

Equitable Group Reports Second Quarter 2017 Results and Increases Dividend

TORONTO, Aug. 10, 2017 /CNW/ - Equitable Group Inc. (TSX: EQB and EQB.PR.C) ("Equitable" or the "Company") today reported financial results for the three and six months ended June 30, 2017 that reflected solid performance for Equitable Bank (the "Bank"), its wholly owned subsidiary, despite significant turbulence in the funding and mortgage markets.

SECOND QUARTER HIGHLIGHTS

- Net income of \$38.9 million, which included the costs associated with recent market events, was 16% higher compared with Q2 2016 and 10% lower than in Q1 2017
- Diluted earnings per share were \$2.28, 11% higher compared with Q2 2016, reflecting the issuance of 809,585 common shares in December 2016, and down 10% from Q1 2017
- Return on Equity ("ROE") was 15.6% compared to 17.1% in the same period of 2016

FIRST SIX MONTHS HIGHLIGHTS

- Net income was \$82.3 million and diluted earnings per share were \$4.82, 34% and 28% higher than in the same period of 2016
- ROE was 17.0% compared to 15.9% for the same period of 2016
- Book value per common share was \$59.98 at June 30, 2017 up 21% from \$49.55 a year ago
- Mortgages Under Management were \$22.0 billion, compared to \$18.7 billion a year ago, an 18% increase
- Deposit principal was \$10.0 billion at June 30, 2017, up 11% from a year ago and 0.6% higher than at March 31, 2017

DIVIDEND DECLARATIONS

The Board of Directors today declared a dividend of \$0.24 per common share, payable on October 5, 2017 to common shareholders of record at the close of business September 15, 2017. This represents a 14% increase over the dividend declared in August 2016 and a one cent or 4.3% increase over the dividend declared in May 2017. In addition, the Board declared a quarterly dividend of \$0.396875 per preferred share, payable on September 30, 2017 to preferred shareholders of record at the close of business September 15, 2017.

CEO's COMMENTARY

"Equitable displayed the value of its business model and its reputation for prudence by achieving solid second quarter profitability while taking various measures to increase the Bank's liquidity position in response to recent market disruptions," said Andrew Moor, President and Chief Executive Officer. "These measures came at a cost of \$0.38 per share but accomplished the objective of solidifying our liquidity levels and provided additional stability to our business. Total deposits ended the quarter higher than they were at March 31st and have grown by another \$130 million since then, leading us to believe that our funding markets have stabilized. On the lending side, we experienced higher demand, but as planned, tightened our lending criteria to manage that flow within the constraints of our risk appetite and funding capacity. Taken together, these actions, coupled with the generous support of customers and the confidence of our business partners, enabled Equitable Bank to successfully navigate a challenging period and proved that there is significant value in the way our institution is governed. This was a true team effort and I would like to extend my personal thanks to everyone who supported the Bank, especially our own exceptional employees."

OPERATING HIGHLIGHTS

- **Single Family Lending** mortgage principal at June 30, 2017 was a record \$8.5 billion, up 19% from \$7.2 billion a year ago on second quarter originations of \$939 million, down 2% from a year ago.
- **Commercial Lending** mortgage principal at June 30, 2017 was \$2.8 billion, up 16% from \$2.4 billion a year ago. Originations were \$202 million, down 38% from a year ago, reflecting management's decision to allocate funding more towards Single Family Lending opportunities in the period.
- **Securitization Financing** Mortgages Under Management at June 30, 2017 was \$10.6 billion, up 17% from \$9.1 billion a year ago. Securitization Financing originations were \$487 million in the second quarter of 2017, 35% lower than a year ago, reflecting primarily the impact that changes to mortgage insurance rules last fall had on our Prime Single Family originations.
- **Deposit principal** outstanding amounted to \$10.0 billion, up 11% from \$9.0 billion a year ago and 0.6% from the preceding quarter as the Bank grew its GIC principal balances by \$1.0 billion or 14% from a year ago and \$317 million or 4% from the prior quarter to \$7.7 billion and its *EQ Bank Savings Plus Account* balances by \$310 million or 31% from a year ago and \$86 million or 7% from last quarter to \$1.3 billion.

