

# Canada's Challenger Bank™

## Q1 Report

For the three months ended March 31, 2020

*Published May 13, 2020*

# Forward-Looking Statements

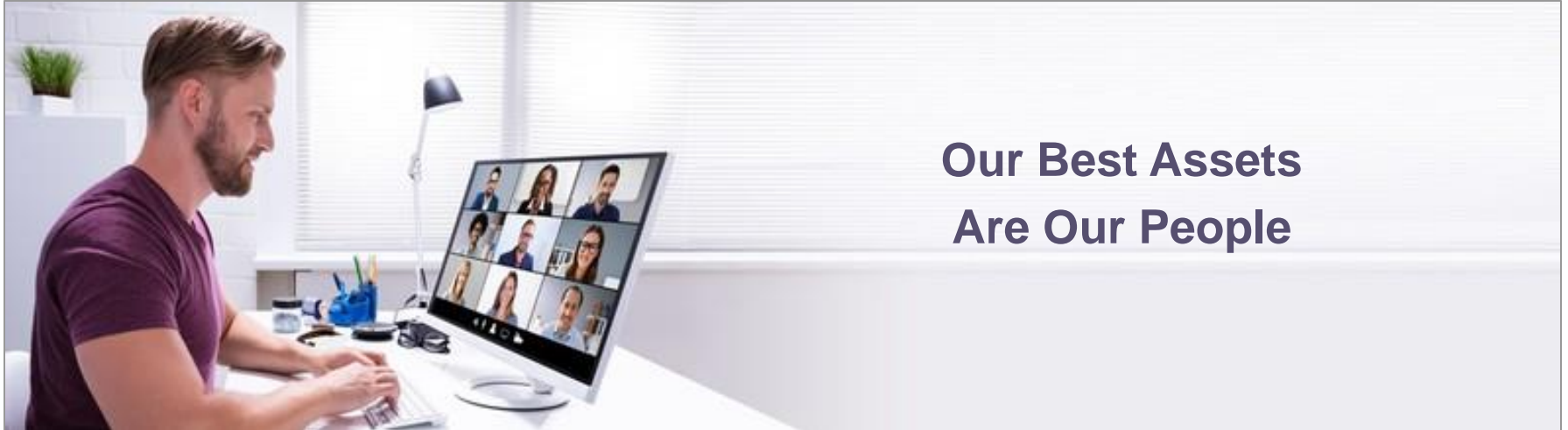
Certain forward-looking statements may be made in this presentation, including statements regarding possible future business, financing and growth objectives. The forward-looking information contained herein is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes.

Forward-looking statements are typically identified by words such as “believe”, “expect”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “plan” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could” or “would”. These statements include, but are not limited to, statements relating to our financial performance objectives, vision and strategic goals, the economic and market review and outlook, the regulatory environment in which we operate, the outlook and priorities for each of our business lines, the risk environment including our liquidity and funding risk, and statements by our all Equitable representatives. There can be no assurance that the expectations represented by our forward-looking statements will prove to be correct.

Investors are cautioned that such forward-looking statements involve risks and uncertainties detailed from time to time in the Company’s periodic reports filed with Canadian regulatory authorities. These risks and uncertainties include, but are not limited to, the length, duration and impact of the novel coronavirus (COVID-19) pandemic, including measures adopted by governmental or public authorities in response to it, global economic conditions and market activity, changes in government monetary and economic policies, legislative and regulatory developments, changes in accounting standards as well as changes in competition. The preceding list is not exhaustive. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Equitable Group Inc. does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf except in accordance with applicable securities laws. Additional information on items of note, the Company’s reported results, risk factors and assumptions related to forward-looking statements are available in Equitable Bank’s Q1 2020 Management’s Discussion and Analysis (“MD&A”) as well as the earnings news release as well as the Company’s other public filings available on SEDAR at [www.SEDAR.com](http://www.SEDAR.com)

## Today's Presentation

1. Profile Bank's response to COVID-19
2. Describe liquidity measures, PCLs and economic assumptions
3. Discuss Q1 including expansion of services
4. Provide qualitative comments on outlook



