

Equitable Group Reports Second Quarter 2018 Results

TORONTO, Aug. 9, 2018 /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, 2018 that reflected the solid performance of Equitable Bank (the "Bank"), its wholly owned subsidiary.

SECOND QUARTER HIGHLIGHTS

- **Adjusted Diluted earnings per share** were \$2.45, up 8% from \$2.28 in the same period of 2017
- **Adjusted Return on Shareholders' Equity** was 14.5% compared to 15.6% in Q2 2017
- **Single Family Lending mortgage principal** at June 30, 2018 was a record \$9.8 billion, up 15% from \$8.5 billion a year ago on strong originations and higher renewal rates
- **Commercial Lending mortgage principal** at June 30, 2018 was a record \$3.3 billion, up 15% from \$2.8 billion a year ago reflecting origination activity that was at an all-time high
- **Deposits** amounted to \$12.4 billion, up 24% from \$10.0 billion a year ago as the Bank grew its *EQ Bank* deposits to \$2.0 billion, a 51% year-over-year increase

Q2 2018 reported Diluted Earnings per share ("EPS") were \$2.19 and reported Return on Shareholders' Equity ("ROE") was 13.0%. Reported results include a \$5.9 million pre-tax write-down of unamortized up-front costs (a \$0.26 reduction in EPS and a 1.5 percentage point reduction in ROE) associated with reducing the size and costs of the Bank's secured backstop funding facility.

As announced in June 2018, the Company chose to reduce the secured backstop funding facility to \$850 million from \$2.0 billion due to successful measures taken to enhance liquidity and favourable funding market conditions. As a result of this decision, the Bank expects its quarterly interest expenses to decline by \$2.8 million beginning in Q3 2018 and continuing through Q2 2019, from a combination of reduced standby fees and lower up-front cost amortization expenses.

DIVIDEND DECLARATIONS

The Board of Directors today declared a dividend of \$0.27 per common share, payable October 4, 2018 to common shareholders of record at the close of business September 14, 2018. This represents a 13% increase over the dividend declared in August 2017. In addition, the Board declared a quarterly dividend of \$0.396875 per preferred share, payable September 28, 2018 to preferred shareholders of record at the close of business September 14, 2018.

CEO's COMMENTARY

"I am very encouraged with how the Bank is performing" said Andrew Moor, President and Chief Executive Officer. "In November 2017, we expected asset growth in our Alternative Single Family business to be 2% to 4 % for 2018, but, our expectations have now moved higher to the range of 8% to 10%. This change translates into approximately \$500 to \$600 million of additional assets at year end 2018 that will drive earnings growth in 2019 and beyond. Our Prime Single Family business has remained quite stable for the past two years and we hope to grow our share in this market through the balance of 2018. Our Commercial team delivered a quarter of record originations and we expect strong activity levels to continue in this business. Our *EQ Bank* digital banking platform is attracting many new customers to the Bank and we have been successful in providing quality customer service, expanding brand awareness and are working on taking the digital experience and functionality up to the next level. With credit losses and arrears remaining low and the costs of the backstop facility decreasing, our outlook is for strong financial performance in future quarters from *Canada's Challenger BankTM*."

CREDIT QUALITY

Equitable's credit metrics reflect the high quality of the mortgage portfolio. At June 30, 2018, net impaired mortgage assets were just 0.13% of total mortgage assets compared to 0.16% a year ago. The allowance for credit losses was 0.12% of total mortgage assets at June 30, 2018, down in percentage terms from a 0.19% year ago primarily due to low impairment rates and an \$8.5 million transitional adjustment as a result of the adoption of IFRS 9 on January 1, 2018. The Bank's credit performance reflected Equitable's risk-aware culture, the strength of its internal control framework, its prudent underwriting approach, and its three lines of defence operating model.

The Provision for Credit Losses ("PCL") was \$0.2 million or 0.003% of mortgage principal in Q2 2018, which reflects the stable credit quality of the Bank's assets and improvements in the macroeconomic outlook.

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, 2018:

- **Common Equity Tier 1 Capital Ratio** was 14.3% compared to 14.8% at June 30, 2017 and surpassed the Basel III minimum of 7.0% in both periods.
- **Total Capital Ratio** was 15.6%, well above the regulatory requirement of 10.5% on an all-in basis although down from last year's elevated level of 17.4%.
- **Leverage Ratio** was 5.4% and as such the Bank was fully compliant with the target that OSFI sets on a confidential, institution-by-institution basis.

