

# Q4 Report

Three and Twelve Months  
Ended December 31, 2018

# Forward-Looking Statements

Certain forward-looking statements may be made in this presentation, including statements regarding possible future business, financing and growth objectives. These statements include, but are not limited to, statements relating to our financial performance objectives, vision and strategic goals, the economic and market review and outlook, the regulatory environment in which we operate, the outlook and priorities for each of our business lines, the risk environment including our liquidity and funding risk, and statements by our all Equitable representatives. The forward-looking information contained herein is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as “believe”, “expect”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “plan” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could” or “would”. Investors are cautioned that such forward-looking statements involve risks and uncertainties detailed from time to time in the Company’s periodic reports filed with Canadian regulatory authorities. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Equitable Group Inc. does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf except in accordance with applicable securities laws.

## Our Most Successful Year on Record

**Highest Ever  
EPS**

8% higher than 2017  
excluding fair-value  
adjustments and  
write down

**Highest Ever  
MUM**

20% higher than  
2017 on growth  
in all lending  
businesses

**Highest Ever  
Deposits**

23% higher than  
2017 on 34% growth  
in *EQ Bank*

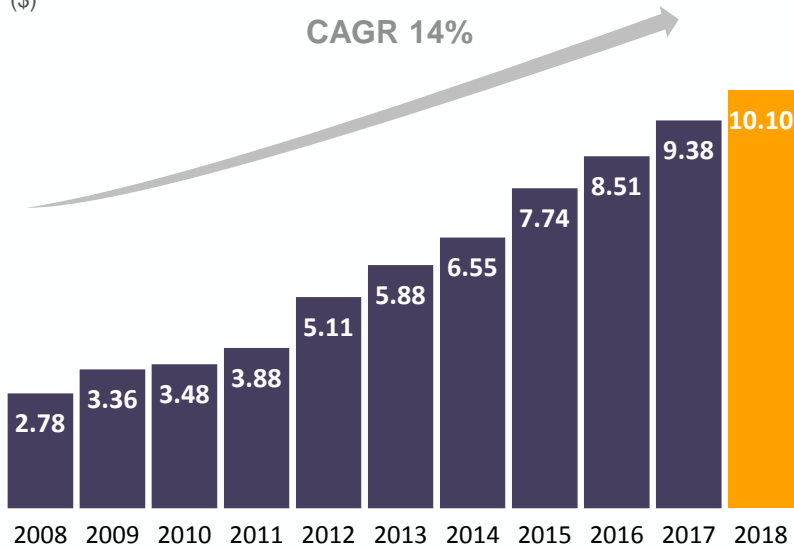
***Canada's Challenger Bank™ Reaching More Canadians Than Ever***

# Highly Profitable Operations Over the Long Term

## Adjusted EPS - Diluted<sup>1</sup>

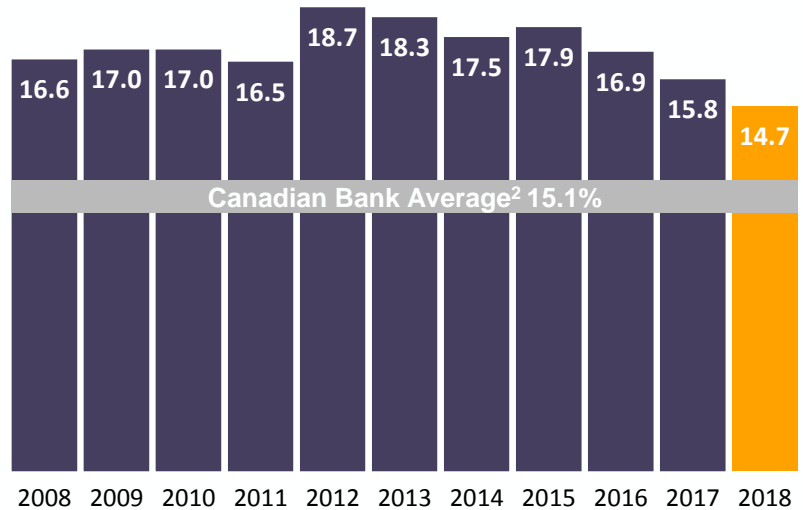
(\$)

CAGR 14%



## Adjusted ROE<sup>1</sup>

(%)