**Our Best Assets  
Are Our People**

***Committed to Living Our Values as Canada's Challenger Bank™ in Supporting Customers***

# Canada's Challenger Bank™ COVID-19 Responses

Employees	Customers	Shareholders
Business Continuity Plan implemented	Continue to provide support as essential service	Applying longstanding and effective risk management approach
Leveraged cloud-based digital capabilities to enable quick transition to work from home	Deferred loan payments for 14,500 customers @ April 30, 2020	Broad stress tests against possible and extreme downside scenarios
Safe workspace and physical distancing protocols in our offices	Leveraged <i>EQ Bank</i> digital capabilities to provide seamless and safe service	Increased liquidity \$600 million in Q1 to 7.5% of assets (5.5% at December 31, 2019)
Extra support tools for mental health	Continue to pay superior deposit rates, maintain free services	Adjusted credit parameters
Maintained best-in-class service for customers and partners		Making use of applicable government programs

# *EQ Bank* Makes Banking Better (and Safer) for Canadians

***EQ Bank* Now  
Serving Over  
110,000  
Customers**

Increased 34,000  
over 2019

**\$2.7 Billion in  
Deposits**

Up 22% year  
over year

**Added 15  
New  
Currencies to  
International  
Money  
Transfer**

Aim to grow *EQ Bank*  
represent a third of all  
deposits by 2024

***Winner of Celent's Model Bank Award for Banking in the Cloud***

# Expanding Our Challenger Bank™ Deposit Services

Equitable HISA

Equitable Bank U.S. HISA



**Making cash more productive**



**Competitive interest rates**



**Value-added features**



**Total flexibility**



**Broad access**

***Making Equitable A More Valuable Challenger Bank™ For Canadians As We Move Forward***

## We Increased Liquidity ~\$600 Million in Q1

- Liquid assets held for regulatory purposes totaled \$2.2 billion or 7.5% of total assets, up from \$1.6 billion or 5.5% @ December 31, 2019
- Revolving credit facilities + \$400M secured funding backstop add more liquidity
- Joined 8 other TSX Composite banks in drawing against Bank of Canada STLF
- Will increase use of expanded CMB program
- Insured \$622 million of residential mortgages under CMHC program in 1<sup>st</sup> week of April 2020 with corresponding impact on Q2 liquidity

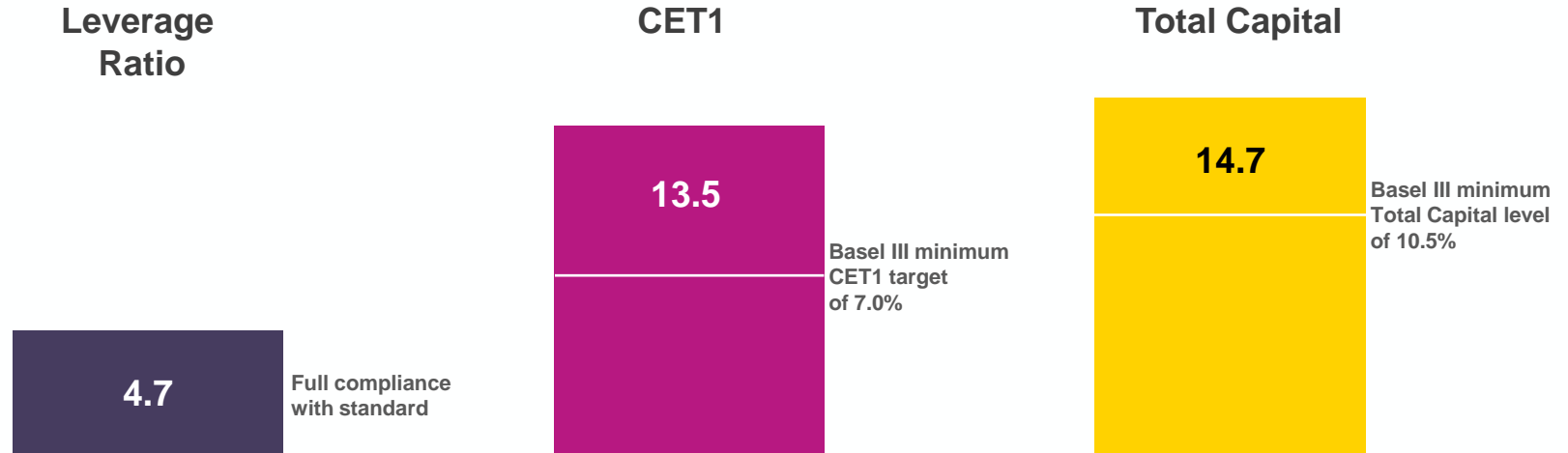
*We Will Avail Ourselves of Government Programs*