STRATEGIC UPDATE

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

- Increased its share of the direct-to-consumer GIC market with a full consumer launch of *EQ Bank GICs* and enhancements to the *EQ Bank* digital platform, further broadening the Bank's access to a diversified range of funding sources.
- Continued to build mortgage broker awareness of the *PATH Home Plan*[™] reserve mortgage product and refined its offering in response to market feedback.
- Broadened the Bank's suite of commercial mortgage products to address market opportunities in underserved segments.
- Launched the *Equitable Bank Evolution Suite*[™] *Switch* program, an approach that enables brokers and borrowers to easily switch Prime mortgages from other lenders to Equitable.
- Added a creditor life insurance option – in partnership with a major insurance company – to all of the Bank's residential products that provides further value to single-family borrowers.
- Continued to advance efforts to migrate to the Advanced Internal Ratings Based (AIRB) approach to capital and risk management.

"This is a formative period for *Canada's Challenger Bank*[™] as we create and introduce innovative new platforms, products and programs for Canadians that change the way they bank," said Mr. Moor. "In each case, we are striving to differentiate Equitable with services designed to better meet the needs of specific customer groups. As we execute our strategic roadmap, we have been careful to establish milestones for asset and deposit expansion and diversification that will enable us to thoroughly test and refine each new offering to ensure it delivers intended results. This approach will protect our brand and create lasting value for our customers and our shareholders."

BUSINESS OUTLOOK

Equitable expects that its strategy, including its disciplined approach to capital allocation, will continue to deliver value to shareholders and protect the money that depositors have trusted to the Bank. Asset quality remains high and the Bank's diversified business model continues to present profitable growth opportunities. Management expects earnings to continue increasing in the second half of 2018 due to loan portfolio growth and the recent reduction in the size of the secured backstop liquidity facility. ROE will likely be below the Bank's 5-year average of 17.2% due to the residual costs associated with successfully navigating through funding market disruptions that occurred in 2017 (see the Company's Q1 and Q2 2017 MD&As) as well as the high level of the Bank's common equity capital.

Although there remains market uncertainty, management expects that year-over-year growth of MUM and balance sheet mortgage assets will be in the range of 9% to 11% in the last half of 2018.

"We are confident in the strength of the Bank's franchise and the ability of our diversified business model to continue performing well," said Mr. Moor. "In lending, our outlook for growth in Alternative Single Family has improved over the past quarter as our team successfully adjusted its B-20 implementation and refined pricing, which improved our competitiveness. That said, Q2 residential originations were still slightly below last year's levels, a function of lower activity in real estate markets and constraints on lending caused by revisions to B-20 mortgage qualifying rules. With more modest market growth prospects, we will continue to deploy more capital into Commercial Lending, our newly launched reverse mortgage business and other secured lending programs that we will introduce to profitably expand our assets within our well-defined risk-return parameters. We will also determine whether returning some capital to our shareholders is appropriate as other opportunities and the impacts of B-20 become clearer over the course of the next several quarters."

Management believes that Net Interest Income in the final two quarters of 2018 will increase at year-over-year rates in the 8% to 10% range along with average asset balances. NIM should remain stable from Q2 levels (after adjusting for the backstop related write-down) but may fluctuate and differ from these expectations due to mortgage prepayment income volatility and other factors such as seasonal variations in our liquidity holdings.

Equitable should also operate with an Efficiency Ratio in the high 30 percent range, even with significant and ongoing investments in strategic initiatives such as *EQ Bank*.

"As we continue to make investments that reinforce our high level of customer service, build the value inherent in Equitable's *Challenger Bank*[™] franchise, and expand our digital banking platform, we anticipate that non-interest expenses will increase at year-over-year rates slightly higher than the growth rate of the Bank's assets in the last two quarters of 2018," said Tim Wilson, Senior Vice President and Chief Financial Officer. "Of

course, if growth in any of our lending markets slows beyond current expectations, we will manage our expenses accordingly with an eye to maintaining Equitable Bank's status as an efficiency leader in Canada."

Management's complete business outlook can be found in Management's Discussion and Analysis for the three and six months ended June 30, 2018 which is available on SEDAR and on Equitable's website.

CONFERENCE CALL AND WEBCAST

Equitable will hold its second quarter conference call and webcast at 10:00 a.m. eastern Friday, August 10, 2018. To access the call live, please dial (416) 764-8609 five minutes prior. The listen-only webcast with accompanying slides will be available at www.equitablebank.ca under Investor Relations. The call will be hosted by Andrew Moor, President and Chief Executive Officer.

