

Equitable Reports Record Q1 Earnings, Raises Full-Year Outlook

Canada's Challenger Bank™ Now Serves Nearly 275,000 Canadians

TORONTO, May 4, 2021 /CNW/ - Equitable Group Inc. (TSX: EQB) (TSX: EQB.PR.C) today reported record first quarter earnings for the three months ended March 31, 2021 and upgraded its outlook for 2021 on the strength of growth trends at Equitable Bank (Canada's Challenger Bank™) including new account openings and increasing affinity for its smarter banking solutions that enrich the lives of Canadians.

Q1 Net Earnings \$69.2 Million +\$43.2 Million from 2020

- Q1 diluted EPS \$3.97, +172% from suppressed levels in Q1 2020 at the onset of COVID-19

ROE, Book Value, Efficiency Demonstrate Structural Advantages

- Q1 ROE 17.1%, +9.9% from Q1 2020 and above target of 15-17%
- Book value +19% y/y or \$15.86 to \$97.86 per share (and +5% or \$4.51 from Q4 2020)
- Efficiency ratio 38.2%

High-Quality Asset Growth with Industry-Leading Efficiency

- Loans under management +9% y/y to \$34.2 billion, (and +2% from Q4)
- Total loan originations +39% y/y to \$2.7 billion, Commercial +52% y/y and Personal +28%
- Reverse mortgages +44% q/q and 241% y/y

Capital Ratios Provide Capacity for Future Growth

- CET1 ratio 14.5%, remaining above target range of 13-14%

"Canadians deserve a better commercial and personal banking experience, and they are finding it at Equitable, the recent recipient of Canada's Best Bank award from Forbes and an institution that challenges itself to persistently innovate for customers. The ongoing efforts of our team produced outstanding first quarter results. Customer account openings at EQ Bank increased 92% from a year ago to nearly 202,000 with 28,000 new customers joining us in Q1 helping to drive deposits up by \$1.2 billion in just three months. Lending surpassed our expectations with no change in our conservative risk management approach but strong asset gathering in Conventional commercial, Insured multis, Wealth decumulation solutions and a return to market leadership on new originations in Alternative single family. Based on the way customers are

embracing Canada's Challenger Bank™, and the trend lines in our deposit and lending businesses, we are pleased to raise our outlook for 2021," said Andrew Moor, President and Chief Executive Officer.

New 2021 Outlook Features Higher Expectations for Conventional Loan Growth and EQ Bank Deposits

- Equitable's revised 2021 outlook now includes full year-over-year EQ Bank deposit growth of 30-50% (upgraded from 20-30%) and total loan growth of 8-12% (upgraded from 6-10%), including increases in Commercial finance group (20-25% growth from 12-15%), Alternative single family mortgages (12-15% from 5-8%) and Reverse mortgages to 200%+ (from 100%+).
- The improved growth outlook for conventional commercial and personal loans is expected to create additional momentum for 2022.

Reaffirming Confidence in Medium-Term Growth Objectives

- Equitable is reaffirming its medium-term performance and growth objectives which are found in its Q1 2021 MD&A.

EQ Bank Deposits Exceed \$6 Billion in Deposits in early April 2021

- EQ Bank's customer base grew 92% over the past 12 months and 16% in Q1 to nearly 202,000 with 28,000 new accounts opened in the first three months of the year.
- EQ Bank deposits increased 114% since Q1 2020 to \$5.8 billion at March 31, 2021 and \$1.2 billion within the first quarter reflecting growth in the customer base and the introduction of new services including the EQ Bank RSP, EQ Bank TSFA and the EQ Bank Joint Savings Account.
- Customer engagement – measured by use of services each month and the number of products held per customer – increased substantially year over year.

Total Deposits Top \$17.4 Billion As Sources of Funding Grow and Diversify

- Equitable Bank's total deposits were up 13% year-over-year to \$17.4 billion from \$15.5 billion a year ago and up 6% within the first quarter.
- Customer demand for Equitable Trust high interest savings accounts and U.S. currency GICs complemented growth in other parts of the portfolio including EQ Bank joint accounts, RSPs, TSFAs and long term GICs.
- Equitable Bank's Deposit Note Program surpassed \$1 billion during the quarter with the issuance of a \$250 million 4-year fixed rate deposit note maturing March 10, 2025 priced at 120 bps over comparable term Government of Canada bonds – the lowest spread of all issuances to date.
- Great progress was made toward an issuance in the first half of 2021 of an inaugural covered bond including filing the Bank's issuer application with CMHC.

