Equitable Group Reports Record Results, Increases Common Share Dividend

TORONTO, May 9, 2019 /CNW/ - Equitable Group Inc. (TSX: EQB and EQB.PR.C) ("Equitable" or the "Company") today reported record financial results for the three months ended March 31, 2019 that reflected strong and diversified growth in its wholly owned subsidiary, Equitable Bank (the "Bank" or "*Canada's Challenger Bank*™") and the positive impact of its Bennington Financial Corp. ("Bennington") acquisition.

FIRST QUARTER HIGHLIGHTS

- **Adjusted Diluted earnings per share** were a record $2.72, up 16% from $2.34 in Q1 2018.
- **Adjusted Return on Shareholders' Equity** was 15.0% compared to 14.5% in Q1 2018.
- **Retail loan principal outstanding** at March 31, 2019 was $16.6 billion, up 25% from $13.4 billion a year ago on strong originations and lower attrition.
- **Commercial loan principal outstanding** at March 31, 2019 was $7.7 billion, up 24% from $6.2 billion a year ago as a result of organic growth and the addition of Bennington's $449 million equipment leasing portfolio.
- **The Provision for Credit Losses ("PCL")** was $9.6 million or 0.16% of average loan principal outstanding and included a one-time, IFRS 9-related charge of $5.7 million on the Bennington acquisition.
- **Deposits** at March 31, 2019 were $14.6 billion, up 23% from $11.9 billion a year ago and included a 28% year-over-year increase in *EQ Bank* deposits and a 20% increase in brokered deposits.
- **The Bank's Common Equity Tier 1 Capital Ratio** at March 31, 2019 was 12.9% compared to 14.7% at March 31, 2018 due to asset growth and the Bennington acquisition.

Q1 2019 reported Diluted earnings per share ("EPS") were $2.42 and reported Return on Shareholders' Equity ("ROE") was 13.4%. Adjusted results exclude the negative impact of the $5.7 million provision for credit losses on performing leases recorded immediately after the acquisition of Bennington on January 1, 2019 and mark-to-market losses of $0.9 million on certain preferred shares investments and derivative transactions.

DIVIDEND DECLARATIONS AND INCREASE

The Board of Directors today declared a dividend of $0.31 per common share, payable on June 28, 2019 to common shareholders of record at the close of business June 14, 2019. This is a 15% increase over the dividend declared in May 2018 and a 3% increase over the dividend declared in February 2019. The Board also declared a quarterly dividend in the amount of $0.396875 per preferred share, payable on June 28, 2019, to preferred shareholders of record at the close of business June 14, 2019.

COMMENTARY ON PERFORMANCE AND OUTLOOK

"Equitable got off to a great start in Q1," said Andrew Moor, President and Chief Executive Officer. "Our award-winning *EQ Bank* digital platform added 5,000 customers to reach over 76,000 Canadians with differentiated daily banking solutions. Our retail and commercial businesses grew assets to all-time highs and we completed the accretive acquisition of Bennington to establish our place as a leader in the equipment leasing market. These advancements generated record adjusted earnings and supported our second dividend increase of 2019. Equally important, they demonstrated that Equitable has realized on its aspirations of being *Canada's Challenger Bank* with the introduction of differentiated products and innovative services that are in high demand. Strategically, we will continue to expand *EQ Bank's* positioning by adding to our digital product portfolio and partnerships with industry leaders and fintechs, while becoming the first bank in Canada to migrate our core banking system to the cloud. As the Canadian government contemplates the creation of an open banking eco-system, the actions we're taking this year will secure Equitable's place at the epicentre of the banking industry of the future."

Based on current market assessments, the Bank's growing loan portfolio, the outlook for higher margins and the Bennington acquisition, management believes that strong growth will continue for the balance of this year with assets expected to increase 10% to 12%, adjusted earnings to be up 15% to 17% and ROE to remain in the 15% range. The Bank will also organically replenish its capital position over the next few quarters, which will further strengthen Equitable's foundation.