A replay of the call will be available until August 17, 2018 and it can be accessed by dialing (416) 764-8677 and entering passcode 673530 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, 2018

With comparative figures as at December 31, 2017 and June 30, 2017

(\$ THOUSANDS)

	June 30, 2018 ⁽¹⁾	December 31, 2017	June 30, 2017
Assets:			
Cash and cash equivalents	\$ 793,688	\$ 660,930	\$ 811,465
Restricted cash	347,285	366,038	412,036
Investments	155,048	107,442	112,658
Mortgages receivable – Core Lending	13,100,591	12,304,741	11,393,045
Mortgages receivable – Securitization Financing	7,354,786	6,993,807	6,870,578
Securitization retained interests	109,191	104,429	98,513
Other assets	84,132	96,863	97,691
	\$ 21,944,721	\$ 20,634,250	\$ 19,795,986
Liabilities and Shareholders' Equity			
Liabilities:			
Deposits	\$ 12,476,974	\$ 11,114,313	\$ 10,099,459
Securitization liabilities	7,584,327	7,565,545	7,750,405
Obligations under repurchase agreements	202,928	452,001	428,985
Deferred tax liabilities	38,735	35,802	43,988
Other liabilities	177,994	199,601	205,482
Bank facilities	250,811	128,871	141,815
Debentures	-	-	65,000
	20,731,769	19,496,133	18,735,134
Shareholders' equity:			
Preferred shares	72,557	72,557	72,557
Common shares	199,305	198,660	197,439
Contributed surplus	6,612	6,012	5,594
Retained earnings	938,122	866,109	798,253
Accumulated other comprehensive loss	(3,644)	(5,221)	(12,991)
	1,212,952	1,138,117	1,060,852
	\$ 21,944,721	\$ 20,634,250	\$ 19,795,986

The amounts for the period ended June 30, 2018 have been prepared in accordance with IFRS 9; prior period amounts have not been

(1) restated.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2018

With comparative figures for the three and six month periods ended June 30, 2017

(\$THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended		Six months ended	
	June 30, 2018 ⁽¹⁾	June 30, 2017	June 30, 2018 ⁽¹⁾	June 30, 2017
Interest income:				
Mortgages – Core Lending	\$ 153,523	\$ 125,670	\$ 296,638	\$ 247,562
Mortgages – Securitization Financing	46,063	44,957	90,939	90,112
Investments	1,500	1,370	2,546	3,498
Other	4,163	1,715	7,968	3,043
	205,249	173,712	398,091	344,215
Interest expense:				
Deposits	69,392	49,817	131,676	96,811
Securitization liabilities	44,825	42,379	88,387	86,312
Bank facilities	11,536	2,217	17,262	2,491
Debentures	-	950	-	1,900
	125,753	95,363	237,325	187,514
Net interest income	79,496	78,349	160,766	156,701
Provision for credit losses	168	378	938	1,116
Net interest income after provision for credit losses	79,328	77,971	159,828	155,585
Other income:				
Fees and other income	6,547	6,853	11,924	14,657
Net gain/(loss) on investments	138	(788)	(232)	(788)
Gains on securitization activities and income from securitization retained interests	3,024	3,248	5,961	6,466
	9,709	9,313	17,653	20,335
Net interest and other income	89,037	87,284	177,481	175,920
Non-interest expenses:				
Compensation and benefits	19,032	16,467	37,635	32,890
Other	19,491	18,028	34,698	31,425
	38,523	34,495	72,333	64,315
Income before income taxes	50,514	52,789	105,148	111,605
Income taxes:				
Current	12,404	7,896	26,724	24,087
Deferred	573	5,984	720	5,216
	12,977	13,880	27,444	29,303
Net income	\$ 37,537	\$ 38,909	\$ 77,704	\$ 82,302
Dividends on preferred shares	1,191	1,191	2,382	2,382
Net income available to common shareholders	\$ 36,346	\$ 37,718	\$ 75,322	\$ 79,920
Earnings per share:				
Basic	\$ 2.20	\$ 2.29	\$ 4.56	\$ 4.85
Diluted	\$ 2.19	\$ 2.28	\$ 4.53	\$ 4.82

The amounts for the period ended June 30, 2018 have been prepared in accordance with IFRS 9; prior period amounts have not been

(1) restated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2018

With comparative figures for the three and six month periods ended June 30, 2017

(\$ THOUSANDS)

