MAZS BETTER BANKING
INNOVATIVE DDHWKVC
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KIE DECUMULATION IO
STJB CUSTOMER VALUE
KSL RESPECT SZGVHGD
RELENTLESS DGFMTHM

EQUITABLE

CANADA'S CHALLENGER BANK™

First Quarter Report

For the three months ended March 31, 2020

TSX.EQB | EQB.PR.C

EQUITABLE GROUP INC.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended March 31, 2020

Management's Discussion and Analysis ("MD&A") is provided to enable readers to assess the financial position and the results of the consolidated operations of Equitable Group Inc. ("Equitable" or the "Company") for the three months ("quarter") ended March 31, 2020. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2020, together with accompanying notes, which have been prepared in accordance with International Accounting Standard ("IAS") 34. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019, together with accompanying notes. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at May 13, 2020. The Company's continuous disclosure materials, including interim filings, annual MD&A and Consolidated Financial Statements, Annual Information Form, Management Information Circular, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Company's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made by the Company in the sections of this report including those entitled "Business Profile and Objectives", "Q1 2020 Highlights", "COVID-19 Pandemic", "Business Outlook", "Provision for Credit Losses", "Credit Quality and Allowance for Credit Losses", "Liquidity Investments and Equity Securities", "Capital Management – Equitable Bank", and "Risk Management", 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", "outlook", "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", "should", "might" or "will be taken", "occur", "be achieved", "will likely" 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 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 including, without limitation, impacts as a result of COVID-19, 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" herein 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 loan business, a continuation of the current level of economic uncertainty that affects real estate market conditions including, without limitation, impacts as a result of COVID-19, 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.

COVID-19 PANDEMIC

The COVID-19 pandemic ("COVID-19") has caused unparalleled global economic and social disruption over the past several months. Equitable is fortunate to be operating a business that does not depend on daily sales activity to stay profitable over a medium-term horizon. We began the year with a portfolio of assets that generates revenue every day and expect to be able to support our operations and people throughout COVID-19, assuming that the economy begins to recover within a reasonable timeframe. Our financial performance through COVID-19 should depend primarily on our ability to manage the expected credit losses (the "ECL") associated with the pandemic rather than on cost management and mortgage origination volumes, although efficiency and originations are critical for sustaining longer-term growth and shareholder value creation. The *Credit Quality and Allowance for Credit Losses* section of this MD&A discusses our credit profile and recent management actions in detail.

The Equitable team acted quickly and cohesively to ensure that we were positioned to mitigate our business risks and help our customers manage through the economic impacts of the pandemic. Top to bottom, our team has performed exceptionally well during the crisis and has been delivering a high level of service to both our customers and other stakeholders.

Protecting our employees

We immediately moved almost all of our employees to a work-from-home model, a challenging action but one that was made easier by our branchless business model and our cloud-based digital platform. We normally interact with our business partners digitally or over the phone, so were able to deliver our services in a relatively undisrupted manner. For the few employees who are required to visit the office, we have ensured that they have a safe workspace and that they apply social distancing protocols.

Serving our customers and business partners

Our digital-only *EQ Bank* platform, which was already a competitive advantage, has become more so in this environment and will likely become an even greater strategic asset over the long-term. It has enabled us to serve our *EQ Bank* customers at close to our usual high standards over recent months. We believe that COVID-19 will likely cause changes in consumer behaviour and accelerate the shift towards digital banking, a trend for which we are well positioned.

In an effort to support our clients during the COVID-19 pandemic, we have offered loan payment deferrals of up to six months to qualifying borrowers, consistent with our industry peers. As of April 30th, 2020, we had granted deferrals to 14,547 customers comprising 17.9% of our loan portfolio, and amounting to $81 million in deferred loan payments. We also continue to offer competitive interest rates on our deposit accounts, to help customers build their savings balances.

Managing our risks and costs

While we are committed to supporting our team and not engaging in layoffs, we are managing our costs prudently in response to market uncertainty and our expectations of slower growth. We acted decisively to defer hiring, delay projects, and reduce discretionary spending.

Management also continues to apply its long-standing, rigorous approach to risk management. Consistent with our traditional approach, we altered underwriting parameters in response to changing market conditions, to control risk in our single family and equipment leasing businesses. Management is also monitoring the performance of all credit exposures more tightly than normal. These steps are necessary because of the uncertainty around general economic conditions, as well as future real estate market activity levels and prices.

The Government of Canada has introduced a range of liquidity programs and regulatory changes to support the financial sector, and ultimately our customers, through the financial impact of COVID-19. We applaud the Government's quick and broad actions. The programs aimed at providing liquidity include widened mortgage insurance criteria, an expanded Canada Mortgage Bond ("CMB") program, a restart of the Insured Mortgage Purchase Program ("IMPP"), and the introduction of the Bank of Canada's Standing Term Liquidity Facility ("STLF"). OSFI also clarified that if banks allow borrowers (retail, small

business, and mid-market commercial) to defer their loan payments, these loans would not be considered in arrears and would be risk-weighted at normal levels. The Government has also introduced various programs to replace a portion of consumers' and businesses' lost income, and those programs will help many of our borrowers to continue servicing their loans.

All of these Government programs support Equitable's liquidity and capital positions. We have used several of the programs to date and intend to continue using them while they are available. For example, we insured $622 million of residential mortgages under CMHC's portfolio insurance program in Q2 2020, joined eight other Canadian banks in drawing against the STLF, and intend to increase our usage of the CMB program. These actions strengthen our liquidity position, and at the same time provide us with funding that is lower cost than our traditional channels and capital benefits.

Management has provided further details on our actions and expectations for the future in the *Business Outlook* section of the MD&A below. Given strong interventions by health authorities and governments, we are optimistic about the ability of our society to withstand the pandemic and about the long-term future of our business. We look forward to supporting the revival of the economy by bringing better banking to Canadians.