# Equitable has Sufficient Capital to Absorb Potential Losses

## Equitable Bank Regulatory Capital Ratios

March 31, 2020









(%)



***Expect CET1 Ratio to Increase on Positive Earnings, Slower Risk-Weighted Asset Growth, Mortgages Insured in Q2***



## Q1 Profitable with On-Target Margins

Metric		Q1 Result	Change from Prior Year
LUM <sup>1</sup>		\$31.5B	+9%
Adjusted Net Income <sup>1,2</sup>		\$29.9M	-36%
Adjusted EPS <sup>1,2</sup>		\$1.70	-38%
Adjusted ROE <sup>1,2</sup>		8.4%	-6.6%
Book Value per Share <sup>1</sup>		\$82.00	+10%
Common Share Dividend Declared		\$0.37	+19%
Net Interest Margin <sup>1</sup>		1.71%	+4bps
PCL – rate <sup>1</sup>		0.54%	+38bps

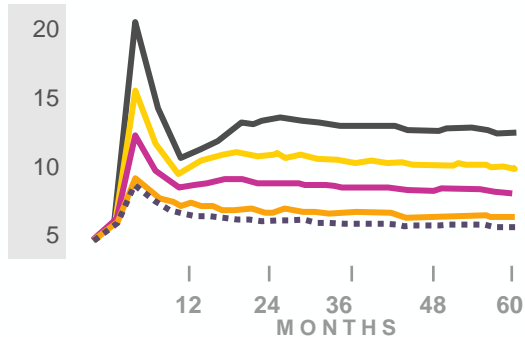
<sup>1</sup> See Non-Generally Accepted Accounting Principles Financial Measures in the MD&A

<sup>2</sup> Exclude negative impact of \$5.4 million mark-to-market losses on certain security investments, loans and derivative financial instruments.

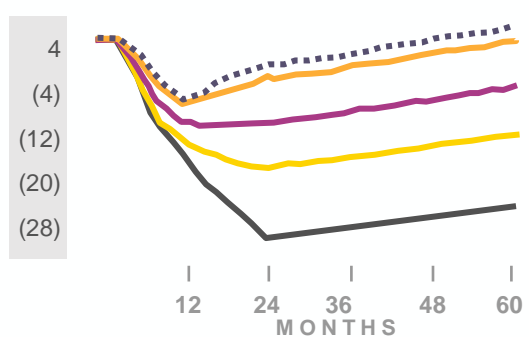
# Modelled 5 Scenarios to Determine Credit Loss Reserves

- To build credit loss reserves, PCL increased to \$35.7M (54 bps compared to 6 bps in Q4 2019)
- Increase in allowance related to **performing** loans (Stage 1 and 2)

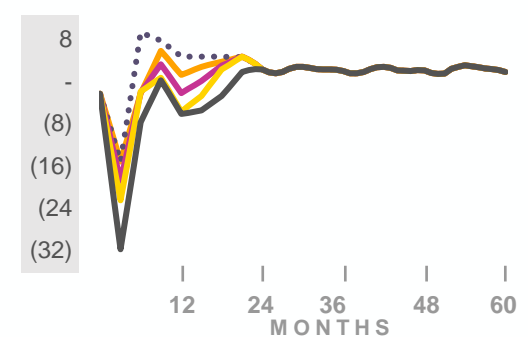
Canadian Unemployment Rate (%)



Canadian Housing Price Index (Annualized %)



Canadian Real GDP Growth (YOY %)