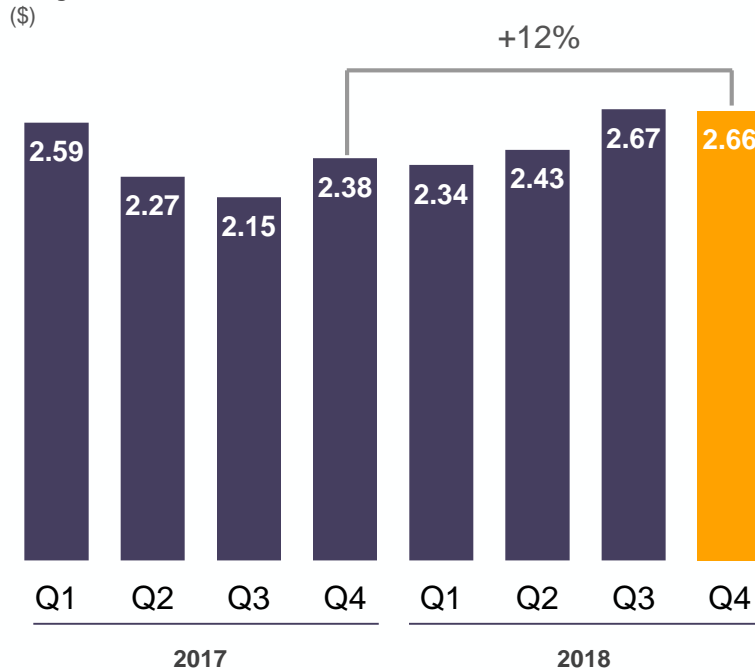
**Record Earnings In 2018 On 20% Asset Growth**

1. Diluted EPS and ROE adjusted for after tax mark-to-market gains/losses on certain preferred shares and derivative hedges. 2018 results also adjusted for write-down of unamortized upfront costs associated with the reduction in the size of the Bank's secured backstop facility.

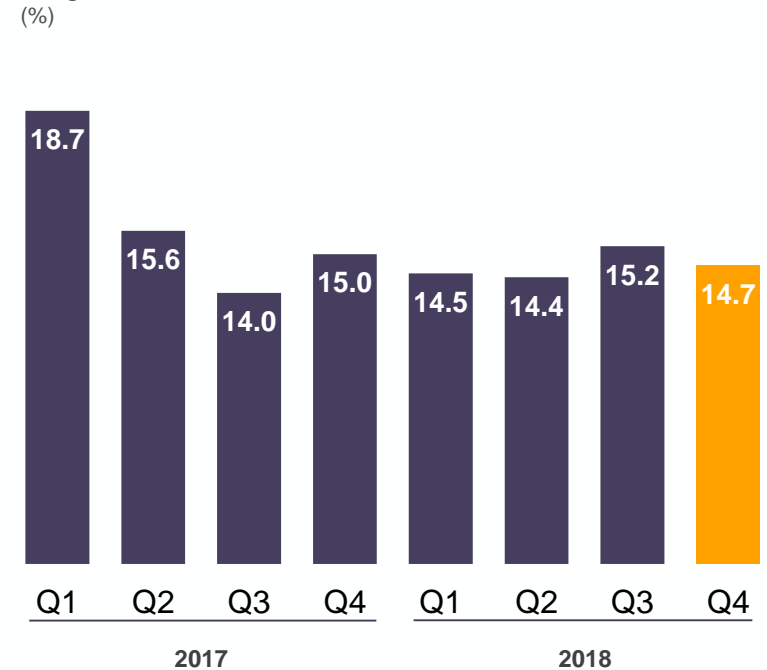
2. Average of eight largest publicly traded banks, excluding EQB.

# Solid Fourth Quarter

## Adjusted EPS - Diluted<sup>1</sup>



## Adjusted ROE<sup>1</sup>

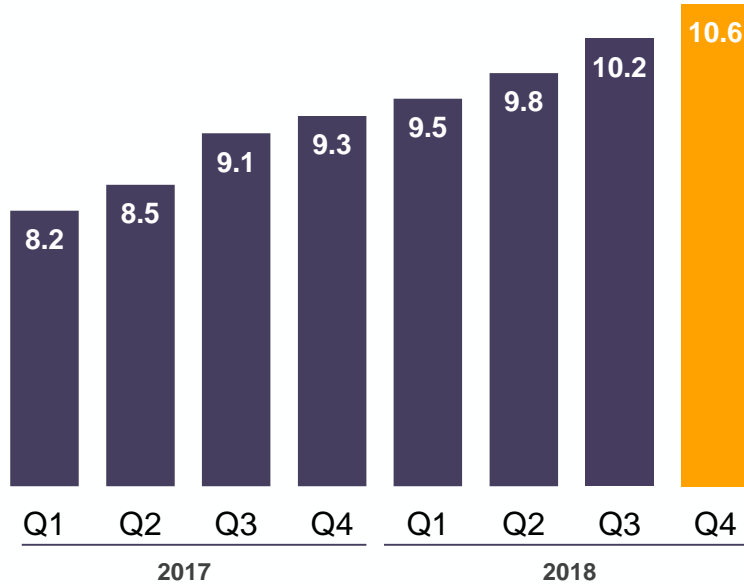


**Expect AUM Growth of 8%-10% in 2019, Delivering Earnings Growth and High ROE**

<sup>1</sup>. Diluted EPS and ROE adjusted for after tax mark-to-market gain/loss on certain preferred shares and derivative hedges. Q2 2018 results also adjusted for write-down of unamortized upfront costs associated with the reduction in the size of the Bank's secured backstop facility.