BUSINESS PROFILE AND OBJECTIVES

OVERVIEW

Equitable Group Inc. (TSX: EQB and EQB.PR.C) is a growing Canadian financial services business that operates through its wholly owned subsidiary, Equitable Bank (the "Bank"). Equitable Bank is a Schedule I Bank regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") with total Assets Under Management[1] ("AUM") of almost $34 billion. The Bank serves retail and commercial customers across Canada with a range of savings and lending solutions, offered under the Equitable Bank, *EQ Bank*, and Equitable Trust brands. On January 1, 2019, Equitable Bank acquired Bennington Financial Corp. ("Bennington"), a Canadian equipment leasing company that finances a wide range of assets through the Bodkin and Equirex brands. Equitable is one of nine publicly traded banks that are members of the S&P/TSX Composite Index. Equitable is also a member of the S&P/TSX Dividend Aristocrats, S&P/TSX Small Cap, S&P Canada BMI, and MSCI Small Cap (Canada) indices. Measured by assets, Equitable Bank is the ninth largest independent Schedule I Bank in Canada.

Equitable's strategy is to provide exceptional service and clear value to select segments of Canadian consumers and businesses. We concentrate on segments of the market in which we can improve the banking experience or achieve a sustainable competitive advantage. As *Canada's Challenger Bank*™, we rethink conventional approaches to banking, go above and beyond traditional banks in serving our customers, stay nimble so that we can act on new opportunities, and maintain focused, efficient service delivery channels. Service excellence and customer value are how Equitable differentiates itself in the market.

We are one of the few medium-size banks in Canada with enough scale to make meaningful strategic investments. The current COVID-19 crisis will impact our investment plans for 2020 but at the same time may accelerate the shift towards digital banking and our leading-edge technology platform positions us for success in a rapidly digitizing world. The flexibility of our platforms allows us to innovate quickly and deliver a better banking experience to our customers. We built our *EQ Bank* platform on Temenos' core banking system and a highly flexible middle tier on which we have layered award-winning interfaces that are available to our customers as an app on their mobile devices. *EQ Bank* provides not only an innovative platform to grow our deposit base, it also expands the possibilities for our business by giving us a channel over which to introduce other new products and services.

We are continuously enhancing our systems to ensure that we can leverage our flexible middle tier to provide and consume secure Application Programming Interfaces ("APIs"). This approach allows us to collaborate with fintechs and other partners to deliver a broader range of services to Canadian consumers. We embraced fintech early and have seen the relationships we have built with market leaders such as TransferWise, Borrowell, Ratehub, and others, be a driving force in reaching new customers in our markets.

[1] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

A differentiating factor in Equitable's business model compared to many other challenger banks around the world is our ability to deploy the deposits that we gather consistently and profitably. We operate an integrated balance sheet and lend across a growing range of retail and commercial asset categories. Our strategy involves continuing to diversify our assets in order to extend our growth runway and achieve our corporate objectives. Diversification provides the added benefit of reducing the risk profile of our business. We will pursue opportunities only if they align with our strategy, fit within our risk appetite, exceed our return thresholds, leverage some of our existing capabilities, and present a manageable level of integration risk.

FINANCIAL OVERVIEW

Table 1: Selected financial information

($ THOUSANDS, EXCEPT SHARE, PER SHARE AMOUNTS AND PERCENTAGES)	As at or for three months ended				
	Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
RESULTS OF OPERATIONS					
Net income	**$ 25,970**	$ 55,854	(54%)	$ 41,661	(38%)
Adjusted net income[1]	**29,948**	56,045	(47%)	46,579	(36%)
Net income available to common shareholders	**24,851**	54,736	(55%)	40,470	(39%)
Net interest income ("NII")	**120,151**	124,827	(4%)	105,352	14%
Total revenue	**294,892**	302,822	(3%)	271,494	9%
EPS – basic	**1.48**	3.27	(55%)	2.44	(39%)
EPS – diluted	**1.46**	3.21	(55%)	2.42	(40%)
Adjusted EPS – diluted[1]	**1.70**	3.22	(47%)	2.72	(38%)
ROE[1]	**7.2%**	15.9%	(8.7%)	13.4%	(6.2%)
Adjusted ROE[1]	**8.4%**	15.9%	(7.5%)	15.0%	(6.6%)
Return on average assets[1]	**0.4%**	0.8%	(0.4%)	0.7%	(0.3%)
Net interest margin ("NIM")[1]	**1.71%**	1.78%	(0.07%)	1.67%	0.04%
Efficiency Ratio[1][2]	**43.4%**	40.6%	2.8%	41.1%	2.3%
BALANCE SHEET					
Total assets	**29,153,879**	28,392,452	3%	26,327,464	11%
AUM	**33,936,125**	33,005,353	3%	30,830,162	10%
Loans receivable	**26,781,248**	26,607,830	1%	24,446,452	10%
Loans Under Management ("LUM")[1]	**31,496,058**	31,123,254	1%	28,848,831	9%
Preferred shares	**72,557**	72,557	-%	72,557	-%
Common shareholders' equity	**1,378,144**	1,395,157	(1%)	1,241,411	11%
CREDIT QUALITY					
Provision for credit losses ("PCL")	**35,687**	3,917	811%	9,628	271%
PCL – rate[1]	**0.54%**	0.06%	0.48%	0.16%	0.38%
Net impaired Loans as a % of total loan assets	**0.47%**	0.44%	0.03%	0.49%	(0.02%)
Allowance for credit losses as a % of total loan assets	**0.26%**	0.14%	0.12%	0.13%	0.13%
SHARE CAPITAL					
Common shares outstanding	**16,807,317**	16,797,593	0%	16,642,685	1%
Book value per common share[1]	**82.00**	83.06	(1%)	74.59	10%
Common share price – close	**58.07**	109.35	(47%)	64.73	(10%)
Common share market capitalization	**976,001**	1,836,817	(47%)	1,077,281	(9%)
EQUITABLE BANK CAPITAL RATIOS[1]					
CET1 Ratio	**13.5%**	13.6%	(0.1%)	12.9%	0.6%
Tier 1 Capital Ratio	**14.3%**	14.4%	(0.1%)	13.7%	0.6%
Total Capital Ratio	**14.7%**	14.7%	-%	14.0%	0.7%
Leverage Ratio	**4.7%**	4.9%	(0.2%)	4.7%	-%

