIM has improved in Q1 to 1.77 percent, up three basis points sequentially, reflecting in part the asset mix shift to our high yielding conventional commercial mortgages. Both our prime and uninsured businesses provide great returns; however, we have accelerated even more with uninsured, which is further expanding NIM. Combined with our continued cost of funds diversification, we expect NIM to remain stable and potentially expand from Q1 as we also capture the tailwind of the recent EQ Bank rate decline.

Earnings and growth in our balance sheet translated into a CET1 ratio of 14.5 percent. Year-over-year, the rise in our CET1 ratio was the result of our decision to dial in credit risk in the face of the pandemic earlier in 2020, plus the regulatory limits on capital distribution by OSFI. On the topic of capital, I'll also offer the reminder that we still use standardized risk weights. As we talked about last quarter, once we successfully complete the migration and receive approval from OSFI over the next couple years to move to AIRB for risk weights, we could see this capital further boost up to 400 basis points over time.

Moving to some good trending on the credit side, PCL for Q1 was a net benefit of $800,000 as future expected losses resulting from the pandemic were recorded in Q1 and Q2 of last year. Reserve releases under Stage 1 and Stage 2 amounted to $3.1 million or 13 cents per share. The $1.1 billion shift of loans from Stage 2 back to Stage 1 in the first quarter reflects a decrease in the probability of default, primarily driven by improving macroeconomic drivers. These changes are guided by the latest economic views from Moody's Analytics and our expert credit judgment. We have made no changes to our five scenario weights, which reflect a more balanced view of the various scenarios.

Also worthwhile noting here is Q1 is a difficult comparison point due to the higher PCL in Q1 2020 with the onset of the pandemic, but if we look at it from a pre-tax, pre-provision perspective, we increased 31 percent year-over-year to $92.9 million.

Our ECL further improved since Q4 and the news on delinquencies is positive. By the end of Q1, we returned to pre-pandemic levels of early delinquency in all business lines. At 38 basis points, early delinquency in single family is at the low end of our historical range, and as a reminder, our track record includes very few losses in this business. This certainly supports the comments we've made previously about the resiliency of our book, our success in clearing deferrals, and why it makes sense to us that we could expect future releases of ECL. If the economy unfolds consistent with our base case forecast, we would see an additional release of approximately $5.1 million of reserves, which you can also see in Table 13 on Page 23 of our MD&A.

Our impaired loans ended the quarter at $108.6 million, an improvement of $12.9 million from Q4 and better by $24.8 million year-over-year. Realized losses remain low at $2.5 million or 3 basis points relative to total loan assets. Most of these losses are from the leasing portfolio with continued very low losses from the real estate portfolio. This rate of write-offs remains well below comparable bank peers.

Tighter risk parameters in mid-2020 strengthened the quality of the bank's portfolio and gives us confidence that our midterm annualized loss rate will remain in the range of 3 to 7 basis points. As a reminder, we have a mature risk management framework and never stretch to achieve our growth objectives. This is why Equitable has had the lowest credit loss rate of all Canadian banks for many years.

Andrew discussed our upgraded growth outlook for the year, so I will remind you that we are reaffirming our bank's medium term objectives of 15 to 17 percent ROE, 12 to 15 percent EPS growth, 13 to 14 percent CET1, and dividend growth between 20 to 25 percent.

In closing, this was a strong quarter of growth in new customer relationships, good success with our new Challenger Bank services, and a strong capital foundation to realize our higher growth expectations and ambitions.

With that, I'll ask the Operator to open the line to your questions.

Q & A

Operator

Thank you Andrew.

Your first question comes from the line of Meny Grauman with Scotiabank.

Meny Grauman – Analyst, Scotiabank

Hi, good morning.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Good morning.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Morning Meny.