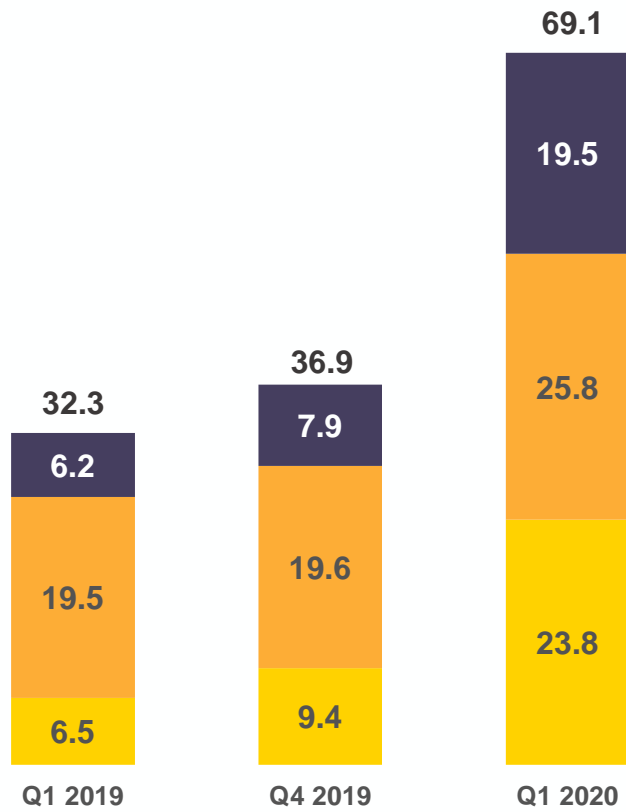


— Base    
 - - - Upside    
 — Slower Growth    
 — Moderate Recession    
 — Protracted Slump

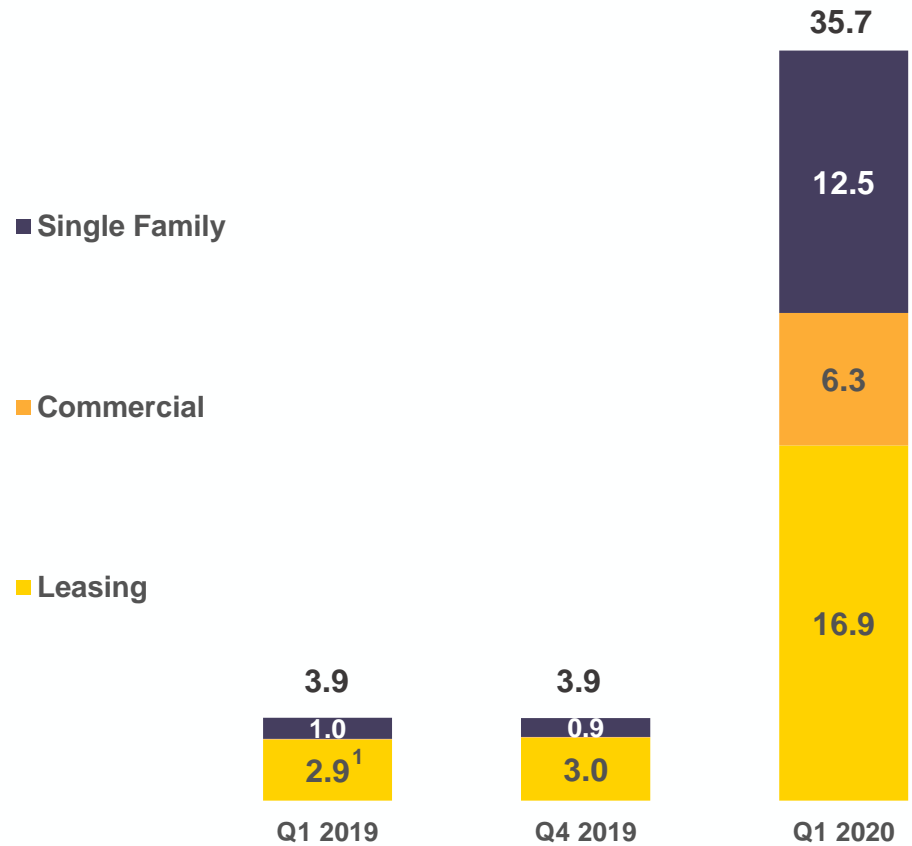
**Q1 Allowance Represents Reasonable Estimate of Future Losses**