[1] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*
[2] *Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies.*

Q1 2020 HIGHLIGHTS

PERFORMANCE AGAINST STRATEGIC PRIORITIES

COVID-19 negatively impacted Equitable's financial performance in Q1 2020, primarily due to the future loan loss estimates that we recorded to reflect the deteriorating macroeconomic environment. While portfolio growth and margins were in-line with our expectations, Provisions for Credit Losses increased by $31.8 million compared with the fourth quarter of 2019 and caused net income to decrease. Provisions were higher due to the forward-looking nature of International Financial Reporting Standards 9 Financial Instruments ("IFRS 9") and the impact of changes in our economic outlook as a result of COVID-19 and not because of realized losses in the quarter. Realized losses and write-offs in Q1 2020 were $3.5 million or 5 bps of total assets annualized, up $1.7 million from the prior quarter.

Adjusted Earnings per Share ("EPS") and Return on Equity ("ROE") were $1.70 and 8.4%, respectively, compared to $2.72 and 15.0% in Q1 2019 and $3.22 and 15.9% in Q4 2019. Adjusted Q1 2020 results exclude the negative impact of $5.4 million of net mark-to-market losses on certain security investments, loans carried at fair value through profit and loss, and derivative financial instruments. Including these items, reported EPS and ROE were $1.46 and 7.2%, respectively.

Despite economic and market volatility, Equitable made progress against all of its 2020 strategic objectives in Q1:

Strategic Objectives for 2020	Accomplishments
Grow our existing businesses with better service and innovation	• Grew both of our Retail and Commercial loan portfolios year-over-year by 11% and 7% respectively • Introduced an improved and more cost-efficient reverse mortgage closing process • Increased deposits from strategic partnerships by $295 million or 94% to $610 million as compared with Q1 2019 • Introduced Equitable Trust HISAs through the third-party wealth management channel • Launched a new USD HISA product to the deposit broker channel, providing a more competitive product to Canadians with foreign currency needs
Further diversify through our leasing, reverse mortgage, and CSV loan businesses	• Grew our equipment lease portfolio by 14% over the prior year • Closed a $60 million specialized financing partnership with Bridgepoint Financial Services Inc., Canada's leader in the litigation finance industry • Continued to expand awareness and grow the pipeline for our CSV line of credit
Expand and enhance *EQ Bank*	• Grew *EQ Bank* deposit balances to $2.7 billion, an increase of 22% year-over-year • Expanded our *EQ Bank* depositor base by 29,000 or 38% over Q1 2019 to 105,000 customers • Offered 15 new currencies through our innovative and cost-effective international money transfer service
Pursue AIRB and improve sophistication of our capital management	• Conducted a range of rigorous stress tests on our loan portfolios to ensure that we have sufficient capital to manage through a range of economic scenarios • Continued to progress our AIRB implementation • Reported a CET1 Ratio of 13.5%, up from last year by 0.6% and ahead of most competitive benchmarks

Strategic Objectives for 2020	Accomplishments
Enhance our capabilities through technology and people	• Successfully implemented our business continuity plan in response to the COVID-19 threat by moving our employees to a work-at-home posture • Won the Celent 2020 Model Bank Award for Banking in the Cloud • Continued to make enhancements to our cloud infrastructure and other applications supporting our *EQ Bank* platform • Sustained an industry leading Efficiency Ratio of 43.4% while investing in strategic initiatives

ITEMS OF NOTE

Q1 2020 financial results were impacted by higher provisions for future expected credit losses as noted above and the following item, on a pre-tax basis:

- $5.4 million of net mark-to-market losses on certain security investments, loans carried at fair value through profit and loss, and derivative financial instruments related to securitization activities.

Q1 2019 financial results were impacted by the following items, on a pre-tax basis:

- $5.7 million one-time IFRS 9 related PCL for Bennington's equipment lease portfolio recorded at the time of acquisition; and
- $0.9 million of mark-to-market losses on certain preferred share investments and derivative financial instruments related to securitization activities.

There were no items of note in Q4 2019.

DIVIDENDS

Common share dividends

In Q3 2019, Equitable announced its intention to grow its dividend at a rate between 20% and 25% for each of the next five years. The Board has now put these planned increases on hold because of regulatory guidance from OSFI meant to support the financial and operational resilience of all federally regulated banks. The Company intends to maintain its current dividend.

On May 13, 2020, the Company's Board declared a quarterly dividend of $0.37 per common share, payable on June 30, 2020, to common shareholders of record at the close of business on June 15, 2020. This dividend represents a 19% increase over dividends declared in May 2019.

Preferred share dividends

On May 13, 2020, the Board declared a quarterly dividend of $0.373063 per preferred share, payable on June 30, 2020, to preferred shareholders of record at the close of business on June 15, 2020.

BUSINESS OUTLOOK

Equitable continues to believe that our strategy, including our disciplined approach to capital allocation, will deliver value to shareholders and protect the money that depositors have trusted to the Bank. The Company's Q1 2020 financial results were below the expectations we had entering the year, but in light of economic forecasts and our strategic positioning as *Canada's Challenger Bank*™, we still believe that Equitable will achieve its medium-term financial objectives once the economy emerges from COVID-19.