Meny Grauman – Analyst, Scotiabank

Just wanted to connect your upgraded outlook for volume growth with your medium term financial targets. It would seem that based on that upgrade, you should be able to deliver a lot better than some of your medium term EPS growth and ROE targets for 2021. I just wanted to see if you would agree with that, if there's anything offsetting to consider in that.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Certainly we're feeling pretty good about that, but I'll let Chadwick deal with the details of that question.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, there's a couple things to consider, Meny. Some of the additional outlook will be staggered through the year, so we can also see some of that come into Q3 and Q4. As we also communicated, we're going to increase our investments this year, so we're certainly confident in the earnings outlook we expected for this year.

But, what I'd also say when it comes to the medium term guidance, to be honest, if we maintain our double-digit loan growth, if NIMs stay consistent with 2021, if PCLs normalize and efficiency remains within that 39 to 41 percent range, we believe we will hit our medium term guidance.

Meny Grauman – Analyst, Scotiabank

Okay. Just switching gears to the mortgage business, in the MD&A you note that OFSI has proposed the increase of the qualifying rate may even be a modest positive. Was hoping you could elaborate on that and how you see that playing out. Then as a follow-up, do you believe you'll see additional regulatory changes in the mortgage market, and also do you think any changes are necessary?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Thanks Meny. In general when you start to push the GDS/TDS limits a little bit, then that's good for our business because we're more comfortable at slightly higher GDS/TDS limits within our B20 framework and the RMUP that drives that, so it doesn't do—you know, we do gain a little bit of market share at credit quality that would have been taken by the big banks prior to these kinds of changes, so it's marginally modest.

I think thinking about regulatory changes is a tough one, and I think generally a lot of the conversation is not so much our mortgage markets but about housing markets and the difficulty of excluding people who'd like to live in the major, more dynamic economic centres from being able to buy in those markets. That's a problem, frankly, of federal, provincial and municipal cooperation around building enough housing units for the people who want to live in our most dynamic cities.

I'd like to see some regulatory change that'd allow us to build more housing units, frankly, in those places. I do think we need to be thoughtful about limiting certain segments of society from buying in these places because I think it creates a divisive society, so we need to be very thoughtful about it. I'd certainly like to see policy makers get together at all three levels of government and try to do something more constructive and systemic. I think all the really serious observers of housing markets in Canada agree that the biggest problem is the supply of housing units in the places where we want them, which are those big economic drivers - the Torontos, Vancouvers, Montreals, Calgary and Edmonton to some extent.

Meny Grauman – Analyst, Scotiabank

Thanks for that, Andrew. Then just finally from me, you launched the Mortgage Marketplace, you showed us a little bit about that in the video. I'm wondering, are there any numbers that you can provide over the next few years, expectations in terms of what kind of volumes you expect to generate and revenue impact, anything on the numbers side to share relating to that launch?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Yes, I mean, certainly it's early days with the numbers, but we're very excited about it because I think we have got our EQ Bank customers, they're looking for mortgage product from us, they're excited about the value of our deposit platform and would like to see the same kind of clean experience in the mortgage lending side of the business.

Mahima, maybe give some more colour on just the numbers and how they're shaking out so far from your perspective.

Mahima Poddar — Group Head, Personal Banking, Equitable Group Inc.

Sure. Given we've really only been live for two and a half weeks and marketing hasn't started, it's still very early, but we have found the early response in applications to be very promising and materially exceeded our expectations. Just as a reminder, the Mortgage Marketplace allows us to increase our prime product shelf, so we have the opportunity to earn interest income on our insured book, but also to earn referral income on uninsured prime loans that get sent to other lenders. We'll be able to provide better earnings guidance after having the benefit of a few months in market.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I think it's a great example, though, of a more open approach to working with other players. Being a smaller bank and a Challenger Bank, we have to be certainly open, so this is a great example of us curating in effect the best financial services products available in the Canadian market, and something we very much observe when we go visit Challenger banks in Europe and other places, and certainly part of our broader aspiration to work and partner with other people that have got different capabilities.

Meny Grauman – Analyst, Scotiabank

Point taken. Thank you very much.

Operator

Your next question comes from the line of Geoff Kwan with RBC Capital Markets.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Morning Geoff.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I think you might be on mute, Geoff.