The Bank also announced today that, effective May 13th, it has chosen to reduce its secured backstop funding facility to $400 million from $850 million due to ongoing success enhancing its liquidity position and favourable funding market conditions. Further, the Bank intends to renew the secured backstop at $400 million for a two-year period beginning in June 2019. As a result of this decision, the Bank expects its quarterly interest expenses to decline by $1.6 to $1.7 million starting in Q3, adding approximately $0.07 to EPS.

Impaired loans increased during the quarter, as expected, due to the acquisition of Bennington. The equipment leasing business has a higher risk profile than our traditional mortgage business but earns a higher margin to compensate for this risk. Impaired loan balances increased further because of a default on a $39 million commercial mortgage that has a 39% loan-to-value ratio and on which management does not expect any losses. The balance of the impaired loans relates to a number of smaller commercial and residential mortgages, which in aggregate represent 22 basis points of overall mortgage assets.

Management's complete business outlook can be found in Management's Discussion and Analysis ("MD&A") for the three months endedMarch 31, 2019 which is available on SEDAR and on Equitable's website.

Effective in the first quarter and consistent with the way it manages its business, Equitable now reports results for two segments: Retail and Commercial Lending. To help readers to make year-over-year comparisons, the Company has posted eight quarters of historical Retail and Commercial Lending results to its website.

CONFERENCE CALL AND WEBCAST

Equitable will hold its first quarter conference call and webcast at 8:30 a.m. ET Friday, May 10, 2019. To access the call live, please dial (647) 427-7450 five minutes prior to the start time. 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 May 17, 2019 at midnight and it can be accessed by dialing (416) 849-0833 and entering passcode 2794058 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 MARCH 31, 2019
With comparative figures as at December 31, 2018 and March 31, 2018
($ THOUSANDS)

	March 31, 2019	December 31, 2018	March 31, 2018
Assets:			
Cash and cash equivalents	**$ 486,422**	$ 477,243	$ 698,359
Restricted cash	**381,144**	327,097	333,097
Securities purchased under reverse repurchase agreements	**547,620**	250,000	-
Investments	**198,321**	193,399	148,072
Loans – Retail[1]	**16,734,424**	16,203,137	13,465,350
Loans – Commercial[1]	**7,712,028**	7,323,267	6,211,340
Securitization retained interests	**119,183**	115,331	106,222
Other assets	**148,322**	147,671	92,323
	$ 26,327,464	$ 25,037,145	$ 21,054,763
Liabilities and Shareholders' Equity			
Liabilities:			
Deposits	**$ 14,821,107**	$ 13,668,521	$ 11,999,157
Securitization liabilities	**9,926,375**	9,236,045	7,554,866
Obligations under repurchase agreements	**-**	342,010	104,652
Deferred tax liabilities	**59,366**	42,610	38,162
Other liabilities	**206,648**	177,961	176,454
Bank facilities	**-**	289,971	-
	25,013,496	23,757,118	19,873,291
Shareholders' equity:			
Preferred shares	**72,557**	72,557	72,557
Common shares	**204,492**	200,792	199,123
Contributed surplus	**6,907**	7,035	6,309

Retained earnings	**1,049,208**	1,014,559	906,235
Accumulated other comprehensive loss	**(19,196)**	(14,916)	(2,752)
	1,313,968	1,280,027	1,181,472
	$ 26,327,464	$ 25,037,145	$ 21,054,763

[(1)] *Effective January 1, 2019, the Company has changed the presentation of its loan products. Prior period presentation has been updated accordingly.*

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

With comparative figures for the three month period ended March 31, 2018

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended	
	March 31, 2019	March 31, 2018
Interest income:		
Loans – Retail[(1)]	**$ 159,222**	$ 122,467
Loans – Commercial[(1)]	**97,629**	65,524
Investments	**1,821**	1,046
Other	**5,934**	3,805
	264,606	192,842
Interest expense:		
Deposits	**93,696**	62,284
Securitization liabilities	**62,903**	43,562
Bank facilities	**2,655**	5,726
	159,254	111,572
Net interest income	**105,352**	81,270
Provision for credit losses	**9,628**	770
Net interest income after provision for credit losses	**95,724**	80,500
Other income:		
Fees and other income	**5,644**	5,377
Net loss on investments	**(821)**	(370)
Gains on securitization activities and income from securitization retained interests	**2,065**	2,937
	6,888	7,944
Net interest and other income	**102,612**	88,444
Non-interest expenses:		
Compensation and benefits	**24,284**	18,603
Other	**21,827**	15,207
	46,111	33,810
Income before income taxes	**56,501**	54,634
Income taxes:		
Current	**13,576**	14,320