# Single Family Surpasses Expectations

**Alternative Single Family Mortgage Principal**  
(\$ billions)

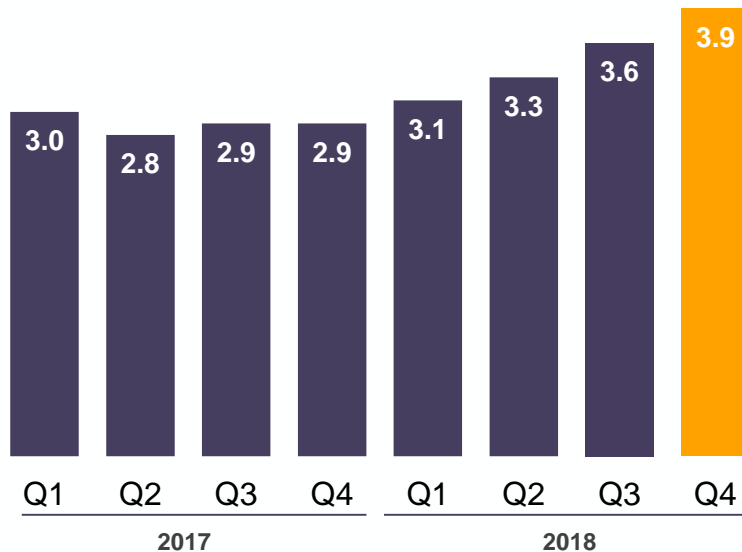


- Mortgage Principal 14% higher than 2017
- Annual originations \$3.5Bn, renewal rate up ~ 10 percentage points over 2017
- Fourth quarter originations up 10% YoY
- Beacon Scores continue to increase

**9% to 11% YoY Asset Growth Expected in 2019**

# Commercial Sets All-Time Origination and Portfolio Records

**Commercial Lending Mortgage Principal**  
(\$ billions)

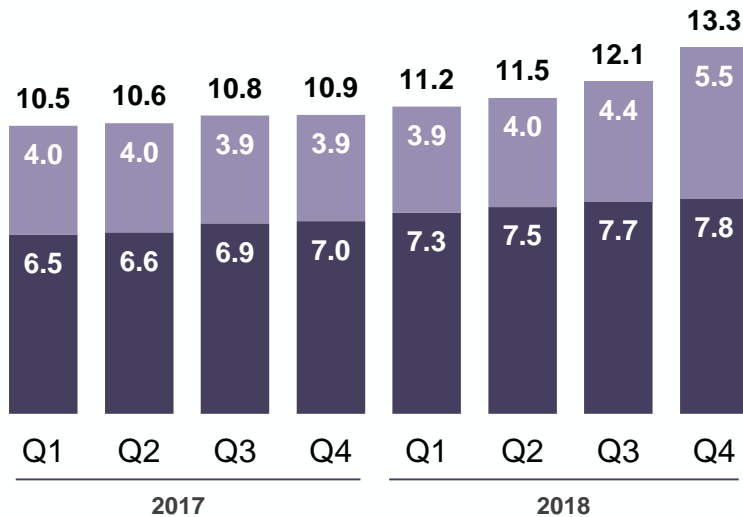


- Mortgage Principal 31% higher than 2017
- Annual originations \$2Bn, 53% above 2017
- Fourth quarter originations up 58%
- Growth reflects capital allocation strategy, broader partner network, new products

**8% to 10% YoY Asset Growth Expected in 2019**

# Grow Through Superior Service

**Securitization Financing  
Mortgages Under Management**  
(\$ billions)



■ Multis    ■ Prime Single Family

- MUM 22% higher than last year
- Annual originations 89% above 2017
- 8% to 10% YoY growth expected in Prime SFR in 2019
- Mid-single digit growth expected in Multis in 2019