Geoff Kwan – Analyst, RBC Capital Markets

Oh sorry, can you hear me now?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Yes, absolutely.

Geoff Kwan – Analyst, RBC Capital Markets

Okay. I just had a couple questions. My first one was just the increased guidance that you have in the alternative and the commercial finance, it's up quite a bit from your original guidance. Just was wondering if there are specific things that you would flag that you are seeing, I guess, since you originally were thinking about growth for 2021. Where do you see that growth happening?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I think I'll deal with the commercial piece of that and then perhaps pass the single family alt side to Mahima, who's running that business.

I think in commercial, what we're seeing is a lot of transactions in multi-family properties, actually, and a little bit of back-up at CMHC that's making it—you know, some of those loans that would have in the past been done as insured loans being done as conventional, and that's a place where we really play. The good news about that is that some of those may well convert into our insured book as under new ownership, you know, rents are increased and the insured stuff gets taken out. But we've really seen the faster growth in the commercial finance group is in really high quality, larger multi-family properties.

Then Mahima, maybe you can provide some comment on the alt side.

Mahima Poddar — Group Head, Personal Banking, Equitable Group Inc.

Definitely. On the single family residential side, we're obviously seeing some of the benefit from just housing market activity more broadly and the benefits of HPI growth, but I would say beyond that, we've been really happy with the traction that we're getting in market share growth. Part of that is a revitalized entry back into the market after a pullback in 2020, as well as quite a bit of innovation happening on the product side of our alternative book, and always I think we continue to deliver on the service side of the equation, so have seen very positive feedback from our broker net promoter scores.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Yes, I think when Mahima speaks of product, by the way, she speaks in a product design-centric approach, which is great and it's where we're going. Just to be clear, that's not increasing LTVs, which are (inaudible) particularly right now, so really we're talking about the internal process and the experience that our brokers are getting from some of these processes.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, and I'll just echo in again, Geoff, we've seen some comments in the last quarter, again just trying to contextualize the numbers or the pullback last year. Again, I'll just underline for everyone again, it was deliberate - deliberate when we pulled back last year. It wasn't the market. We made that pull back and we've come back in with a lot of strength, and I think that's where Mahima was going, right - we're really resumed our leadership, especially on the alt side, so that's one of the key deltas, the deliberate pullback, the deliberate step forward.

Geoff Kwan – Analyst, RBC Capital Markets

I guess I just want to make sure I understand the comments around the market share there on the alternative side. I mean, it's not that there's been a lot of time, I guess, in between the original guidance and now the increased amount. Was it the case then when you had your original guidance, you were expecting 2021 to still be pretty cautious around lending in that space, and then now you feel that you're comfortable being more active and that's what's driving it?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

No, I think essentially we dialed back our credit criteria and lost a bit of faith of some of our brokers, and we had to rebuild that. We thought it might take longer than it did to do that, and so that was really—we came in with a broadly cautious forecast knowing that some of our key long-term supporters had become affiliated with other players in the market. But, we found that by really stepping up that service level, and credit to our teams for that intensity of effort, has really been what's driven us to higher market share levels. It's really all been about service.

Geoff Kwan – Analyst, RBC Capital Markets

Okay.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Of course, let me tell you Geoff, it's always a bit embarrassing when you've got change forecasts, but frankly it's pretty hard to put a forecast together coming out through the pandemic, and I think we were just perhaps overly cautious in that environment.