Personal and Commercial Banking Add Quality Assets in Diversified Markets

- Total originations were up 39% to \$2.7 billion from a year ago, reflecting a more constructive posture to underwriting compared to the early days of the pandemic.
- Total on-balance sheet loan principal increased by \$2.1 billion year-over-year, driven by growth in both Personal and Commercial segments.
- The Bank's Commercial loan originations increased \$475 million or 52% since Q1 2020 on 65% growth in conventional commercial loans, 42% growth in multi-unit residential mortgages, and 35% growth in equipment leases (primarily within the logistics and transportation sectors).
- The Bank's Personal loan originations increased \$291 million or 28% year-over-year with 78% growth in Prime loan originations.
- Alternative single family originations, a key driver of the Bank's Personal segment earnings, increased 17% year-over-year on strong market leadership.
- Assets under management were up 8% over the past 12-months (and 2% from Q4) to \$36.7 billion reflecting broad-based growth.

Wealth Decumulation Book Breaks Through \$100 Million Level

- Equitable Bank's Wealth Decumulation business increased assets by nearly three-fold year-over-year to \$115 million.
- Demand for the Bank's reverse mortgage products accelerated due to low interest rates, record property values and a strong preference for aging in place and is expected to further increase as the Canadian market is under-served compared to international benchmarks with Equitable poised to benefit based on its expanded market share and differentiated product terms and features that appeal to a larger audience of Canadian mortgage advisors and clients.
- Triple-digit year-over-year asset growth was also realized by the Bank's CSV line of credit offering with further expansion expected on the strength of new lending arrangements made in Q1 with Sun Life whereby qualifying policyholders can access Equitable Bank's market-leading product.

Credit Metrics Reflect Long-Term Prudence, Q1 Reserve Releases \$3.1M

- Reserve releases amounted to \$3.1 million in Q1 (or \$0.13 per share), reflecting an improvement in macroeconomic forecasts used for loss modelling and the large provision for credit losses taken a year ago.
- Provision for credit losses (PCL) was a net benefit of \$0.8 million for the period ended March 31, 2021 compared to charge in prior periods (Q4 2020 – \$0.1 million, Q1 2020 – \$35.7 million), as future expected losses resulting from the pandemic were recorded in Q1 and Q2 2020.
- Net impaired loans declined to 0.36% of total loan assets at March 31, 2021 compared to 0.47% a year ago (and 0.42% at year-end) reflecting a reduction of \$22.0 million year-over-year and \$12.7 million from the preceding quarter.
- Equitable remains well reserved for credit losses with allowances as a percentage of total loan assets equaling 22 bps at March 31, 2021 reflecting a decrease in allowances in stages 2 and 3 over last year.
- Stage 3 allowances dropped by \$2.8 million or 46% since the prior year.
- Realized losses remained low at \$2.5 million or 3 basis points relative to total loan assets.

EQ Bank Mortgage Marketplace Joins New Challenger Bank Services

- Equitable in collaboration with Nesto, an online mortgage agency, launched the *EQ Bank Mortgage Marketplace* in late April, an all-digital service that allows customers to compare over 2,000 mortgage products offered by Canadian lenders.
- EQ Bank has completed development of a new U.S. currency account for launch in mid-May, increasing its value proposition to customers by offering customers the ability to earn more while saving on their U.S. dollar transactions.
- In partnership with Wise, EQ Bank expanded its international money transfer service to include 40 currencies – three added in the first quarter – to better serve Canadians who appreciate the dual advantage of speed and cost with transfers up to 8 times¹ less expensive than traditional alternatives.
- The popularity of Equitable Bank's new *U.S. Currency GICs* and the *Equitable Bank U.S. High Interest Savings Accounts* grew on the strength of recommendations from independent wealth advisors.