# Building *EQ Bank* into Canada's Leading Digital Platform

**71,000  
Customers**

Increased 44%  
YoY

**\$2.2 Billion in  
Savings  
Deposits**

Increased 34%  
YoY

**Best Mobile  
App in  
Canada**

Selected by  
World Finance  
Digital Banking

***Enhancing Customer Experience While Strengthening the Bank***

## Well Positioned to be a Hub for Open Banking Era

**Open Banking:  
Empowering Canadians  
To Get Better Banking**



**Enables competition & innovation to better serve Canadians**



**Privacy & cybersecurity risks exist, but can be effectively managed**



**Federal Government should develop regulation to enforce open banking standards**

[www.equitablebank.ca/open-banking](http://www.equitablebank.ca/open-banking)

# Leveraging Our Capabilities and Balance Sheet to Grow in Adjacent Markets

Reverse  
Mortgages



Cash Surrender  
Value  
Line of Credit



Specialty  
Finance







New Trust  
Company  
Subsidiary



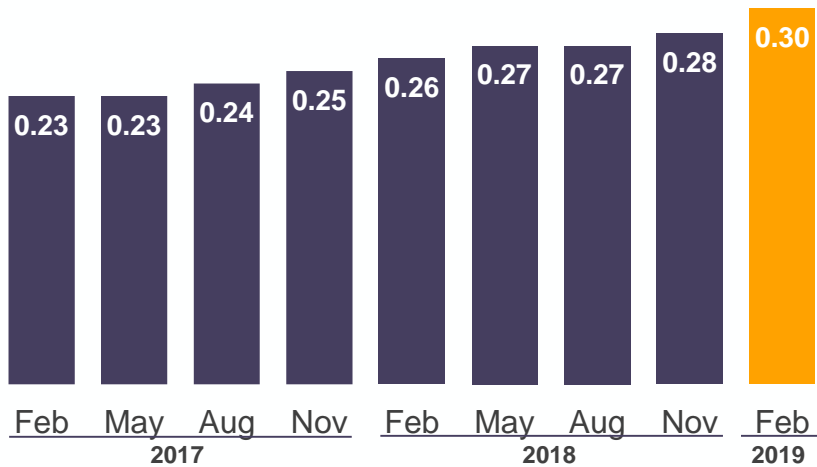
*Newest Services Expand Our Challenger Bank Profile In Attractive Areas*

# Bennington Will Add to Value Creation, Diversification

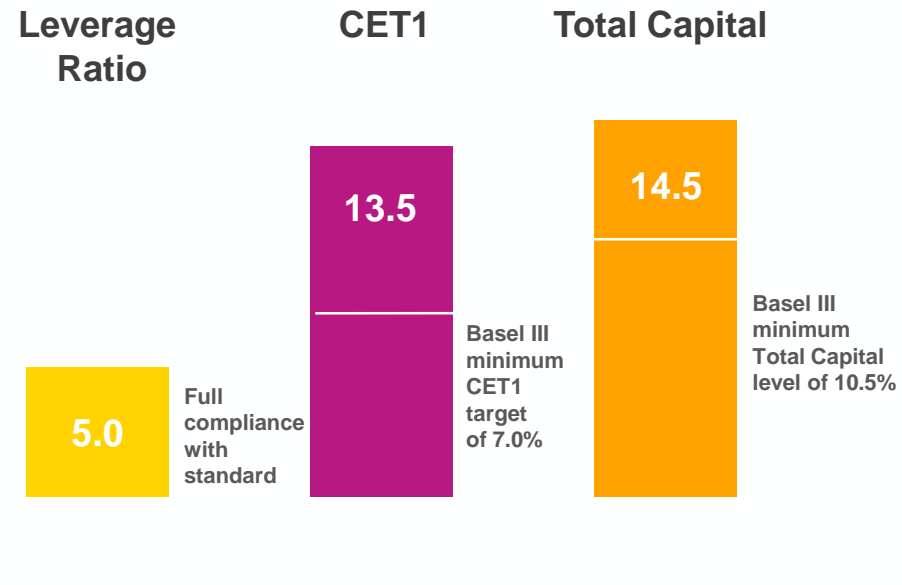
Metric	Impact	Reason
EPS/ROE		<ul style="list-style-type: none"> <li>• Cash purchase</li> <li>• Profitability and operating strength of Bennington</li> </ul>
Margins		<ul style="list-style-type: none"> <li>• High yield on leasing assets</li> <li>• Migration to lower cost funding over time</li> </ul>
Arrears and PCLs/ECLs		<ul style="list-style-type: none"> <li>• Nature of business; higher risk than mortgages</li> <li>• Effect should gradually reduce as we originate a greater proportion of near-prime assets</li> </ul>
Efficiency Ratio		<ul style="list-style-type: none"> <li>• Higher operating cost business</li> <li>• Little opportunity for cost synergies</li> </ul>

# Maintaining Capital Management Discipline and a Low-Risk Profile

Dividend Per Common Share - Declared (\$)