Geoff Kwan – Analyst, RBC Capital Markets

Okay, and just my other question was with the success you're having with the EQ Bank and the rollout you're seeing, very significant increase in your deposits and in particular looking at your demand deposits, I think today that's somewhere a little under 20ish percent or so of your overall funding, and that's, I think, up almost double where it would have been a year ago. Just wanted to get your thoughts on how this dynamic, how it kind of changes how you think about how you're originating loans against those types of deposits, again given significant growth in deposits over the past year.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Yes, it doesn't really affect the thinking about the loan book, but you'd also see us holding, I think, the highest levels of liquidity we've ever held, and that's exactly to sort of deal with any potential risks around that reversing course. And as we mentioned in our script, the fact that—as deposits have been there longer in the platform and as customers are buying more than one product, we're getting more confidence about the stability of those deposits, so we monitor that very carefully and you'll see that over the next few years as we get more and more products being used by those customers. Like most banks, when you've got franchise customers, you're more comfortable having a little bit of a mismatch there, but that's not the case today. We carry a lot of liquidity to support any risk on the demand side.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, and I'll just add to that, Geoff, too. That's part of the key reason when you think about earnings or NIM in 2021, to Andrew's point, we're holding higher liquid assets because of the anticipated growth in the loan book, holding higher liquidity because of that, to your point on the EQ Bank side. The ratio overall for liquidity is a bit hard to predict, but we think it will probably remain around or above this 10 percent level too. If you just think about that right again, even with EQ Bank we hold a lot more, I'd call it more in the 28 percent range than for a non-registered in GICs, so the dynamic shifts a little bit and that comes back to NIM as well.

Geoff Kwan – Analyst, RBC Capital Markets

Okay, great. Thank you.

Operator

Your next question comes from the line of Etienne Ricard with BMO Capital Markets.

Etienne Ricard – Analyst, BMO Capital Markets

Thank you and good morning.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Morning Etienne.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Morning Etienne.
Etienne Ricard – Analyst, BMO Capital Markets

The first question I'd like to on the funding side, talk about deposit notes. I mean, it's great to see that the declining spread on your latest issuance, and I wanted to know what percentage of your deposits do you believe deposit notes could represent longer term, and how much lower do you believe the spread can go?

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Sorry, it was a bit hard to hear that, Etienne. You're asking more about in terms of our continuance of the deposit note program?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Sorry, it could easily double. I did hear the question, so it could easily double in size from here in terms of the portfolio outstanding. We struggle with the rating agencies, so it will take a rating agency increase to drop the spread. I think we're—you know, as we see that, that will help drive down the cost of funds. Today we trade very closely with two other regional banks that actually enjoy higher ratings than us. We don't really believe that they should have a rating increment compared to us, so hopefully over time we can get the rating agencies to believe that.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yeah, and for the deposit program too, so it's—you know, I imagine it was our lowest spread yet, and that's—for us, it's already trending lower than historical GIC pricing, so that is certainly helping. You've seen us do now, I think, about three in the past six months. I'd expect to see for sure a couple a year and keep us going, to Andrew's point, as we further improve with the credit rating agencies too, that can reduce our wholesale funding costs.

When you think of the funding stack even overall out, when you start thinking a few years out, you're going to see that EQ Bank demand deposits become a higher portion of the funding stack, but we'll also see more on the wholesale side with more deposit notes and then more on the covered bonds, particularly if the covered bond limit increases even further. Net-net, we view quite a bit of tailwind in front of us.

Etienne Ricard – Analyst, BMO Capital Markets

Okay, so if I heard you correctly, over the next few years you should double the size of the absolute dollar figure for deposit notes?

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, that's correct. Yes.

Etienne Ricard – Analyst, BMO Capital Markets

Okay, great. You continue to fill your decumulation platform, and this might be a higher level question but how do you believe the pandemic has impacted industry growth prospects for reverse mortgages, and by how much do you believe this can grow longer term?

Mahima Poddar — Group Head, Personal Banking, Equitable Group Inc.

I can take that one - it's Mahima here. On the reverse mortgage side particularly, we're very optimistic around what the market trends are showing, kind of following the pandemic reality, so long term care, as we know, with realities of the pandemic and the situation has caused a lot of our target market to want to stay in home and age in home longer, so we're seeing optimistic forecasts about what that will mean to market growth in the tune of 15 to 20 percent growth in the market year-over-year. I would say that that trend is also reflecting in our recent performance, so Q1 results were considerably higher than where we thought, and we continue to grow that pipeline and see that growth trajectory continuing into the following quarters.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes Etienne, I'll just add to that too. Even to that point, can we maintain this level of growth momentum? The answer is yes. Is the size of the prize significantly larger than we've even approached? Yes. Are we really increasing our market dominance and competition versus the other peer out there? Absolutely, so we feel pretty good about our positioning in this business and the products that Mahima's team has put on the shelf, and our relationships that we're forming, we think we can maintain this momentum for sure.