	Three months ended		Six months ended	
	June 30, 2018 ⁽¹⁾	June 30, 2017	June 30, 2018 ⁽¹⁾	June 30, 2017
Net income	\$ 37,537	\$ 38,909	\$ 77,704	\$ 82,302
Other comprehensive income – items that will be reclassified subsequently to income:				
Debt instruments at Fair Value through Other				
Comprehensive Income/Available for sale:				
Net unrealized (losses)/gains from change in fair value	(23)	475	(26)	10,080
Reclassification of net gains to income	-	596	-	401

Other comprehensive income – items that will not be reclassified subsequently to income:

Equity instruments designated at Fair Value through Other Comprehensive Income:				
Net unrealized losses from change in fair value	(1,117)	N/A	(228)	N/A
Reclassification of net losses to retained earnings	-	N/A	(6)	N/A
	(1,140)	1,071	(260)	10,481
Income tax recovery/(expense)	302	(284)	69	(2,752)
	(838)	787	(191)	7,729
Cash flow hedges:				
Net unrealized (losses)/gains from change in fair value	(364)	1,932	(969)	1,832
Reclassification of net losses to income	291	877	1,445	1,328
	(73)	2,809	476	3,160
Income tax recovery/(expense)	19	(746)	(126)	(897)
	(54)	2,063	350	2,263
Total other comprehensive (loss)/income	(892)	2,850	159	9,992
Total comprehensive income	\$ 36,645	\$ 41,759	\$ 77,863	\$ 92,294

(1) The amounts for the period ended June 30, 2018 have been prepared in accordance with IFRS 9; prior period amounts have not been restated.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2018

With comparative figures for the three month period ended June 30, 2017

(\$ THOUSANDS)

June 30, 2018	Accumulated other comprehensive income (loss)							
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cash flow hedges	Financial instruments at	Total	Total
						FVOCI ⁽¹⁾		
Balance, beginning of period	\$ 72,557	\$ 199,123	\$ 6,309	\$ 906,235	\$ 3,557	\$ (6,309)	\$ (2,752)	\$ 1,181,472
Net income	-	-	-	37,537	-	-	-	37,537
Other comprehensive loss, net of tax	-	-	-	-	(54)	(838)	(892)	(892)
Exercise of stock options	-	151	-	-	-	-	-	151
Dividends:								
Preferred shares	-	-	-	(1,191)	-	-	-	(1,191)
Common shares	-	-	-	(4,459)	-	-	-	(4,459)
Stock-based compensation	-	-	334	-	-	-	-	334
Transfer relating to the exercise of stock options	-	31	(31)	-	-	-	-	-
Balance, end of period	\$ 72,557	\$ 199,305	\$ 6,612	\$ 938,122	\$ 3,503	\$ (7,147)	\$ (3,644)	\$ 1,212,952

June 30, 2017	Accumulated other comprehensive income (loss)								Total
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cash flow hedges	Available for sale investments		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	

(1) Current year balance is classified as at FVOCI for debt and equity instruments, however, balance at the beginning of the period is classified as Available for Sale under IAS 39.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

With comparative figures for the six month period ended June 30, 2017

(\$ THOUSANDS)

						Accumulated comprehens income (lo
						Financial
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cash flow hedges	instrument at FVOCI
June 30, 2018						
Balance, beginning of period	\$ 72,557	\$ 198,660	\$ 6,012	\$ 866,109	\$ 3,153	\$ (8,374
Cumulative effect of adopting IFRS 9 ⁽²⁾	-	-	-	5,450	-	1,41
Restated balance as at January 1, 2018	72,557	198,660	6,012	871,559	3,153	(6,956
Net income	-	-	-	77,704	-	-
Other comprehensive income/(loss), net of tax	-	-	-	-	350	(191
Net realized losses on sale of equity investments	-	-	-	(6)	-	-
Exercise of stock options	-	525	-	-	-	-
Dividends:						
Preferred shares	-	-	-	(2,382)	-	-
Common shares	-	-	-	(8,753)	-	-
Stock-based compensation	-	-	720	-	-	-
Transfer relating to the exercise of stock options	-	120	(120)	-	-	-
Balance, end of period	\$ 72,557	\$ 199,305	\$ 6,612	\$ 938,122	\$ 3,503	\$ (7,147