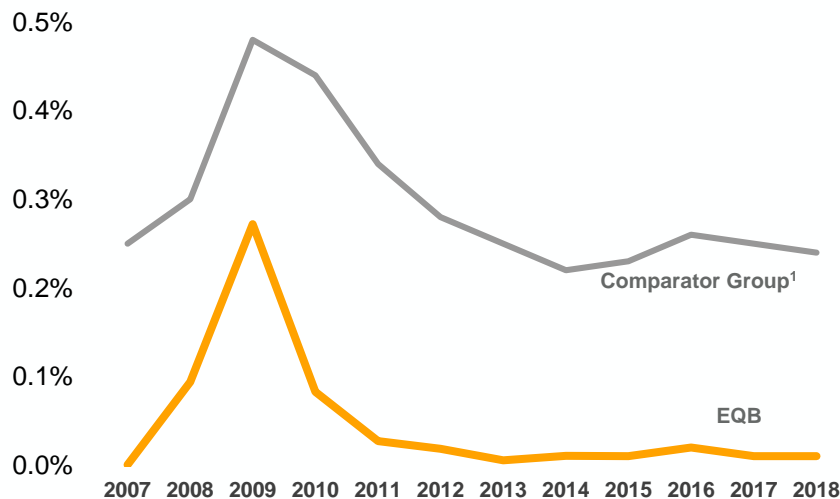


Equitable Bank Regulatory Capital Ratios December 31, 2018 (%)



# High Credit Quality Portfolio

Net Realized Credit Losses as a % of Total Loans



- PCL reflects quality of book and improved macroeconomic forecasts
- Net impaired mortgage assets of \$37.4MM or 0.16% of total mortgage book (vs.0.12% a year ago)
- Allowance for credit losses to total mortgage assets of 0.11% (higher than Bank’s average loss rate of 0.05% over past decade)

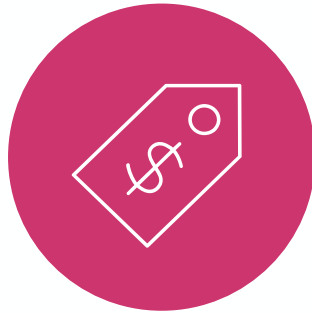
***Expect Low Mortgage Arrears in 2019, Bennington to Add \$10-12M in Provisions, Excluding Acquisition-Related Adjustment***