¹ Based on research conducted by Equitable comparing exchange rates and transaction fees from Wise, Canada's 'Big 5' banks and Simplii Financial. Research considered comparable online global money transfer services and was conducted using the following transactions for both \$500 CAD and \$999 CAD: total cost to send CAD to INR in India, total cost to send CAD to USD in the United States and total cost to send CAD to EUR in France. Research took place on October 19, 2020. Promotions excluded.

Strengthened Capital and Liquidity Positions Provide Protection, Growth Capacity

- The Bank's CET1 Capital Ratio of 14.5% at March 31, 2021 exceeded the top end of management's target range by 100 bps and compared favourably with 13.5% at March 31, 2020.
- Relative to our target CET1 Capital Ratio, the Bank is holding \$108 million of excess capital or \$6.37 per common share, resulting in ROE suppression of 1.3% in Q1.
- Liquid assets were \$3.2 billion or 10.2% of total assets at March 31, 2021 compared to \$2.3 billion or 7.8% of assets a year ago.
- Liquidity Coverage Ratio at March 31, 2021 was well in excess of the regulatory minimum of 100%.

Board of Directors Declares Dividends for Second Quarter 2021

- Dividend of \$0.37 per common share will be paid on June 30, 2021 to common shareholders of record at the close of business June 15, 2021 – a payout ratio of 9.3%.
- Dividend of \$0.373063 per preferred share will be paid on June 30, 2021 to preferred shareholders of record at the close of business on June 15, 2021.
- Dividend rate was unchanged from 2020 reflecting regulatory guidance from OSFI to all federally regulated banks.

Governance Excellence, Strong Sustainability Focus

- Equitable will publish its 2021 Sustainability Report and Public Accountability Statement on May 7, 2021, which will provide information on the Bank's commitment to ESG.
- The Report notes that Equitable runs an environmentally conscious business, supports its employees, the community, and underserved customers through a challenging year in 2020, and operates with consistently strong governance.
- Equitable will host its annual and special meeting of shareholders virtually beginning at 10 a.m. Eastern on May 12. Information can be found in the Virtual AGM User Guide available at www.equitablebank.ca and at Envision at www.envisionreports.com/EOB2021.

Equitable Bank Named a Top 50 Best Workplace

- Equitable's employee base of Challengers reaches nearly 1,000 as the Bank prepares for growth, but revenue per FTE still increased 10% year-over-year.
- In April 2021, Equitable Bank was recognized as one of the top 50 Best Workplaces™ in Canada compiled by Great Place to Work® Institute and based on a survey of 82,000 employees.

Forbes Names EQ Bank the *Canada's Best Bank* on its 2021 World's Best List

- Forbes recognized EQ Bank as the Best Bank in Canada and named it – for the first time – to its list of the World's Best Banks based on a survey of 43,000 customers in 28 countries.
- Banks were rated on general consumer satisfaction and key attributes like trust, fees, digital services and financial advice.

"Equitable is challenging the way banking is done in Canada in a thoughtful, no-nonsense manner with a clear goal: enrich lives," said Mr. Moor. "Canadians are responding in kind, entrusting us with the growth of their savings and counting on us to meet their personal and business objectives with competitive financing. Between the new Challenger Bank services we will bring forward this year and the strong and growing allegiance our customers have to our diverse and proven banking products, we expect 2021 to be our best year ever."

Analyst Conference Call and Webcast: 8:30 a.m. Eastern Wednesday, May 5, 2021

Equitable's Andrew Moor, President and Chief Executive Officer, Chadwick Westlake, Chief Financial Officer and Ron Tratch, Chief Risk Officer will host the first quarter conference call and webcast. 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 eqbank.investorroom.com/events-webcasts.

A replay of the call will be available until May 12, 2021 at midnight at (416) 849-0833 (passcode 6354597 followed by the number sign). Alternatively, the webcast will be archived on the Bank's

website.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheets (unaudited)

