Equitable Group to Acquire Equipment Finance Company in Accretive, All-Cash Transaction

TORONTO, Dec. 3, 2018 /CNW/ - Equitable Group Inc. (*TSX: EQB and EQB.PR.C*) ("Equitable" or the "Company") today announced it has reached an agreement to acquire Bennington Financial Services Corp, a profitable and growing privately owned company serving the brokered equipment leasing market in Canada.

Bennington was founded in Oakville, Ontario in 1996 and has developed a strong market position in non-prime equipment leasing. It has a portfolio of over $400 million of leases managed by a team of 125 professionals. Bennington finances a wide range of assets with a focus on transportation, construction and food service equipment, has long-tenured relationships with professional leasing brokers throughout Canada, and employs a proven approach to adjudication with emphasis on lease structure, security and re-marketability.

This transaction furthers Equitable's goal of broadening its reach as *Canada's Challenger Bank™*, with diversification into adjacent markets that complement its other secured lending businesses and broker-led distribution model.

"We are delighted that the team at Bennington has chosen to join with us to bring a new level of service to customers in Canada's multi-billion-dollar equipment finance market," said Andrew Moor, President and Chief Executive Officer. "As *Canada's Challenger Bank™*, Equitable is strategically committed to growing and diversifying our secured lending businesses in attractive markets where we can establish distinct competitive advantages. Equipment finance is one of those markets. With its large, independent distribution network and proven underwriting, servicing and recovery processes, Bennington provides a unique competitive platform to fulfill our ambitions on a profitable, risk-managed basis."

The all-cash transaction will be immediately accretive to Equitable's earnings, in the range of $0.35 to $0.40 per share, excluding the acquisition related IFRS9 provision discussed below. The estimated final purchase price of $47 million represents a multiple of 1.3 times book value and 6.9 times earnings. The acquisition is subject to customary closing conditions and is expected to be finalized on January 1, 2019.

Equitable will record an acquisition related provision through its Income Statement in Q1 2019. Accounting standard *IFRS 9 – Financial Instruments* requires the Bank to establish an allowance for credit losses on all performing leases acquired, immediately after the leases come on to the Bank's balance sheet. The allowance will be established by recording a provision through the Bank's income statement. Consequently, Equitable will recognize an acquisition related provision for credit losses on performing leases of up to $9 million in the first quarter of next year. This accounting provision does not change the Bank's view on the quality of the underlying business or the acquired lease portfolio. Equitable will provide further details on this provision subsequent to the date of closing.

Equitable's strategy for Bennington is to enhance its competitive positioning using Equitable's Challenger Bank platform and access to cost-effective funding sources. Equitable expects that its funding capabilities will reduce Bennington's cost of funds by over 100 basis points and will deliver material interest expense savings. This funding access will enable Bennington to: i) increase its participation in high-quality credit segments, ii) grow its equipment financing portfolio beyond what it could support with its current funding facilities, and iii) lend on larger value assets.

"Our decision to join Equitable is driven by the desire to increase the scale of financial solutions we can offer customers and our broker partners to continue our belief that *The Best is Yet to Come®*," said Larry L. Mlynowski, Bennington's founder and CEO. "Beyond ready access to cost-effective funding, we are culturally aligned with Equitable's passion for service, commitment to independent distribution and their Challenger Bank philosophy. This business combination will enable us to continue our vision of being an innovative leader in Canada's leasing industry."

Equitable evaluated this transaction using several gating criteria including strategic fit with the Bank's secured lending focus, alignment with Equitable's risk appetite, management capability, expected financial impact, and the effect on the Bank's capital position.

"Our approach to deploying our balance sheet for acquisitions is disciplined and strategic," said Mr. Moor. "Our detailed assessments all point to the inherent value of this transaction to both parties and to our shareholders. The investment exceeds our hurdle rate of return and results in immediate per share accretion. Additionally, the transaction will allow us to profitably deploy some of our excess common equity capital. We expect our CET1 ratio will decrease by approximately 0.7% after the acquisition. At that level, it will decline to the lower end of our operating range, but we are confident that we can rebuild our capital organically over the course of 2019. Equitable will also still have capital ratios that exceed regulatory standards and the levels of the other eight publicly listed Schedule I banks in Canada."

Under the leadership of Larry Mlynowski, CEO and Troy Campbell, President and Chief Operating Officer, Bennington will operate as a subsidiary of Equitable Bank. Equitable Group Inc. will report its results on a consolidated basis beginning in Q1 2019.

Conference Call and Webcast

Equitable will hold a conference call and webcast at 8:30 a.m. eastern today to discuss the acquisition. To access the call live, please dial (647) 427-7450 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 December 10, 2018 and it can be accessed by dialing (416) 849-0833 and entering passcode 3443507 followed by the number sign. Alternatively, the call will be archived on the Company's website for three months.

About Bennington Financial Services Corp.

Bennington, through its subsidiary brands Bodkin Capital Corporation and Equirex Leasing Corp., serves the equipment finance industry in Canada in partnership with an extensive network of independent leasing brokers. Bennington provides small and medium-sized business customers with competitive and innovative leasing solutions with unique and creative structures needed to finance their growth and their dreams.

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 $27 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 66,000 Canadians. Equitable Bank employs more than 650 dedicated professionals across the country, and is a 2019 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, 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.

SOURCE Equitable Group Inc.

For further information: Andrew Moor, President and Chief Executive Officer, 416-515-7000; Tim Wilson, Senior Vice President and Chief Financial Officer, 416-515-7000