1. Represents eight largest publicly traded banks, excluding Equitable

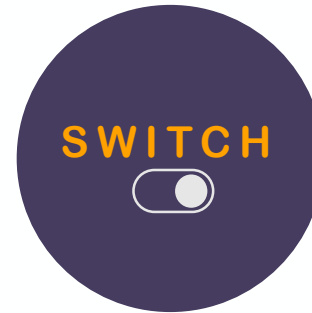
## Strengthening Key Capabilities



Launched  
*myEquitable*  
Mortgage  
Servicing Portal



Introduced  
Creditor Life  
Insurance Option



Enhanced *EQB*  
*Evolution Suite*<sup>™</sup>

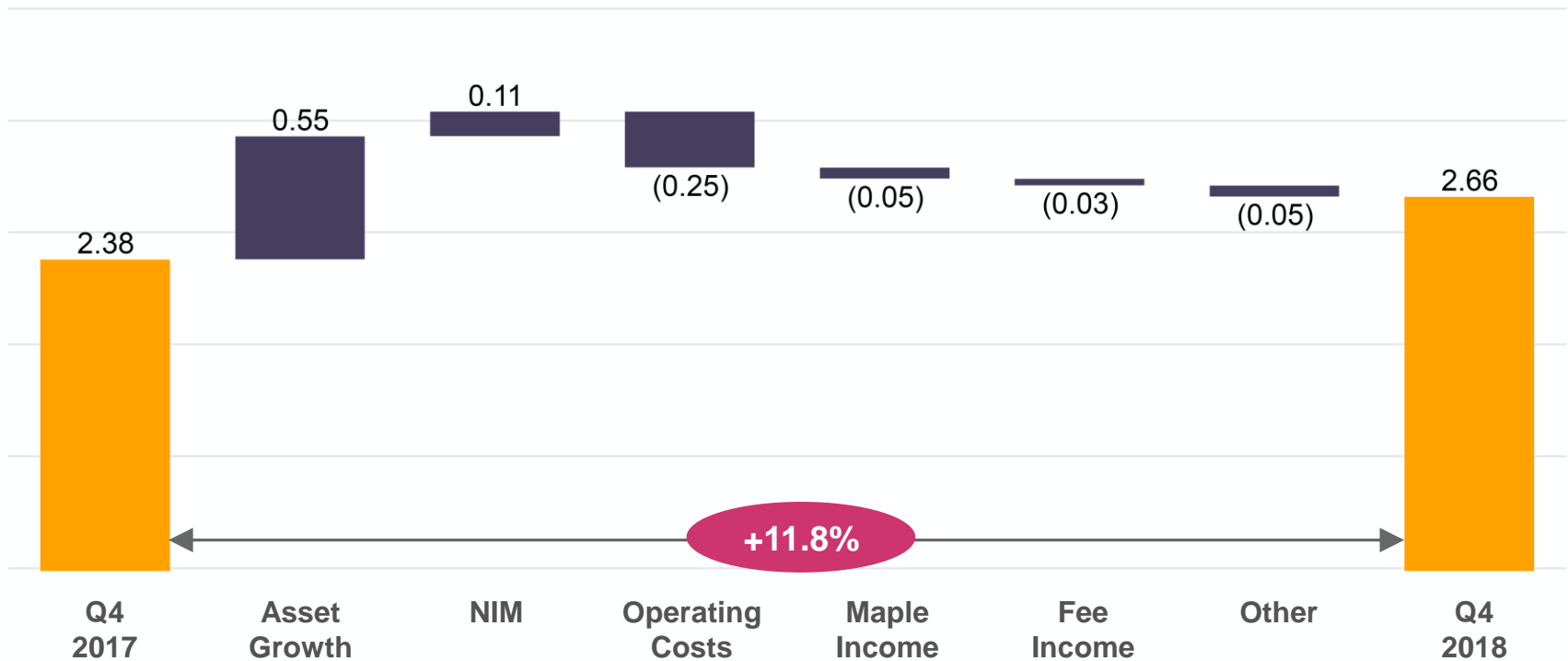


Awarded Platinum  
status as Canada's  
Best Employer

*Modernized Branding In Keeping With Challenger Bank Positioning*

# Fourth Quarter Adjusted EPS Change Analysis

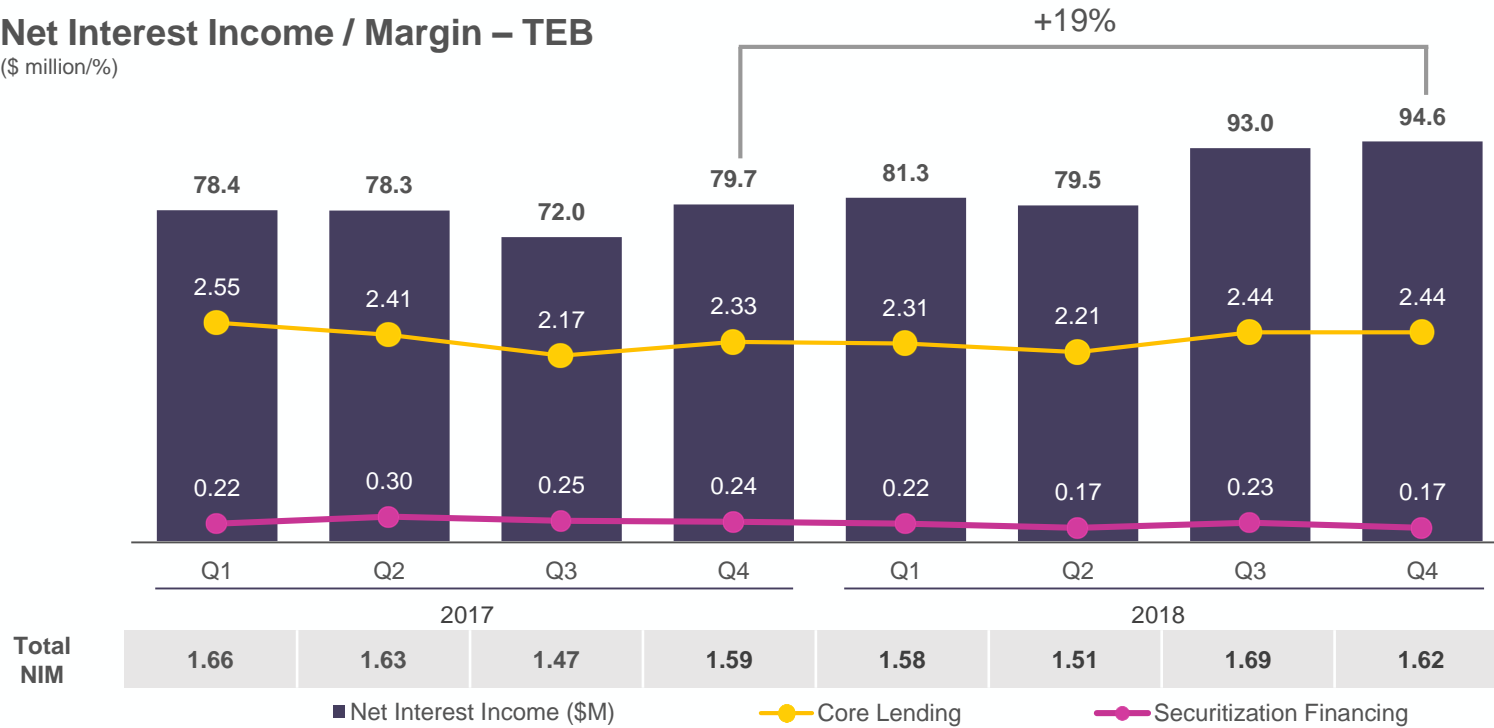
(\$)