(\$000s) As at	March 31, 2021	December 31, 2020	March 31, 2020
Assets:			
Cash and cash equivalents	596,267	557,743	737,335
Restricted cash	532,693	504,039	390,398
Securities purchased under reverse repurchase agreements	350,037	450,203	499,966
Investments	611,718	589,876	410,639
Loans – Personal	19,507,100	19,445,386	18,552,216
Loans – Commercial	9,384,917	8,826,182	8,229,032
Securitization retained interests	187,866	184,844	145,850
Other assets	183,939	188,045	188,443
	31,354,537	30,746,318	29,153,879
Liabilities and Shareholders' Equity			
Liabilities:			
Deposits	17,609,846	16,585,043	15,695,407
Securitization liabilities	11,731,668	11,991,964	10,777,497
Obligations under repurchase agreements	-	251,877	429,347
Deferred tax liabilities	63,269	60,880	48,117
Other liabilities	217,975	208,852	252,822
Bank facilities	-	-	499,988
	29,622,758	29,098,616	\$27,703,178
Shareholders' equity:			
Preferred shares	72,194	72,477	72,557
Common shares	224,397	218,166	213,701
Contributed surplus	7,722	8,092	7,405
Retained earnings	1,449,715	1,387,919	1,212,125
Accumulated other comprehensive loss	(22,249)	(38,952)	(55,087)
	1,731,779	1,647,702	1,450,701
	31,354,537	30,746,318	29,153,879

Consolidated statements of income (unaudited)

(\$000s, except per share amounts) Three month period ended	March 31, 2021	March 31, 2020
Interest income:		

Loans – Personal	161,057	181,557
Loans – Commercial	101,258	100,206
Investments	2,899	2,488
Other	2,620	5,947
	267,834	290,198
Interest expense:		
Deposits	77,785	101,820
Securitization liabilities	55,892	67,021
Bank facilities	191	1,206
	133,868	170,047
Net interest income	133,966	120,151
Non-interest income:		
Fees and other income	5,575	6,723
Net loss on loans and investments	(1,461)	(8,531)
Gains on securitization activities and income from securitization retained interests	12,090	6,502
	16,204	4,694
Revenue	150,170	124,845
Provision for credit losses	(772)	35,687
Revenue after provision for credit losses	150,942	89,158
Non-interest expenses:		
Compensation and benefits	28,973	26,895
Other	28,344	27,285
	57,317	54,180
Income before income taxes	93,625	34,978
Income taxes:		
Current	22,042	15,580
Deferred	2,389	(6,572)
	24,431	9,008
Net income	69,194	25,970
Dividends on preferred shares	1,114	1,119
Net income available to common shareholders	68,080	24,851
Earnings per share:		
Basic	4.02	1.48
Diluted	3.97	1.46

Consolidated statements of comprehensive income (unaudited)

(\$000s) Three month period ended	March 31, 2021	March 31, 2020
Net income	69,194	25,970
Other comprehensive income – items that will be reclassified subsequently to income:		
Debt instruments at Fair Value through Other Comprehensive Income:		

Net unrealized losses from change in fair value	(1,658)	(825)
Reclassification of net losses (gains) to income	1,139	(668)
Other comprehensive income – items that will not be reclassified subsequently to income:		
Equity instruments designated at Fair Value through Other Comprehensive Income:		
Net unrealized gains (losses) from change in fair value	9,728	(22,908)
	9,209	(24,401)
Income tax (expense) recovery	(2,418)	6,447
	6,791	(17,954)
Cash flow hedges:		
Net unrealized gains (losses) from change in fair value	13,910	(28,061)
Reclassification of net (gains) losses to income	(465)	2,855
	13,445	(25,206)
Income tax (expense) recovery	(3,533)	6,659
	9,912	(18,547)
Total other comprehensive income (loss)	16,703	(36,501)
Total comprehensive income (loss)	85,897	(10,531)

Consolidated statements of changes in shareholders' equity (unaudited)

(\$000s) March 31, 2021								
	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings	Accumulated other comprehensive income (loss)			Total
					Cash Flow Hedges	Financial Instruments at FVOCI	Total	
Balance, beginning of period	72,477	218,166	8,092	1,387,919	(19,943)	(19,009)	(38,952)	1,647,702
Net Income	-	-	-	69,194	-	-	-	69,194
Other comprehensive income, net of tax	-	-	-	-	9,912	6,791	16,703	16,703
Exercise of stock options	-	5,226	-	-	-	-	-	5,226
Purchase of treasury preferred shares	(283)	-	-	-	-	-	-	(283)
Net loss on cancellation of treasury preferred								

shares	-	-	-	(10)	-	-	-	(10)
Dividends:								
Preferred								
shares	-	-	-	(1,114)	-	-	-	(1,114)
Common								
shares	-	-	-	(6,274)	-	-	-	(6,274)
Stock-based								
compensation	-	-	635	-	-	-	-	635
Transfer								
relating to								
the exercise of								
stock								
options	-	1,005	(1,005)	-	-	-	-	-
Balance, end								
of period	72,194	224,397	7,722	1,449,715	(10,031)	(12,218)	(22,249)	1,731,779