						Accumulated c comprehens income (los
						Availabl
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cash flow hedges	for sal investment
June 30, 2017						
Balance, beginning of period	\$ 72,557	\$ 196,608	\$ 5,056	\$ 725,912	\$ (2,773)	\$ (20,210
Net income	-	-	-	82,302	-	-
Other comprehensive gain, net of tax	-	-	-	-	2,263	7,72
Exercise of stock options	-	697	-	-	-	-
Dividends:						
Preferred shares	-	-	-	(2,382)	-	-
Common shares	-	-	-	(7,579)	-	-
Stock-based compensation	-	-	672	-	-	-
Transfer relating to the exercise of stock options	-	134	(134)	-	-	-
Balance, end of period	\$ 72,557	\$ 197,439	\$ 5,594	\$ 798,253	\$ (510)	\$ (12,448

⁽¹⁾ Current year balance is classified as at FVOCI for debt and equity instruments, however, balance at the beginning of the period is classified as Available for Sale under IAS 39.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2018

With comparative figures for the three and six month periods ended June 30, 2017

(\$ THOUSANDS)

	Three months ended		Six months ended	
	June 30, 2018 ⁽¹⁾	June 30, 2017	June 30, 2018 ⁽¹⁾	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	\$ 37,537	\$ 38,909	\$ 77,704	\$ 82,302
Adjustments for non-cash items in net income:				
Financial instruments at fair value through income	(6,985)	1,364	(3,720)	1,349
Amortization of premiums/discount on investments	2,247	1,349	4,537	4,784
Amortization of capital assets and intangible costs	2,424	2,083	4,759	4,173
Provision for credit losses	168	378	938	1,116
Securitization gains	(3,024)	(2,717)	(5,961)	(6,287)
Net loss on sale or redemption of investments	-	788	-	788
Stock-based compensation	334	288	720	672
Income taxes	12,977	13,880	27,444	29,303

Securitization retained interests	6,966	6,093	13,700	11,609
Changes in operating assets and liabilities:				
Restricted cash	(14,188)	(153,437)	18,753	(164,158)
Securities purchased under reverse repurchase agreements	-	4,984	-	199,401
Mortgages receivable, net of securitizations	(777,267)	(107,701)	(1,152,404)	(496,612)
Other assets	9,954	(24,311)	15,256	(20,914)
Deposits	478,126	54,013	1,364,963	338,480
Securitization liabilities	29,380	(43,324)	19,093	(11,674)
Obligations under repurchase agreements	98,276	283,489	(249,073)	316,497
Bank facilities	250,811	141,815	121,940	91,815
Other liabilities	4,595	19,407	(20,146)	8,718
Income taxes paid	(15,355)	(11,147)	(33,698)	(37,621)
Cash flows from operating activities	116,976	226,203	204,805	353,741
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid on preferred shares	(1,191)	(1,191)	(2,382)	(2,382)
Dividends paid on common shares	(4,294)	(7,579)	(8,418)	(11,022)
Proceeds from issuance of common shares	151	84	525	697
Cash flows used in financing activities	(5,334)	(8,686)	(10,275)	(12,707)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(9,952)	(2,553)	(52,622)	(40,538)
Proceeds on sale or redemption of investments	-	60,301	45	70,219
Net change in Canada Housing Trust re-investment Accounts	19	17	38	227
Purchase of capital assets and system development costs	(6,380)	(1,462)	(9,233)	(3,656)
Cash flows (used in)/from investing activities	(16,313)	56,303	(61,772)	26,252
Net increase in cash and cash equivalents	95,329	273,820	132,758	367,286
Cash and cash equivalents, beginning of period	698,359	537,645	660,930	444,179
Cash and cash equivalents, end of period	\$ 793,688	\$ 811,465	\$ 793,688	\$ 811,465
Cash flows from operating activities include:				
Interest received	\$ 199,575	\$ 173,850	\$ 390,844	\$ 344,788
Interest paid	(80,334)	(83,078)	(144,237)	(149,462)
Dividends received	1,472	1,104	2,574	2,460

(1) The amounts for the period ended June 30, 2018 have been prepared in accordance with IFRS 9; prior period amounts have not been restated.

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, *Canada's Challenger Bank™*, is the country'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 \$25 billion of Assets Under Management. *EQ Bank*, the digital banking arm of Equitable Bank, provides state-of-the-art digital banking services to more than 60,000 Canadians. Equitable Bank employs more than 600 dedicated professionals across the country, and is a 2018 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", "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 Adjusted Diluted earnings per share, Return on Shareholders' Equity, Adjusted Return on Shareholders' Equity, Mortgages Under Management ("MUM"), book value per common share, provision for credit loss rate, Capital Ratios, Efficiency Ratio, 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 2018 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.

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