Equitable's credit metrics reflect the high quality of the mortgage portfolio and remain well in line with the Bank's long-term levels. At June 30, 2017, net impaired mortgage assets were just 0.16% of total mortgage assets compared to 0.20% a year ago. The Bank's provision for credit losses of one basis point of mortgage principal increased in percentage terms and in absolute dollars year over year but were down one basis point and \$0.4 million from March 31, 2017. This strong performance reflected Equitable's risk-aware culture, the strength of its internal control framework, its prudent underwriting approach that emphasizes income verification, and its three lines of defence operating model.

CAPITAL

Equitable Bank's Capital Ratios continue to exceed minimum regulatory standards and were above the levels of the other eight publicly listed Schedule I Canadian banks. At June 30, 2017:

- Common Equity Tier 1 Capital Ratio was 14.8%, surpassing the Basel III minimum of 7.0%, and up from last year's level of 13.5%.
- Total Capital Ratio was 17.4%, well above the regulatory requirement of 10.5% on an all-in basis and above last year's level of 16.5%.
- Leverage Ratio was 5.3% and as such the Bank was fully compliant with the target that OSFI sets on a confidential, institution-by-institution basis.

LIQUIDITY AND FUNDING UPDATE

Equitable closely manages its liquidity position at all times but in light of recent market events took several additional measures to fortify its liquidity position during the quarter. These steps included:

- Obtaining a two-year, \$2.0 billion secured backstop funding facility from a syndicate comprised of all six of Canada's largest banks. This facility is cost competitive with the spreads on the Bank's most recent deposit note issuance. In the second quarter, the Bank expensed \$1.4 million of upfront and standby costs associated with this facility.
- Insuring and securitizing an \$892 million portfolio of existing residential mortgages. This transaction augmented Equitable's base of liquid assets and the insurance premiums will be more than offset by lower funding costs over time. The impact on earnings per share will be negative over the next three quarters, however, as we will amortize the insurance premiums into Net Interest Income more quickly than we realize the funding cost benefit. In each of Q3 and Q4 2017 we expect the net cost to be approximately \$2 million.
- Pulling forward a planned two-month *EQ Bank* marketing campaign originally scheduled for the fall of 2017 and increasing the interest rate on the *EQ Bank Savings Plus Account* by 0.30% to 2.30% in order to drive deposit growth.
- Raising the interest rate on the Bank's brokered HISA account by 0.45% to 1.50% (or 1.75% for the EQB 200 product)
- Selling \$22.5 million of preferred shares to increase our cash position.
- Optimizing the use of various bank-sponsored funding facilities.
- Placing more focus on extending the term of the Bank's GIC portfolio.

These measures were costly but achieved their desired result. At June 30, 2017, the Bank's total liquid assets amounted to \$1.6 billion (7.9% of total assets), up from \$1.2 billion and 6.0% at March 31, 2017. Equitable intends to maintain higher than normal levels of liquidity for the foreseeable future, until market conditions have demonstrated stability for a longer period of time.

These events regrettably weighed on earnings performance in Q2. The costs of insurance and the secured backstop funding facility caused Net Interest Income to be \$5.9 million lower than it would have been otherwise. Non-interest expenses were elevated by \$2.6 million during the quarter due to investments in *EQ Bank* marketing. In aggregate, these factors reduced EPS by \$0.38. Management expects that the EPS impact will be in the range of \$0.30-\$0.35 in each of Q3 and Q4 due to backstop funding facility and mortgage insurance expenses, net of the associated funding cost benefits.

STRATEGIC UPDATE

Equitable continues to deliver on its key strategic priorities. Among its recent strategic highlights, Equitable:

- Introduced new digital-only account sign-up within *EQ Bank* and further automated the digital platform's back office capabilities to improve the customer experience, improve onboarding efficiency and support an ambitious technology roadmap.
- Outperformed Canada's big banks with an Efficiency Ratio of 39.2% in the second quarter even though the Bank chose to increase marketing expenses and technology investments.
- Closed (on April 17, 2017) an institutional placement of a \$150 million 2-year floating rate unsecured Deposit Note priced at 130 basis points over 3-month CDOR to further diversify its cost-effective funding sources and support asset growth.
- Continued to advance efforts to migrate to the Advanced Internal Ratings Based ("AIRB") approach to capital and risk management.