# Margin Trends

**Net Interest Income / Margin – TEB**  
(\$ million/%)



- NII up 19% YoY due to 16% growth in average asset balances and 3 bps NIM increase
- **Core Lending NIM 11 bps** higher on lower backstop costs, asset mix, higher commercial spreads

***Expect Total NIM in the range of 1.65% to 1.70% in 2019***

# Controlling Costs While Investing For Future Growth

**Q4 non-interest expenses 19% higher YoY on:**

- 13% FTE growth
- 22% increase in regulatory costs
- 7% increase in technology costs

**Adjusted Efficiency Ratio<sup>1</sup>**  
(%)



**40%-42% Efficiency Ratio Expected in 2019 due to Bennington and Strategic Investments**

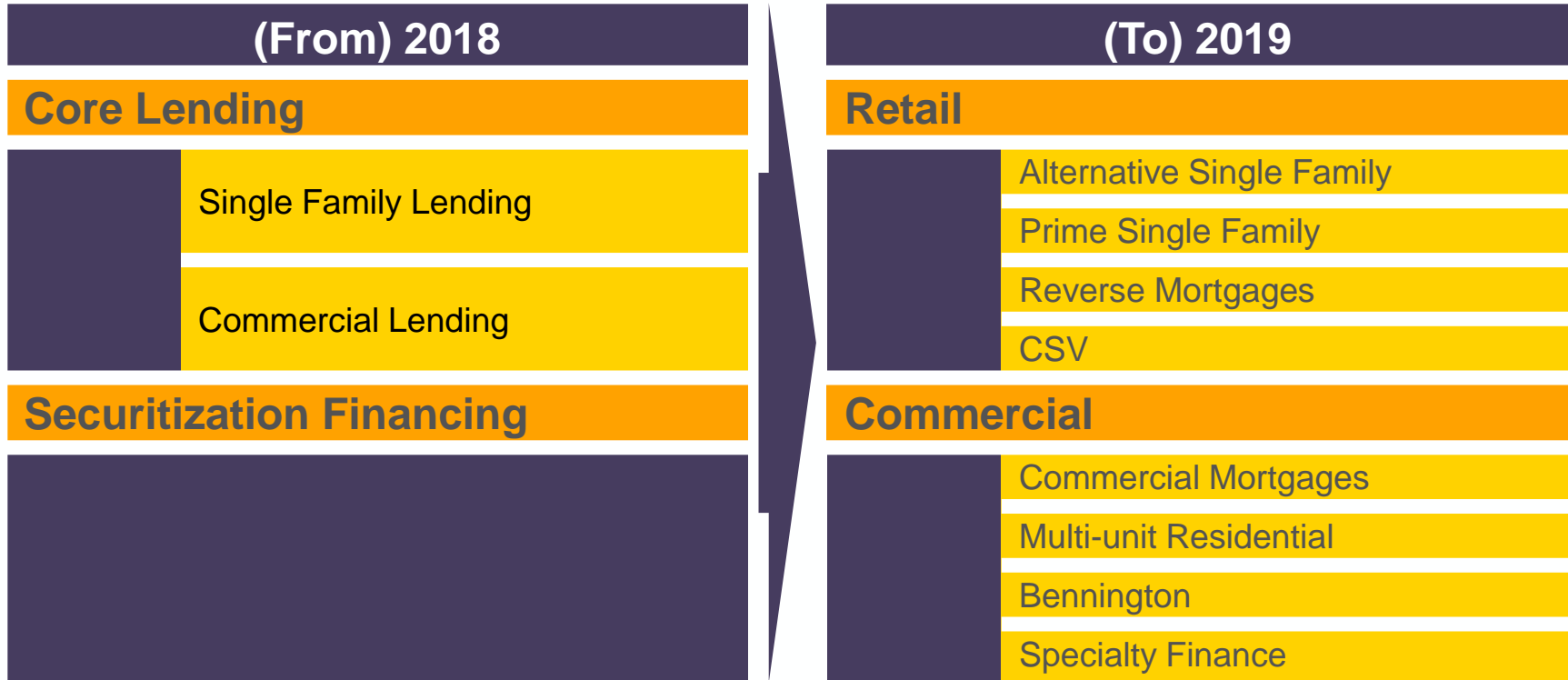
1. Q4 Efficiency Ratio adjusted for after tax mark-to-market gains/losses on certain preferred shares and derivative hedges. Q2 2018 results also adjusted for write-down of unamortized upfront costs associated with the reduction in the size of the Bank's secured backstop facility