Etienne Ricard – Analyst, BMO Capital Markets

All right, great. Thank you for your comments.

Operator

Your next question comes from the line of Stephen Boland with Raymond James.

Stephen Boland – Analyst, Raymond James

Thanks. First of all, guys, I just want to compliment you on the disclosure - it gets better every quarter and it really helps the business become more and more transparent, so thank you for that.

The second thing, I guess first question is the marketplace and, I guess, the rationale of opening up a search engine that includes your peers. I guess the question would be when someone answers the qualifying questions, is that—and it refers that client to another lender, is that business that you don't want to compete on, because it just seems to me that maybe you're losing some business on the fringe, and is it rate, is it the type of customer that you'd be losing? Maybe I'm just trying to get a little bit more on the rationale of—and I understand collaboration in Challenger Bank, but what's the rationale of opening that up to your peer group, and does that referral income offset that lost business, that income stream that you could have earned?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Thanks Stephen. In general terms, if the mortgage is insurable, we're going to be very competitive and the engine will point the loan in our direction. We have really great break fees, good rates. There's no reason why somebody shouldn't deal with us. The big part of the market, though, that really has just been handed to the D-SIBS in recent years is the prime uninsured market, so we are unable to compete in that with our current balance sheet funding and particularly using standardized risk weights, and that's true for all small institutions, nothing particularly Equitable related. We might as well service our customers in that need, and if that means funding on another bank's balance sheet, so be it. I think it's better than losing the opportunity altogether. Our Mortgage Marketplace is really trying to drive that origination experience to be something much more like what people expect from EQ Bank rather than traditional banking approaches.

Stephen Boland – Analyst, Raymond James

Okay, that makes sense. Thank you, Andrew

Then second question is just on your alt business, is the—and the higher guidance, and I presume that's a combination of higher volumes, higher housing prices, and that's helping to drive the loan growth. Is the stress test and your outlook that it can be positive for you, is that part of the increased guidance?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Sorry, I didn't hear - what was the key thing you said?

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

The stress test.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

No, the stress test, we think the stress test—you know, it's marginally positive maybe, but it's not going to drive anything. It's a bit of a nothing, frankly, the whole industry as far as I'm concerned. It's a good thing that OSFI is cleaning that up because the use of benchmark rates never really made much sense in the first place - they're kind of a fictitious rate, so I think to have a more structured approach to setting the stress test rate actually makes a lot of sense and we encourage that. But no, it's not really going to move the business very much.

Stephen Boland – Analyst, Raymond James

Okay, and I'll sneak one more in. The commercial finance group, the new outlook looks quite robust for most institutional and corporates. Is there particular segments that have come back strong? I presume maybe the pandemic is part of that, but maybe it was in essential construction, things of that sort, is rebounding quicker than you thought?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

As I mentioned earlier on commercial finance, the quick one is it tends to be large commercial, the large multi-family apartment buildings, multi-family, really high quality assets that are just more actively being traded in this marketplace.

Stephen Boland – Analyst, Raymond James

Okay, thanks for the time.

Operator

Your next question comes from the line of Cihan Tuncay with Stifel.

Cihan Tuncay – Analyst, Stifel

Hi, good morning everyone. Just a couple of quick questions from me. It looks like it was another strong quarter of non-interest income, I think it was 17.5 percent of pre-tax, pre-provision income. With respect to your updated loan growth guidance, a little bit more in the alternative space, a little bit lower in the prime space, and balancing that with the commercial outlook, how do you see that securitization income playing out with your revised loan growth guidance for the next couple of quarters?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

It continues to look pretty strong, frankly. The spreads are definitely down a little bit compared to the height of the pandemic, but nonetheless we're seeing good volumes at decent spreads and we're able to address it quite nicely. I think we'll have more to talk about in, frankly, the next conference call about how we're trying to be more proactive in that marketplace, which will be encouraging.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, I think what we've seen in the numbers this quarters to you right is that we expected that trend to accelerate back to normalized. It went even a little faster, so to Andrew's point, I'd say these levels are a little bit more closer to normalized, so the way to think about it probably for the next couple quarters is steady to slightly down, maybe on the gains of sale side, but non-interest income even to that point, we're aiming for a lot of stability, so to Andrew's point, there's more to come here on these numbers.