"Our *EQ Bank* digital platform is an enabler of Equitable's asset growth and a critical tool in managing liquidity, but of equal significance, it represents an innovative and high-value way for Canadians to bank without the costs and artificial barriers associated with traditional savings and chequing accounts," said Mr. Moor. "Thousands of new customers have embraced these advantages since we launched in early 2016 and many thousands more have come on line in the past few months in response to our marketing campaign. Very recent technology advancements mean that account sign up is now fully digital and all future products will include this time and cost-saving feature. Overall, Equitable continues to demonstrate the advantages of its positioning as Canada's Challenger Bank by helping our customers to achieve their goals with unique and responsive solutions."

BUSINESS OUTLOOK

Equitable expects that its strategy, including its disciplined approach to capital allocation, will continue to deliver value for shareholders and protect depositors. Asset quality remains high and core lending markets continue to present meaningful growth opportunities. In the final six months of 2017, the Bank expects EPS will likely decline by approximately 10% year-over-year in the last half of 2017 and ROE will likely be in the range of 13% to 15%.

"We are confident in the strength of the Bank's franchise and the ability of our diversified business model to continue performing well over the long term," said Mr. Moor. "We expect to see continued growth in Mortgages Under Management in the final half of 2017 and we plan to work hard to continue delivering the service quality that has long distinguished Equitable as a residential and commercial lender and resulted in consistent, long-term asset expansion."

"Nonetheless, we need to carefully manage through an uncertain environment," Mr. Moor added. "With broader funding market difficulties now likely resolved, attention has turned to carefully monitoring housing market developments and assessing the impact of the proposed update to OSFI's Guideline B-20. On paper, several aspects of this proposal appear likely to shrink available lending opportunities, most notably the plan to require borrowers of uninsured mortgages to qualify using an interest rate stress test. However, it is difficult to assess the effect as much will depend on the competitive reaction of other lenders who are also subject to these B-20 updates."

Other changes introduced last fall by the Department of Finance that included tightening the qualification criteria for insured loans appear to have already begun to exert downward pressure on activity in the insured prime mortgage market and increased competition among lenders. As a result, management believes insured Prime originations will continue to be lower in 2017 than in 2016, however, this business represents just over 2% of the Bank's after-tax earnings, and as such the decline will not have a significant impact on Equitable's 2017 prospects or strategy.

Management believes that in the remaining quarters of 2017 Net Interest Income should increase at year-over-year rates in the 2% to 5% range due to continued growth of the Bank's assets, even though net interest margins will likely decline from second quarter 2017 levels as a result of costs related to the recent liquidity events. The acquisition of the Maple NHA-MBS pools is expected to continue adding between \$0.06 and \$0.08 to earnings in each of the next two quarters.

"We plan to continue to invest in the Bank's franchise and service capabilities in the last half of 2017 such that non-interest expenses will likely increase at year-over-year rates that are in line with the growth of our business," said Tim Wilson, Vice President and Chief Financial Officer. "These investments reduce efficiency in the near term, but add to our foundation for growth and productivity. Quarterly expenses should be slightly lower in the back half of 2017 compared to the second quarter but our Efficiency Ratio in Q3 and Q4 2017 will be slightly higher than Q2 2017 as a result of slower growth in Net Interest Income."

Management's complete business outlook can be found in Management's Discussion and Analysis for the three and six months ended June 30, 2017 which is available on SEDAR and on Equitable's website.

CONFERENCE CALL AND WEBCAST

The Company will hold its second quarter conference call and webcast with accompanying slides at 10:00 a.m. ET August 11, 2017. To access the call live, please dial 647-427-7450 five minutes prior. The listen-only webcast with accompanying slides is available at www.equitablebank.ca under Investor Relations.