The prospects for our 2020 financial performance have weakened due to the COVID-19 pandemic and related lockdown that has disrupted the global economy, our industry, and our business. Given the high level of uncertainty about the pandemic and economic conditions, it is difficult to predict the duration and magnitude of the impact on our business. Management is consequently withdrawing the full year 2020 outlook provided in our Q4 2019 MD&A published on February 24, 2020. Until the point at which we have more clarity on this impact, we will be providing an abridged version of our normal outlook.

Although we cannot provide reliable guidance for most performance indicators, including asset growth and net interest income, we can comment on our expectations regarding select aspects of our business and future performance:

Funding and Liquidity

- Our funding markets have been delivering the volumes we need to maintain and grow our business. Our deposit products continue to offer competitive interest rates and we have been steadily growing our *EQ Bank* customer base. Our liquidity position remains solid.
- Recently announced Government of Canada programs have injected more liquidity into the banking system to mitigate the systemic impact of COVID-19 which provides us with greater comfort in our liquidity risk profile now and as we look forward.
- Funding costs have been lower than pre-crisis levels. Movements in benchmark rates do not have a material impact on the profitability of our existing portfolio because we are largely match-funded.
- We have paused our wholesale funding programs until markets stabilize, though we remain committed to them longer term. Wholesale funding currently accounts for only 2% of our total deposit funding. It is unlikely that we will issue our first covered bond in Q3 2020, but still believe that covered bonds represent a valuable long-term funding source.
- The revolving credit facilities that we have in place with some of the big-6 banks remain available and the terms are unchanged.
- Our $400 million secured backstop credit facility, provided by five of the big-6 banks, remains in place on the same terms and conditions as announced in June 2019. We have not drawn on the facility.

Loan Growth

- Mortgage origination volumes were in line with our plan during Q1, but are likely to soften in Q2 and Q3 2020. This expected decrease will be driven by reduced market activity and possibly lower real estate prices.
- We believe that lower attrition rates will provide a partial offset to the reduced level of new business. Mortgage payment deferrals will also contribute to balance retention.

Credit Quality

- As discussed above, many of our retail and commercial customers – in all parts of the country – have been experiencing financial stress and have asked for a deferral of their mortgage payments. We believe that the longer-term impact of these programs will be positive. Some proportion of these borrowers will likely still default but it is too early to determine what the increase in impaired loan balances will be over the course of the year.

- We are recording the interest on deferred payments in revenue as it accrues (like the rest of the industry) and the deferrals should have only a moderate impact on our corporate cash flows.

- 52% of our loans under management or 48% of our total assets under management are insured. Further, our uninsured mortgage loans are supported by first-position charges on real estate and our leases by first-position charge on equipment. These factors significantly reduce the level of credit risk in our book.

- We also take comfort in our traditional, prudent approach to lending. We lend to borrowers who meet stringent qualifying criteria, in urban centres with diversified employment bases and more liquid real estate markets, and at reasonable loan-to-value ("LTV") ratios.

- The weighted average LTV ratio of 64% on our uninsured residential mortgage portfolio at the end of Q1 protects us against an economic scenario that results in a combination of higher defaults and a decrease in house prices.

- Based on current economic forecasts, PCLs should decrease in subsequent quarters, as our Q1 allowance for credit losses reflected our estimate of *future expected losses* in the face of deteriorating economic conditions. If economic forecasts worsen or our borrowers show signs of significant credit stress, allowances and provisions could also be elevated in future quarters. The duration and depth of the economic contraction, as well as the positive impact of government support initiatives, will be the key determinants of the loan losses that we ultimately realize.

Expenses

- We expect that expenses will still grow compared with 2019, but at a much lower rate than originally communicated, in light of the expense actions discussed above.

- We are still focused on our long-term objectives and have been moving ahead with our most important strategic initiatives, namely the digitization of our bank and our service offerings.

Earnings and Capital

- Earnings in Q2 to Q4 2020 should be positive but will likely be down year-over-year, primarily due to our higher expense base (relative to last year) and accounting credit loss provisions under IFRS 9.

- The Bank's CET1 ratio was in the middle of our target range this quarter, and we expect it to increase throughout the year as positive earnings add to our capital base, risk-weighted asset growth slows, and we insure single family mortgages under available CMHC programs (we insured $622 million at the beginning of Q2 2020, which will have a 30 bp positive impact on CET1 in Q2).

- Our capital levels are more than sufficient to absorb expected losses. We do not foresee a reasonable scenario under which we need to raise additional equity capital to support our existing businesses.

- We believe it is prudent to build capital in times of stress, so will not introduce any buyback programs in 2020 even if our capital ratios increase above our target range. OSFI has also mandated that banks do not buy back shares until further notified.

- In July 2019, Equitable announced its intention to grow our dividend at a rate between 20% and 25% for each of the next five years. The Board has now put these planned increases on hold because of regulatory guidance to the banking industry. Our dividend payout ratio was a sustainable 11% in 2019, and so we do not intend to reduce our dividend from the current $0.37 per quarter.

The Bank may not realize the performance levels discussed above if business or competitive conditions, funding availability, the regulatory environment, the housing market, the economic impact of the COVID-19 pandemic, or general economic conditions differ in either level or timing from expectations.