Cihan Tuncay – Analyst, Stifel

Appreciate that. I think that the narrative reduced to the focus of seeing you guys as a leverage play on housing, having the non-interest income boost I think stabilizes (inaudible) housing cycle. Now when you talk about launching—you know, you've got Mortgage Marketplace, you've got several other digital products that you're looking to launch in EQ Bank, maybe if we can get up an update on some of those and wealth management, payments, and more broadly speaking as these products roll out over the next couple of years and you get some momentum, where do you think—where do you want to see non-interest income as a percent of pre-tax, pre-provision earnings on a long term basis?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I think it's too early for us to really comment on that. Certainly it's a priority, and Chadwick's brought that thinking to us, coming from a more traditional bank. I think you'll hear us talking a lot more about payments over the rest of this year, but it's certainly way too early to quantify the impact. We're definitely interested in the payments space, the opportunities coming from the real time rail being launched next year, so that will drive fee income, but too early for us to really kind of sketch that out in a way that investors should or could rely on.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, the only other context we could add, Cihan, for NIM—the thing to remember too, even while we have more that may come into place, all other things being equal with the growth in our assets, we'd still—you know, we do expect we should be able to expand margin over the next two to three years, but the big caveat again is we talked about this, is once we look to adopt AIRB for our risk weights, we'd also potentially be taking on some lower spread mortgages in prime uninsured at that point, which could also then change how you forecast NIM. We'll see some evolution just in our mix and our margins over the coming period, so things are in the works but to Andrew's point, it's a little bit early still to give broader guidance beyond our medium term guidance.

Cihan Tuncay – Analyst, Stifel

Appreciate the colour there, and maybe on that note, Chadwick, talking about AIRB transition, some of the peers that have undergone the same process are going through parallel model running with OFSI. Are you guys doing that right now, or is that something that's slated to come in the next couple of months? Just wondering what the activity level is with OFSI on that front.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yeah…

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Well, Ron is our AIRB lead. As Chief Risk Officer, the AIRB team works for him, so Ron maybe if you could provide some colour on that?

Ron Tratch — Chief Risk Officer, Equitable Group Inc.

Yes, so pandemic notwithstanding, our AIRB program is back in full swing and has been to start the year, there are no pandemic-related implications to our program, other than we slowed down a bit in 2020, and we have been engaged with OSFI and communicated to them the touch points that we would like over the next 12 to 18 months. As we understand it, the regulators are still quite supportive of and remain supportive of small and medium sized institutions going down that path. You would have seen that reflected in OSFI's papers on small, medium sized banks and proportionality, where they do make specific provisions and mentions for banks of our size making the move to AIRB, so we do have the program fully back on track and are putting the full weight of the Bank behind it to ultimately achieve the outcomes that Chadwick referenced a little earlier in the call and we have in our disclosures.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

That's right. To Ron's point, you see that in the MD&A as well. You may not have caught it yet, but we reinforced one of the recent CAR guidelines for the small and medium sized, and we made reference that in our case, that could result alone in about another $150 million or so in excess capital over time if that comes to fruition, and that's just—that's separate from AIRB, right, so that's one sequence, but AIRB is where we stay very focused.