# ACLs and PCLs by Business

**Allowance for Credit Losses by Quarter**  
(\$M)



**Provisions for Credit Losses by Quarter**  
(\$M)



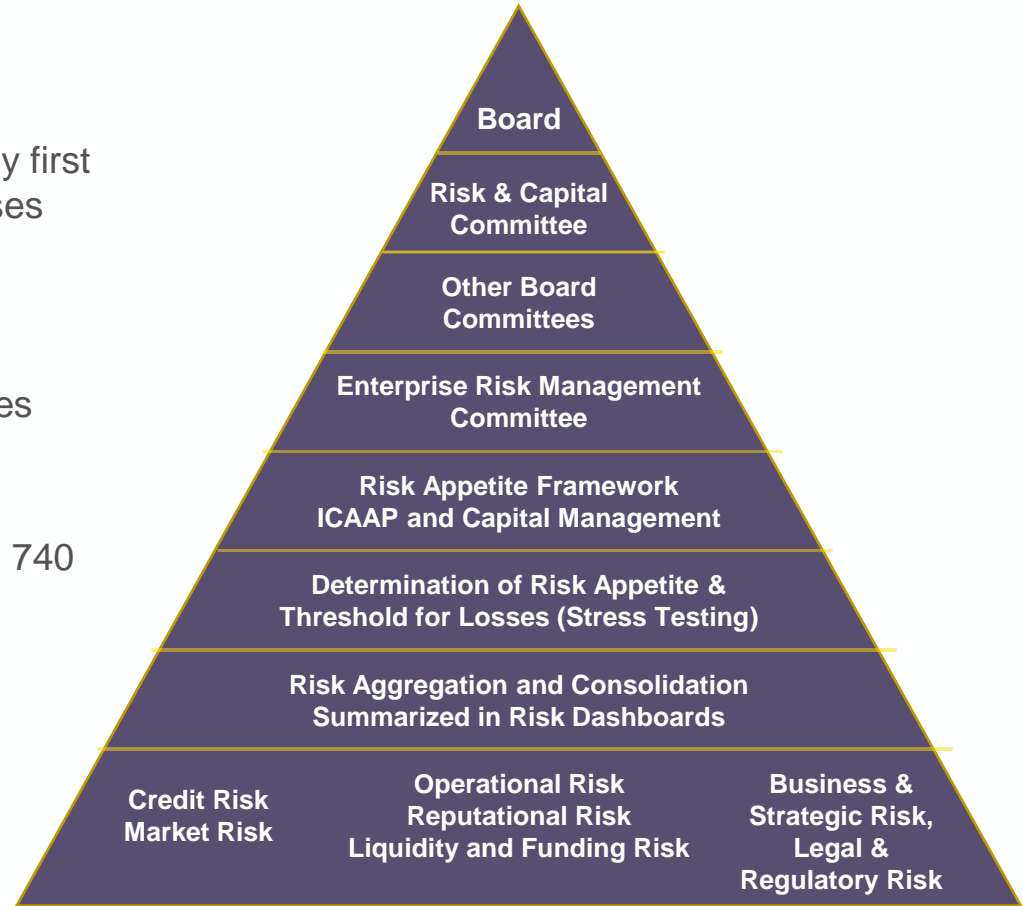
<sup>1</sup> Adjusted for a \$5.7 million one-time IFRS 9 impact on equipment leases recorded at the time of Bennington's acquisition

# A Rigorous Approach to Risk Management

- Lend in liquid (urban) property markets
- 99.9% of uninsured mortgages supported by first position claims on real estate, 100% of leases supported by first-positions on equipment

## At March 31, 2020

- 64% LTV for uninsured residential mortgages
- 43% of loan portfolio insured
- Beacon Scores average 695 for residential, 740 for small business borrowers
- Hospitality, retail and personal services comprise less than 22% of our leasing portfolio and 0.4% of total loan portfolio



***Dynamic Approach to Underwriting Used to Manage Risk, LTVs on New Loans Reduced Across Many Asset Types***

## A Strong Bank in a Unique Position

- Equitable is committed to helping customers while protecting our people and our institution
- We are prepared for a range of possible and extreme scenarios
- We have increased liquidity and are using government programs available to all Banks
- As Canada's Challenger Bank™ with award-winning digital capabilities, we are well positioned for accelerated consumer adoption of digital services