The purpose of this outlook is to give the reader an indication of factors that may affect Equitable's performance in the near term. Readers should be aware that information contained in this section may not be appropriate for any other purpose. **See "Cautionary Note Regarding Forward-Looking Statements" on page 1 of this MD&A.**

FINANCIAL REVIEW – EARNINGS

Table 2: Income statement highlights

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)		Three months ended				
		Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
Net income	**$**	**25,970**	$ 55,854	(54%)	$ 41,661	(38%)
Adjusted net income		**29,948**	56,405	(47%)	46,579	(36%)
EPS – diluted		**1.46**	3.21	(55%)	2.42	(40%)
Adjusted EPS – diluted		**1.70**	3.22	(47%)	2.72	(38%)
NII		**120,151**	124,827	(4%)	105,352	14%
PCL		**35,687**	3,917	811%	9,628	271%
Non-interest expenses		**54,180**	54,477	(1%)	46,111	17%

NET INTEREST INCOME

NII is the main driver of profitability for the Company. Table 3 details the Company's NII by product and portfolio.

Table 3: Net interest income

($ THOUSANDS, EXCEPT PERCENTAGES)	Three months ended					
	Mar 31, 2020		Dec 31, 2019		Mar 31, 2019	
	Revenue/ Expense	**Average rate[1]**	Revenue/ Expense	Average rate[1]	Revenue/ Expense	Average rate[1]
Revenues derived from:						
Cash and equivalents	**$ 7,067**	**1.90%**	$ 7,894	2.04%	$ 6,379	1.93%
Equity securities	**1,368**	**4.46%**	1,505	4.89%	1,376	4.30%
Alternative single family mortgages	**140,441**	**4.91%**	141,065	4.94%	126,348	4.78%
Prime single family mortgages	**40,764**	**2.40%**	41,186	2.42%	32,803	2.37%
Other retail loans	**352**	**5.46%**	273	5.66%	71	6.28%
Total Retail loans	**181,557**	**3.98%**	182,524	4.00%	159,222	3.95%
Conventional commercial loans	**59,116**	**5.90%**	57,824	6.03%	58,355	6.10%
Equipment leases[2]	**13,508**	**11.06%**	14,215	11.58%	12,215	11.88%
Insured multi-unit residential mortgages	**27,582**	**2.94%**	29,507	3.16%	27,059	3.23%
Total Commercial loans	**100,206**	**4.86%**	101,546	5.04%	97,629	5.14%
Average interest earning assets	**290,198**	**4.13%**	293,469	4.20%	264,606	4.20%
Expenses related to:						
Deposits	**99,378**	**2.62%**	99,385	2.63%	92,363	2.66%
Secured backstop funding facility[3]	**617**	**N/A**	625	N/A	2,249	N/A
Securitization liabilities	**67,021**	**2.50%**	65,950	2.49%	62,903	2.63%
Others	**3,031**	**2.45%**	2,682	2.07%	1,739	3.67%
Average interest bearing liabilities	**170,047**	**2.58%**	168,642	2.57%	159,254	2.70%
Net interest income and margin	**$ 120,151**	**1.71%**	$ 124,827	1.78%	$ 105,352	1.67%

(1) *Average rates are calculated based on the daily average balances outstanding during the period.*
(2) *The revenue derived from and the average rate on Equipment leases represents earnings on the Bennington equipment lease portfolio. Bennington was consolidated as of January 1, 2019.*
(3) *Since its establishment in June 2017, there have been no draws on the secured backstop funding facility.*

Q1 2020 v Q1 2019

NII was up 14% primarily due to growth in average asset balances of 11% and a 4 bp increase in NIM.

Table 4(a): Factors affecting Q1 2020 v Q1 2019 NIM

	Impact (in bps)	Drivers of change
Loan prepayment income	4	• Higher levels of early discharges in Alternative and Prime single family
Backstop funding facility fees	3	• Lower fees associated with our downsized and lower cost secured backstop funding facility; it was $850 million in Q1 2019 and $400 million in Q1 2020
Rates/spread[1]	2	• Higher spreads on our Retail and Commercial portfolios
Business mix	(5)	• Mix shift toward lower spread Prime mortgages, which experienced high growth during the second half of 2019
Change in Total NIM	4	

[1] *The rate effect is calculated after adjusting for the impact of business mix changes.*

Q1 2020 v Q4 2019

NII decreased 4% driven by a 7 bp decrease in NIM, offset in part by a 2% increase in average balances.

Table 4(b): Factors affecting Q1 2020 v Q4 2019 NIM

	Impact (in bps)	Drivers of change
Rates/spread[1]	(4)	• Maintaining a competitive rate on our EQ Bank deposit balances; and • Lower income on our security investments and cash balances • Spreads in our Alternative Single Family and Commercial businesses were consistent
Loan prepayment income	(5)	• Reduced level of early discharges
Business mix	1	• Mix shift towards our higher yielding Commercial businesses
Other	1	
Change in Total NIM	(7)	

[1] *The rate effect is calculated after adjusting for the impact of business mix changes.*

PROVISION FOR CREDIT LOSSES

Table 5: Provision for credit losses ("PCL")

				Three months ended	
($ THOUSANDS, EXCEPT PERCENTAGES)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Stage 1 and 2 provision	**$ 31,061**	$ 1,174	2,546%	$ 6,279	395%
Stage 3 provision	**4,626**	2,743	69%	3,349	38%
Total provision[1]	**$ 35,687**	$ 3,917	811%	$ 9,628	271%
PCL – rate[2]	**0.54%**	0.06%	0.48%	0.16%	0.38%

[1] *Total provisions in Q1 2019 include a one-time charge under IFRS 9 on the acquisition of the Bennington leasing business. Adjusted for this charge, the PCL and PCL – rate would have been $3,879 and 6 basis points respectively.*
[2] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

The Provision for Credit Losses represents the addition to our Allowance for Credit Losses, net of any recoveries, during the period. The allowance represents the reserves that we have set aside on our balance sheet to absorb future expected losses and is discussed in detail in the *Credit Quality and Allowance for Credit Losses* section of the MD&A below. We increased our allowance for loans categorized as Stage 1 and Stage 2 (performing loans) materially in light of the anticipated economic consequences of the COVID-19 pandemic, which led to higher Stage 1 and 2 provisions in our income statement.