Cihan Tuncay – Analyst, Stifel

Maybe if I can sneak one last question in, how do you prioritize your excess capital situation and what you want to do with that capital? Your multiple has expanded quite nicely, so how do you balance growth opportunities, organic, inorganic, and capital returns to—capital distribution to shareholders? Thanks.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Yes, I mean, our position on that hasn't changed since we last spoke. We would expect to jump our dividends back up to the levels that they would have been if we had not had dividends constrained. We certainly don't think about organic—inorganic acquisitions being driven by the fact that we might have excess capital. It's our shareholders' capital and we'll return it if we've got no good way to use it. If we've got good ways to deploy it that meet our rigorous return on capital guidelines, we will do that.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, and the only thing I'll add there, Cihan, is just with the—you saw the CET1, right, at 14.5 percent, it's because we're deploying more organically. We had a lot of great business growth opportunity in the quarter, and that's why it went from 14.6 to 14.5, so expect otherwise we're deploying our excess capital in smart ways internally with our business lines.

Operator

Your next question comes from the line of Graham Ryding with TD Securities.

Graham Ryding – Analyst, TD Securities

Hi, good morning.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Hi Graham.

Graham Ryding – Analyst, TD Securities

I'll stay with the theme of the Mortgage Marketplace to start off with. First of all, any concern or feedback, perhaps, from your existing mortgage broker partners that you're launching a software that's competing with them, or how are you sort of feeling…

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I think—yes, I think we haven't done quite as good a job as we might have done in communicating with them. I think—you know, need to understand this is really focused on our EQ Bank existing deposit customer base, so yes, we've had to deal with a few calls there, but I think it's really complementary to their activities. As we grow EQ Bank, we're lending the vast majority of that money out through the mortgage broker channel. We absolutely continue to believe that a mortgage broker is the best way to get a mortgage in Canada, and we'll continue to drive that. There's dialogue going on, but I think they're all running sophisticated businesses and understand that we need to be doing our thing too, but we certainly fully back the mortgage brokers of Canada as being the best way to get a mortgage.

Graham Ryding – Analyst, TD Securities

Just to be clear, are you offering only prime mortgages on the Mortgage Marketplace, or would you try to originate both?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

No, we're offering—it's a prime Mortgage Marketplace, so the alts—all of our alt loans come through our existing broker network.

Graham Ryding – Analyst, TD Securities

Got it, okay. Is this something—like, should we expect to see a noticeable impact on your other income this year or on the expense side? Is there any colour on what we should expect to see this year, perhaps?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I don't think it's going to be—it's certainly our perspective that it's not really going to be meaningful in terms of revenue for this year. This is mostly about starting to step out the platform to show that we can lend and provide deposits through the digital platform, but you should expect over the next few years to see this as indicative of where that road map goes, so other lending products I certainly would expect will appear on that platform over the years ahead.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, and to your question on the expenses for this or anything else we're doing, that's already within our guidance as well. That's why we mentioned on the expense side for Q2 and Q3, it's the U.S. dollar account etc. is where those investments have been coming into play.

Graham Ryding – Analyst, TD Securities

Okay, understood. Next question just on the alternative origination side, I think it was up 17 percent year-over-year, if I've got the number right. It was a good number, but it is below sort of the activity that we've seen in the broader housing market in terms of activity and house price growth. Has the activity in the alternative space been slower or hit more, perhaps, in the pandemic, and does that suggest it's been weighing on activity but also there's potential more of a recovery as things open up?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I think that certainly was the experience last year. We have a lot of self-employed borrowers in that book - you know, their income became less certain and I think they've been less active participants in the housing market than salaried borrowers, and of course as their businesses come back to life, then we would expect that self-employed borrower group to do well.

Graham Ryding – Analyst, TD Securities

Yes, okay. Thanks. My last one, Chadwick, just to confirm your NIM guidance of a lower cost of funds in 2021, is that a combination of the lower EQ Bank savings rate you just rolled out, and then also an increase in size of wholesale funding?

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Yes, the overall NIM guidance for that is kind of flat to slightly positive, so yes, we have some tailwind on the EQ Bank rate side. But again, I mentioned for 2021 we made the reference that we're holding the higher liquid assets because of this loan growth and then the higher liquidity with the EQ Bank side, and we also have variable, such as prepayment income, where we've seen lots of volatility over the past couple quarters as well. So, all in all with the cost of funds size and some of what we're seeing on the asset yield side, we still land slightly positive to flat from where we came out of Q1.