Deferred		**1,264**		147
		14,840		14,467
Net income	**$**	**41,661**	$	40,167
Dividends on preferred shares		**1,191**		1,191
Net income available to common shareholders	**$**	**40,470**	$	38,976
Earnings per share:				
Basic	**$**	**2.44**	$	2.36
Diluted	**$**	**2.42**	$	2.34

(1) *Effective January 1, 2019, the Company has changed the presentation of its interest income relating to loan products. Prior period presentation has been updated accordingly.*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

With comparative figures for the three month period ended March 31, 2018

($ THOUSANDS)

	Three months ended			
		March 31, 2019		March 31, 2018
Net income	**$**	**41,661**	$	40,167
Other comprehensive income – items that will be reclassified subsequently to income:				
Debt instruments at Fair Value through Other Comprehensive Income:				
Net unrealized gains/(losses) from change in fair value		**402**		(3)
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)/gains from change in fair value		**(1,832)**		889
Reclassification of net gains/(losses) to retained earnings		**11**		(6)
		(1,419)		880
Income tax recovery/(expense)		**377**		(233)
		(1,042)		647
Cash flow hedges:				
Net unrealized losses from change in fair value		**(4,589)**		(604)
Reclassification of net losses to income		**179**		1,154
		(4,410)		550
Income tax recovery/(expense)		**1,172**		(146)
		(3,238)		404
Total other comprehensive (loss)/income		**(4,280)**		1,051
Total comprehensive income	**$**	**37,381**	$	41,218

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

With comparative figures for the three month period ended March 31, 2018

($ THOUSANDS)

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	Accumulated other	

	Preferred shares	Common shares	Contributed surplus	Retained earnings	comprehensive income (loss) Cash flow hedges	Financial instruments at FVOCI	Total	
Balance, beginning of period	$ 72,557	$ 200,792	$ 7,035	$ 1,014,559	$ 2,649	$ (17,565)	$ (14,916)	$
Cumulative effect of adopting IFRS 16[(1)]	-	-	-	(840)	-	-	-	
Restated balance as at January 1, 2019	72,557	200,792	7,035	1,013,719	2,649	(17,565)	(14,916)	
Net income	-	-	-	41,661	-	-	-	
Transfer of gains on sale of equity instruments	-	-	-	8	-	(8)	(8)	
Other comprehensive loss, net of tax	-	-	-	-	(3,238)	(1,034)	(4,272)	
Exercise of stock options	-	3,133	-	-	-	-	-	
Dividends:								
Preferred shares	-	-	-	(1,191)	-	-	-	
Common shares	-	-	-	(4,989)	-	-	-	
Stock-based compensation	-	-	439	-	-	-	-	
Transfer relating to the exercise of stock options	-	567	(567)	-	-	-	-	
Balance, end of period	$ 72,557	$ 204,492	$ 6,907	$ 1,049,208	$ (589)	$ (18,607)	$ (19,196)	$

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	Preferred shares	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) Cash flow hedges	Financial instruments at FVOCI	Total	
Balance, beginning of period	$ 72,557	$ 198,660	$ 6,012	$ 866,109	$ 3,153	$ (8,374)	$ (5,221)	$
Cumulative effect of adopting IFRS 9	-	-	-	5,450	-	1,418	1,418	
Restated balance as at January 1, 2018	72,557	198,660	6,012	871,559	3,153	(6,956)	(3,803)	
Net income	-	-	-	40,167	-	-	-	
Transfer of losses on sale of equity instruments	-	-	-	(6)	-	6	6	
Other comprehensive income, net of tax	-	-	-	-	404	641	1,045	
Exercise of stock options	-	374	-	-	-	-	-	
Dividends:								
Preferred shares	-	-	-	(1,191)	-	-	-	
Common shares	-	-	-	(4,294)	-	-	-	
Stock-based compensation	-	-	386	-	-	-	-	
Transfer relating to the exercise of stock options	-	89	(89)	-	-	-	-	
Balance, end of period	$ 72,557	$ 199,123	$ 6,309	$ 906,235	$ 3,557	$ (6,309)	$ (2,752)	$