Stage 3 provisions – those related to impaired loans – were also up from previous periods in both our leasing and mortgage businesses. Stage 3 provisions in our leasing business reflected an increase in impaired lease formation, most of which occurred prior to the escalation of the COVID-19 events and did not relate to any particular industry category or geography. Stage 3 provisions for mortgages were increased from an unusually low level last quarter but are in line with long-term performance.

OTHER INCOME

Table 6: Other income

	Three months ended				
($ THOUSANDS)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Fees and other income:					
Fees and other income	**$ 6,554**	$ 5,941	10%	$ 5,041	30%
Income from successor issuer activities	**169**	260	(35%)	603	(72%)
Net (loss) gain on loans and investments	**(8,531)**	99	(8,717%)	(821)	(939%)
Securitization activities:					
Gains on securitization and income from retained interests	**3,299**	3,108	6%	2,186	51%
Fair value gains (losses) on derivative financial instruments	**3,203**	(55)	5,924%	(121)	2,747%
Total	**$ 4,694**	$ 9,353	(50%)	$ 6,888	(32%)

Q1 2020 v Q1 2019

Other income decreased mainly due to:

- Higher net unrealized fair value losses on loans and certain security investments;

Offset by:

- Net mark-to-market gains on derivative financial instruments related to securitization activities compared to loss in the prior year;
- An increase in fee and other income due to the resolution of an ongoing litigation matter, resulting in a $1.1 million net recovery; and
- Higher gains on securitization and income from retained interests, driven by increased derecognition volumes and gain on sale margin.

Q1 2020 v Q4 2019

Other income decreased primarily due to:

- Net mark-to-market losses on loans and certain security investments compared to gains in the preceding quarter;

Offset by:

- Net unrealized fair value gains on derivative financial instruments during the quarter; and
- Higher fees and other income driven by the resolution of the litigation claim explained above, offset in part by a loss on foreclosed assets.

NON-INTEREST EXPENSES

Table 7: Non-interest expenses and Efficiency Ratio

($ THOUSANDS, EXCEPT PERCENTAGES AND FTE)	Three months ended				
	Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
Compensation and benefits	**$ 26,895**	$ 25,920	4%	$ 24,284	11%
Technology and system costs	**9,491**	8,976	6%	7,429	28%
Regulatory, legal and professional fees	**5,157**	5,261	(2%)	4,674	10%
Product costs	**5,094**	4,453	14%	3,842	33%
Marketing and corporate expenses	**4,745**	7,724	(39%)	3,654	30%
Premises	**2,798**	2,143	31%	2,228	26%
Total	**$ 54,180**	$ 54,477	(1%)	$ 46,111	17%
Efficiency Ratio	**43.4%**	40.6%	2.8%	41.1%	2.3%
Full-time employee ("FTE") – period average	**879**	857	3%	795	11%

We continue to operate efficiently on both an absolute basis and relative to other financial institutions, particularly taking into account the scale of our operations. Our Efficiency Ratio for the quarter increased to 43.4% from 40.6% in the preceding quarter and 41.1% a year ago. Although costs were down sequentially, our Efficiency Ratio was up because of the negative impact of fair value losses on our revenue (the denominator).

Q1 2020 v Q1 2019

Total non-interest expenses increased primarily because of:

- Higher compensation and benefits costs which resulted from several factors including 11% growth in our FTE and annual inflationary salary adjustments;
- An increase in technology and system costs mainly for support, maintenance and enhancement of our core banking systems and the *EQ Bank* platform;
- Higher product costs due to higher amortization of investments for projects completed over the past 12 months; and
- An increase in marketing expenditures to promote *EQ Bank*.

Q1 2020 v Q4 2019

Total expenses decreased compared with the preceding quarter primarily due to:

- A reduction in marketing costs, as we concluded a significant and successful campaign to build awareness of *EQ Bank's* services in Q4 2019;

Offset by:

- Higher compensation and benefits costs that resulted from headcount growth, a seasonal increase in benefit costs, and annual inflationary salary adjustments.

FINANCIAL REVIEW – BALANCE SHEET

Table 8: Balance sheet highlights

($ THOUSANDS, EXCEPT PERCENTAGES)	Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
Total assets	$ 29,153,879	$ 28,392,452	3%	$ 26,327,464	11%
Loan principal – Retail	18,456,396	18,250,574	1%	16,629,554	11%
Loan principal – Commercial	8,257,416	8,259,779	(0%)	7,716,579	7%
Deposit principal	15,474,853	15,231,888	2%	14,637,787	6%
Total liquid assets[1] as a % of total assets	7.8%	6.0%	1.8%	7.8%	-%

[1] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

Total assets increased by $2.8 billion or 11% from last year. All of our lending businesses contributed to this growth.

TOTAL LOAN PRINCIPAL

Our strategy is to maintain a diverse portfolio of loan assets in order to optimize our ROE and maintain credit risk at an acceptable level. Table 9 presents our loan principal by lending business and Table 10 provides continuity schedules for our on-balance sheet loan assets.