Graham Ryding – Analyst, TD Securities

Okay, that's it for me. Thank you.

Operator

Your next question comes from the line of Jaeme Gloyn with National Bank Financial.

Jaeme Gloyn – Analyst, National Bank Financial

Yes, thanks. Good morning.

Chadwick Westlake — Chief Financial Officer, Equitable Group Inc.

Hi Jaeme.

Jaeme Gloyn – Analyst, National Bank Financial

First question is on the customer engagement. You sort of made some qualitative comments about increasing engagement substantially. Can you provide any more quantitative numbers around that in terms of products and services customers are using and how that has expanded?

Mahima Poddar — Group Head, Personal Banking, Equitable Group Inc.

Sure, so just to clarify, we measure customer engagement through two metrics. One is how many products does the customer hold; the other is how engaged is a customer in terms of number of transactions per month. We set out a target of between 10 to 15 percent increase in engagement for the year and we have already achieved that target for Q1, and so obviously continuing to push to see that increase, but we've been very happy with the traction that we've seen to date.

Jaeme Gloyn – Analyst, National Bank Financial

Okay, that's helpful. What does that mean, then, in terms of number of products that a customer uses? What's an average customer using today - two, three products? What is it?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I think we know that about $2 billion of the total deposits have got both registered accounts plus an unregistered account, so that's about a third of the total book. That's one indication. I think we probably should get some better metrics that we can share at a high level, but when we look at it in more detail, it's hard to kind of really summarize that more than that.

Jaeme Gloyn – Analyst, National Bank Financial

Okay, will follow up on that. Still on the EQ Bank platform, I got an email and rates were moving lower on some of the savings products and interest rate accounts. Did you notice any reaction from any clients as a result of that decision recently?

Mahima Poddar — Group Head, Personal Banking, Equitable Group Inc.

I mean, I think the reality is that even though we decreased our savings rates by 25 basis points, they're still extremely attractive when you compare them to the D-SIBs or even other competitors in the market. We did see a little bit of hot money exit to some of the digital players, but it's kind of expected because there is a certain amount of customers who play the market in that case. I would say, though, that the effect has been completely muted and the growth in new customers and the deposits coming with those new customers have more than compensated for any minimal leakage that we did see.

Jaeme Gloyn – Analyst, National Bank Financial

Okay, that's good to hear. Last one, maybe just briefly, if you can, since it's after the hour here, on the reverse mortgages, the growth has been strong but at sort of less than or right around $100 million versus the number one peer that has $3.8 billion, I'm just—I'm wondering what's preventing a more aggressive approach than just, say, doubling or tripling the book, given the size of the market that's available?

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

I think it's really just controlled and contained by the amount of what we've invested in it. I think there's still some that we need to do to convert from the top of the funnel to the bottom of the funnel, in marketing speak, and so you'll see us doing that over the next little while.

Jaeme Gloyn – Analyst, National Bank Financial

Okay, great. Thanks.

Operator

Ladies and gentlemen, that concludes our Q&A portion of the call today, and now I will turn the call back over to Mr. Moor for final comments.

Andrew Moor — President, Chief Executive Officer, Equitable Group Inc.

Thank you Carol. As there are no further questions, two items of note. First, we're going to hold our virtual AGM annual and special meeting of shareholders next Wednesday, May 12 at 10:00 am. At that time, we will share additional thoughts about Equitable's future, so we hope you're able to participate.

Second, we will publish our 2021 Sustainability Report and Public Accountability Statement later this week, which sets out our approach and commitment to ESG. We welcome dialogue with all stakeholders on ESG topics, and one of the areas where we've been doing some really interesting work is on the greenhouse gas file. You should expect our position on this important topic to evolve nicely over the next year. As Canadians call on banks to lead in areas such as development of a more equitable society, who better to do that than Equitable Bank.

Thank you for your time and attention. Have a great day.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you for participating. You may now disconnect.