(\$000s)

March 31, 2020

Balance,								
beginning of								
period	72,557	213,277	6,973	1,193,493	241	(18,827)	(18,586)	1,467,714
Net Income	-	-	-	25,970	-	-	-	25,970
Other								
comprehensive								
loss, net of tax	-	-	-	-	(18,547)	(17,954)	(36,501)	(36,501)
Exercise of								
stock options	-	357	-	-	-	-	-	357
Dividends:								
Preferred								
shares	-	-	-	(1,119)	-	-	-	(1,119)
Common								
shares	-	-	-	(6,219)	-	-	-	(6,219)
Stock-based								
compensation	-	-	499	-	-	-	-	499
Transfer								
relating to								
the exercise of								
stock								
options	-	67	(67)	-	-	-	-	-
Balance, end								
of period	72,557	213,701	7,405	1,212,125	(18,306)	(36,781)	(55,087)	1,450,701

Consolidated statements of cash flows (unaudited)

	March 31,	
(\$000s) Three month period ended	March 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	69,194	25,970

Adjustments for non-cash items in net income:		
Financial instruments at fair value through income	(7,390)	13,362
Amortization of premiums/discount on investments	18	309
Amortization of capital assets and intangible costs	7,337	5,231
Provision for credit losses	(772)	35,687
Securitization gains	(4,178)	(2,767)
Stock-based compensation	635	499
Income taxes	24,431	9,008
Securitization retained interests	10,679	8,480
Changes in operating assets and liabilities:		
Restricted cash	(28,654)	72,594
Securities purchased under reverse repurchase agreements	100,166	(349,897)
Loans receivable, net of securitizations	(647,107)	(205,567)
Other assets	5,907	(2,470)
Deposits	1,028,166	235,874
Securitization liabilities	(260,329)	66,119
Obligations under repurchase agreements	(251,877)	(77,697)
Bank facilities	-	499,988
Other liabilities	35,578	21,860
Income taxes paid	(17,225)	(37,499)
Cash flows from operating activities	64,579	319,084
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	5,226	357
Dividends paid on preferred shares	(1,114)	(1,119)
Dividends paid on common shares	(6,274)	(6,219)
Cash flows used in financing activities	(2,162)	(6,981)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(31,307)	(115,962)
Proceeds on sale or redemption of investments	16,355	62,181
Net change in Canada Housing Trust re-investment accounts	(425)	(23,670)
Purchase of capital assets and system development costs	(8,516)	(6,170)
Cash flows used in investing activities	(23,893)	(83,621)
Net increase in cash and cash equivalents	38,524	228,482
Cash and cash equivalents, beginning of period	557,743	508,853
Cash and cash equivalents, end of period	596,267	737,335
Cash flows from operating activities include:		
Interest received	338,505	280,309
Interest paid	(139,957)	(143,095)
Dividends received	1,482	1,554

About Equitable

Equitable Group Inc. trades on the Toronto Stock Exchange (TSX: EQB and EQB.PR.C) and serves over a quarter million Canadians through Equitable Bank, Canada's Challenger Bank™. Equitable Bank has grown to become the country's eighth largest Schedule I bank measured by market

capitalization, with a clear mandate to drive real change in Canadian banking to enrich people's lives. Founded over 50 years ago, Equitable Bank provides diversified personal and commercial banking and its EQ Bank platform (eqbank.ca) is a recognized innovator in digital services. Please visit equitablebank.ca for details.

Cautionary Note Regarding Forward-Looking Statements

Statements made by the Bank 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 Bank's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to the Bank'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 Bank 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 Bank'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 Bank and the Canadian economy. Although the Bank 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 Bank 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 Bank 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, CET1 capital ratio, Efficiency ratio, Assets under management, Loans under management, Liquid assets, Liquidity Coverage Ratio (LCR) and revenue per FTE, 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 Q1 2021 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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