Table 9: Loan Principal by lending business

($ THOUSANDS)	Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
Alternative single family mortgages	$ 11,646,720	$ 11,415,214	2%	$ 10,920,051	7%
Prime single family mortgages	6,780,160	6,813,331	(0%)	5,703,570	19%
Other retail loans	29,516	22,029	34%	5,933	397%
Total Retail – on Balance Sheet	18,456,396	18,250,574	1%	16,629,554	11%
Conventional commercial loans	4,057,343	4,039,938	0%	3,890,853	4%
Equipment leases	511,191	496,056	3%	448,812	14%
Insured multi-unit residential mortgages	3,688,882	3,723,785	(1%)	3,376,914	9%
Total Commercial – on Balance Sheet	8,257,416	8,259,779	(0%)	7,716,579	7%
Total Loans – on Balance Sheet	26,713,812	26,510,353	1%	24,346,133	10%
Insured multi-unit residential mortgages – derecognized	4,782,246	4,612,901	4%	4,502,698	6%
Total Loans – off Balance Sheet	4,782,246	4,612,901	4%	4,502,698	6%
Total Loans Under Management	$ 31,496,058	$ 31,123,254	1%	$ 28,848,831	9%

Table 10: On-Balance Sheet loan principal continuity schedule

		Three months ended March 31, 2020	
($ THOUSANDS, EXCEPT PERCENTAGES)	**Retail**	**Commercial**	**Total**
Q4 2019 closing balance	**$ 18,250,574**	**$ 8,259,779**	**$ 26,510,353**
Originations	**1,050,494**	**905,728**	**1,956,222**
Derecognition	**-**	**(211,533)**	**(211,533)**
Net repayments	**(844,672)**	**(696,558)**	**(1,541,230)**
Q1 2020 closing balance	**$ 18,456,396**	**$ 8,257,416**	**$ 26,713,812**
% Change from Q4 2019	**1%**	**(0%)**	**1%**
% Change from Q1 2019	**11%**	**7%**	**10%**
Net repayments percentage[(1)]	**4.6%**	**8.4%**	**5.8%**

		Three months ended March 31, 2019	
($ THOUSANDS, EXCEPT PERCENTAGES)	Retail	Commercial	Total
Q4 2018 closing balance	$ 16,102,163	$ 7,324,529	$ 23,426,692
Originations	1,050,157	1,042,935	2,093,092
Derecognition	-	(172,330)	(172,330)
Net repayments	(522,766)	(478,555)	(1,001,321)
Q1 2019 closing balance	$ 16,629,554	$ 7,716,579	$ 24,346,133
% Change from Q4 2018	3%	5%	4%
Net repayments percentage[(1)]	3.2%	6.5%	4.3%

[(1)] *Net repayments percentage is calculated by dividing net repayments by the previous period's closing balance.*

Q1 2020 v Q1 2019

Total loan principal increased by $2.4 billion, driven by growth in both our Retail and Commercial businesses.

Within Retail, Alternative single family mortgages grew 7% due to strong origination volumes over the past twelve months, and despite a higher level of attrition. The rise in attrition was largely due to a decline in our renewal rates to pre-B-20 levels since the middle of 2019. Prime single family grew 19% as a result of mortgages sourced through third parties in the latter half of 2019 and continued progress building our internal origination business.

Our Commercial business also grew by 7% year-over-year, mainly driven by Conventional commercial loans and equipment leases. Conventional commercial grew by $166 million, even with a higher volume of early discharges and management's decision to build capital by deliberately reducing originations in the first half of 2019. A $60 million secured specialized financing loan that we closed in Q1 2020 also contributed to the Conventional commercial growth. Equipment leases were up by $62 million or 14%, and Multis by $312 million or 9%, both on high origination volumes.

Q1 2020 v Q4 2019

During the quarter, total loan principal increased by $203 million, primarily because of growth in our Alternative single family business. That portfolio was up on lower levels of attrition and high originations, even though Q1 is typically a seasonally weak quarter for new business.

Balances in all of our other portfolios were relatively consistent over the quarter.

CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES

Management regularly evaluates the profile of Equitable's loan portfolio and its lending practices, taking into account borrower behaviours and external variables including real estate values and economic conditions that prevail in the markets in which we lend. When management judges that the risk associated with a particular region or product is no longer acceptable, we adjust underwriting criteria so that our policies continue to be prudent and reflective of current and expected economic conditions, thereby safeguarding the future health of our portfolio.

While we believe that credit losses from COVID-19 will be manageable and will not significantly impair our capital position, the pandemic has caused us to take several steps to tighten our risk profile. For example, we have reduced our maximum LTVs slightly in light of the uncertainty around future real estate prices, temporarily reduced our appetite for certain asset classes, and introduced new language in our commercial real estate commitments that sets clear precedents to funding new loans to mitigate risks related to COVID-19. These actions may reduce future loan and revenue growth but will uphold the quality of our asset base.

There are several aspects of our risk management approach and existing loan portfolios that will help to mitigate the effects of the pandemic on our credit losses.

Our general approach to lending is sound:

- We lend only in urban centres that have diversified employment bases and more liquid real estate markets. We do not lend in cities or towns with an overly high concentration of employment in a single industry. This approach reduces both the probability that our borrowers will default and our loss in the event that they do.
- Our commercial lending businesses, including leasing, are diversified across industries and geographies. Our commercial mortgage business has defined asset-class exposure limits.
- Our underwriting focuses foremost on a borrower's ability to repay a loan. The average Beacon score of our single family residential borrowers was 695 at quarter-end, up from 686 just two years ago. Similarly, the average Beacon score of our small business mortgage borrower was 740. These higher credit scores are indicative of our borrowers' positive repayment histories and lower propensity to default under normal economic circumstances.

The vast majority of loans have protection beyond a borrower's ability to repay:

- 52% of our loans under management are insured, ultimately with the backing of the Government of Canada
- Almost 100% of our loan portfolio is secured. Our uninsured mortgage loans are supported by first-position claims on real estate and our leases by first position claims on equipment, so we have a real asset with tangible value behind almost every loan, even if those assets decline in value from pre-COVID levels.
- If the prices of the assets securing our mortgage loans decline, we are further protected by the low LTVs at which we lend. The average LTV on our *uninsured* retail mortgage portfolio was 64% at quarter-end.
- Further to this collateral, almost all of our uninsured commercial mortgage borrowers and the majority of our lessees provide personal or corporate covenants against their borrowings. In our mortgage business, our due diligence on borrowers and guarantors involves assessing their financial resiliency and liquidity. This includes detailed verification of the net worth of the borrowers supporting these covenants and we generally ensure that it represents a meaningful percentage of the value of the loan.
- We require a cash security deposit on most of our higher risk leases and in some cases require additional real assets to be pledged against the lease. For example, we may place a mortgage on real estate owned by our lessees.