(1) *The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognized in opening retained earnings at the date of initial application. The adjustment of $840 is net of tax.*

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

With comparative figures for the three month period ended March 31, 2018

($ THOUSANDS)

	Three months ended	
	March 31, 2019	March 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	**$ 41,661**	$ 40,167
Adjustments for non-cash items in net income:		
Financial instruments at fair value through income	**2,075**	3,265
Amortization of premiums/discount on investments	**1,329**	2,290

Amortization of capital assets and intangible costs	**3,898**	2,335
Provision for credit losses	**9,628**	770
Securitization gains	**(1,780)**	(2,937)
Stock-based compensation	**439**	386
Income taxes	**14,840**	14,467
Securitization retained interests	**7,334**	6,734
Changes in operating assets and liabilities:		
Restricted cash	**(11,469)**	32,941
Securities purchased under reverse repurchase agreements	**(297,620)**	-
Loans receivable, net of securitizations	**(499,679)**	(375,137)
Other assets	**50,466**	5,302
Deposits	**1,138,365**	886,837
Securitization liabilities	**300,697**	(10,287)
Obligations under repurchase agreements	**(342,010)**	(347,349)
Bank facilities	**(320,421)**	(128,871)
Other liabilities	**(7,207)**	(24,741)
Income taxes paid	**(13,157)**	(18,343)
Cash flows from operating activities	**77,389**	87,829
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**3,133**	374
Dividends paid on preferred shares	**(1,191)**	(1,191)
Dividends paid on common shares	**(9,623)**	(4,124)
Cash flows used in financing activities	**(7,681)**	(4,941)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(12,507)**	(42,670)
Acquisition of subsidiary	**(47,065)**	-
Proceeds on sale or redemption of investments	**4,140**	45
Net change in Canada Housing Trust re-investment accounts	**136**	19
Purchase of capital assets and system development costs	**(4,600)**	(2,853)
Cash flows used in investing activities	**(59,896)**	(45,459)
Net increase in cash and cash equivalents	**9,812**	37,429
Cash and cash equivalents, beginning of period	**476,610**	660,930
Cash and cash equivalents, end of period	**$ 486,422**	$ 698,359
Cash flows from operating activities include:		
Interest received	**$ 256,470**	$ 191,269
Interest paid	**(100,160)**	(63,903)
Dividends received	**1,553**	1,102

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 approximately $31 billion of Assets Under Management. *EQ Bank*, the digital banking arm of Equitable Bank, provides state-of-the-art digital banking services to over 76,000 Canadians and was the 2018 recipient of the Best Mobile App in Canada at the World Finance Digital Banking Awards. The *EQ Bank Savings Plus Account* reimagines banking for Canadians by offering the functionality of a chequing account to perform daily banking with ease, as well as a great everyday interest rate – currently 2.30% – to help transactional balances grow into bigger savings. From unlimited Interac® e-Transfers and bill payments to payroll deposits and no monthly fees, everyday banking is now a richer prospect for Canadians. Equitable Bank employs over 800 dedicated professionals across the country and is a 2019 recipient of Canada's Best Employer Platinum Award, the highest bestowed by AON Hewitt. 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 performance 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", or other similar expressions of future or conditional verbs. 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, changes in accounting standards, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risk Management" in the MD&A 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, 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, Adjusted Return on Shareholders' Equity, Reported Return on Shareholders' Equity, Provision for credit losses – rate, Common Equity Tier 1 Capital 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 first quarter 2019 MD&A provides a detailed description of each non-GAAP measure and should be read in conjunction with this release. The MD&A 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 often 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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https://eqb.investorroom.com/2019-05-09-Equitable-Group-Reports-Record-Results-Increases-Common-Share-Dividend