## IFRS 9 One-Time Provision In Q1 2019

- IFRS requires we treat acquired leases the same way as if we originated them directly
- We established an allowance for credit losses on all unimpaired Bennington loans on acquisition
- Expect provision of approximately \$7 million to flow through Equitable's income statement in Q1 2019

*Accretion of  
\$0.35 to \$0.40 Per Share,  
Excluding One-Time Provision*

# New Reporting Format Beginning In Q1

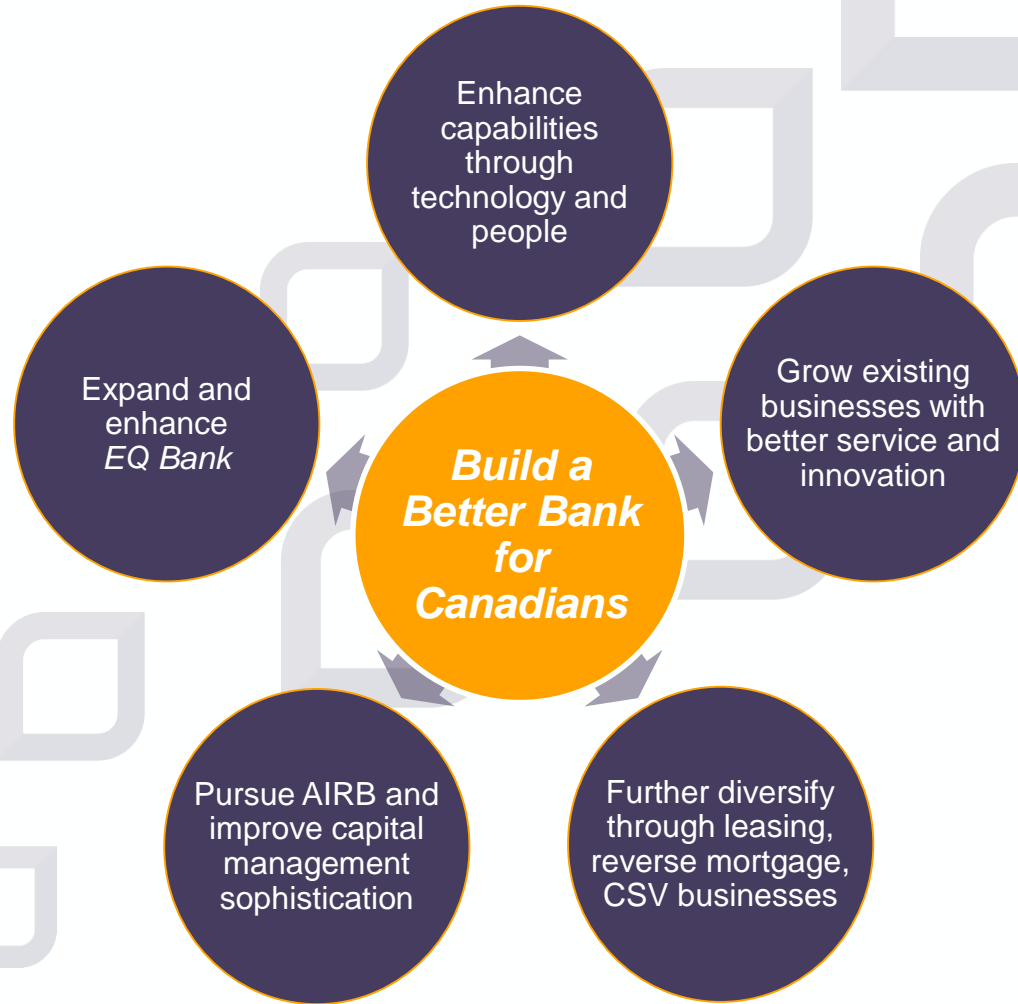


*Better Reflects How We View and Manage our Business*

# A People's Champion



# 2019 Strategic Priorities



## Summary

- Brought Challenger Bank advantages to more Canadians than ever
- Risk-managed growth achieved across all lines of business
- All-time record annual earnings
- Strong momentum coming into 2019
- Positive outlook