A replay of the call will be available until Friday, August 18, 2017 and it can be accessed by dialing (416) 849-0833 and entering passcode 40730924 followed by the number sign. Alternatively, the call will be archived on the Company's website for three months.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (unaudited)

AS AT JUNE 30, 2017

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

(\$ THOUSANDS)

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

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

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

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

(\$THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Interest income:				
Mortgages – Core Lending	\$ 125,670	\$ 107,544	\$ 247,562	\$ 208,963
Mortgages – Securitization Financing	44,957	45,296	90,112	88,903
Investments	1,370	2,372	3,498	4,248
Other	1,715	1,227	3,043	2,279
	173,712	156,439	344,215	304,393
Interest expense:				
Deposits	49,817	46,085	96,811	89,743
Securitization liabilities	42,379	41,354	86,312	80,539
Bank facilities	2,217	1,040	2,491	1,606
Debentures	950	950	1,900	1,900
	95,363	89,429	187,514	173,789
Net interest income	78,349	67,010	156,701	130,604

Provision for credit losses	378	105	1,116	332
Net interest income after provision for credit losses	77,971	66,905	155,585	130,272
Other income:				
Fees and other income	6,853	3,781	14,657	6,958
Net (loss) gain on investments	(788)	747	(788)	747
Gains on securitization activities and income from securitization retained interests	3,248	1,894	6,466	2,454
	9,313	6,422	20,335	10,159
Net interest and other income	87,284	73,327	175,920	140,431
Non-interest expenses:				
Compensation and benefits	16,467	15,193	32,890	29,843
Other	18,028	13,179	31,425	27,907
	34,495	28,372	64,315	57,750
Income before income taxes	52,789	44,955	111,605	82,681
Income taxes:				
Current	7,896	7,875	24,087	16,294
Deferred	5,984	3,670	5,216	4,965
	13,880	11,545	29,303	21,259
Net income	\$ 38,909	\$ 33,410	\$ 82,302	\$ 61,422
Dividends on preferred shares	1,191	1,191	2,382	2,381
Net income available to common shareholders	\$ 37,718	\$ 32,219	\$ 79,920	\$ 59,041
Earnings per share:				
Basic	\$ 2.29	\$ 2.07	\$ 4.85	\$ 3.80
Diluted	\$ 2.28	\$ 2.05	\$ 4.82	\$ 3.76

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

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

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

(\$ THOUSANDS)

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2017

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

(\$ THOUSANDS)

**Accumulated other
comprehensive
income (loss)**

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017

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

(\$ THOUSANDS)

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

						Accumulated other			
						comprehensive			
						income (loss)			
	Preferred	Common	Contributed	Retained	Cash flow	Available			
June 30, 2016	shares	shares	surplus	earnings	hedges	for sale	Total	Total	

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

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

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

(\$ THOUSANDS)

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

ABOUT EQUITABLE GROUP INC.

Equitable Group Inc. is a growing Canadian financial services business that operates through its wholly-owned subsidiary, Equitable Bank. Equitable Bank is Canada's ninth largest independent Schedule I bank and offers a diverse suite of residential lending, commercial lending and savings solutions to Canadians. Through its proven branchless approach and customer service focus, Equitable Bank has grown to over \$23 billion of Assets Under Management. Most recently, Equitable Bank launched a digital banking operation, *EQ Bank*, along with its flagship product the *EQ Bank Savings Plus Account*. Equitable Bank employs nearly 600 dedicated professionals across the country, and is a 2017 recipient of Canada's Best Employer Platinum Award, the highest bestowed by AON. For more information about Equitable Bank and its products, please visit equitablebank.ca.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made by the Company in the sections of this news release including those entitled "CEO's Commentary", "Operating Highlights", "Capital", "Liquidity and Funding Update", "Strategic Update", "Business Outlook", 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 result 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", "might" or "will be taken", "occur" or "be achieved." 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, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risk Management" in the Management's Discussion and Analysis 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 at current levels, 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.

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

This news release references certain non-GAAP measures such as Return on Shareholders' Equity ("ROE"), book value per common share, Mortgages Under Management, Capital Ratios, Liquidity Coverage Ratio, Efficiency Ratio, Net Interest Margin ("NIM"), and Assets Under Management that management believes provide useful information to investors regarding the Company's financial condition and results of operations. The "NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") FINANCIAL MEASURES" section of the Company's second quarter 2017 Management's Discussion and Analysis provides a detailed description of each non-GAAP measure and should be read in conjunction with this report. The Management's Discussion and Analysis also provides a reconciliation between all non-GAAP measures and the most directly comparable GAAP measure, where applicable. Readers are cautioned that non-GAAP measures do not

have any standardized meaning, and therefore, may not be comparable to similar measures presented by other companies.

SOURCE Equitable Group Inc.

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