We have modest exposure to higher risk lending markets:

- We do not have any direct lending exposure to companies that operate in the oil and gas industry, a sector that will experience challenges associated with low commodity prices

- We expect that Alberta will experience a deeper and more prolonged economic decline than other provinces because of its higher exposure to commodity industries. Our uninsured retail loans in Alberta total $845 million or only 3% of our assets, and our uninsured commercial loans in Alberta total $530 million or only 2% of our assets. Further, the vast majority of these loans are mortgage loans secured by real estate in Edmonton and Calgary, cities with broader economic foundations than other parts of the province.
- In our Commercial mortgage business, we focus on assets that we believe will be resilient through an economic cycle such as apartment buildings. We have reduced our exposure to categories such as shopping centres to a low level – less than 2% of our total loan portfolio – because of our view of longer-term secular trends in the retail industry.
- In single family, we focus on lending in the middle price segment of the market which is typically more liquid, less impacted by changes in home prices, and as a result lower risk. Only 5% of our single family loans are against homes with a value of more than $1.5 million.

Notwithstanding the mitigating points above, we are watching some elements of our commercial portfolio more closely due to the higher risk of loss related to the deteriorating economic outlook. Specifically, we are more cautious about our construction portfolio at the moment. COVID-19 has introduced some unique, shorter-term risks, as projects may be delayed due to supply chain and work schedule disruptions. Our commercial team has invested significant resources in analyzing our exposures to these areas, and we believe that our portfolio should stand up well despite COVID-19. One-third of the projects are substantially complete, our borrowers are still completing the majority of projects on-time and budget, and all have outside guarantees from strong counterparties. Current allowances should appropriately account for the risks on these loans and the construction portfolio accounts for only 4% of our total loans.

We believe that there is also an elevated level of risk in portions of our equipment leasing business that in total represent 1.9% of loan assets. Our experienced team is closely monitoring our exposure to certain higher-risk industries that have experienced material impacts from COVID-19 such as hospitality, retail and personal services. These segments comprise less than 22% of our leasing portfolio and 0.4% of our total assets, so our financial downside risk is manageable in the context of our overall balance sheet. Long-haul and vocational trucking are our largest industry segments, at 57% of our leasing assets. Trucking has a wide range of sub-segments that will be impacted in different ways by COVID-19, and because of the quality and diversity of our trucking portfolio we believe its performance will stand up reasonably well to these economic challenges.

Allowance for Credit Losses

Our total allowance for credit losses increased by $32.2 million in Q1, primarily as a result of the anticipated economic impacts of COVID-19. IFRS 9 requires us to estimate future losses taking into account forward-looking macro-economic forecasts, and those forecasts deteriorated significantly in Q1 under all five macroeconomic scenarios that we model. Our loss estimates and macroeconomic scenarios attempt to factor in the wide range of Government support programs for Canadian individuals and businesses that we believe will mitigate our losses, though modelling those unprecedented actions is inherently difficult. Allowances increased materially in both dollar terms and relative to loan balances, driven by $31.1 million of estimated future losses on performing loans (Stage 1 and 2 allowances).

Table 11: Allowance for credit losses

($ THOUSANDS, EXCEPT PERCENTAGES)	Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
Allowance for credit losses – Stage 1 and 2	**$ 62,906**	$ 31,845	98%	$ 30,051	109%
Allowance for credit losses – total	**69,086**	36,907	87%	32,268	114%
Allowance for credit losses – total as a % of total loan assets	**0.26%**	0.14%	0.12%	0.13%	0.13%
Allowance for credit losses – total as a % of uninsured loan assets	**0.45%**	0.25%	0.20%	0.23%	0.22%
Allowances for credit losses – total as a % of gross impaired loans	**52%**	30%	22%	26%	26%

The higher Stage 1 and 2 allowances in Q1 2020 were a function of increases in both the probability that loans will default and the expected loss rates on loans within each stage, as measured under IFRS 9. The increase in the probability of default was driven mainly by worsening economic conditions, and triggered a migration of $3.6 billion of loans from Stage 1 to Stage 2. This migration caused allowances to grow because we base allowances for Stage 1 loans on expected losses *over the next*

twelve months, while for Stage 2 loans we use losses over the *expected lifetime* of the loans: it contributed approximately $15 million or 48% of the increase in allowances. Compounding the effect of stage migration, the loss that we expect to incur on defaulted loans in either stage (the loss given default) also increased, due primarily to weaker house price and GDP growth forecasts. The higher loss given default on Stage 1 and 2 loans caused approximately $10 million and $8 million of the allowance growth respectively. The chart below provides allowance metrics that illustrate these stage migration and loss given default dynamics:

Table 12: Stage 1 and 2 loan credit metrics

(PERCENTAGES)	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	June 30, 2019	Mar 30, 2019
Stage 1 – proportion of loan assets[1]	**75.0%**	88.9%	86.4%	87.0%	86.3%
Stage 1 – effective allowance rate[2]	**0.14%**	0.08%	0.09%	0.09%	0.09%
Stage 2 – proportion of loan assets	**24.5%**	10.6%	13.1%	12.5%	13.2%
Stage 2 – effective allowance rate	**0.54%**	0.42%	0.31%	0.33%	0.32%

[1] *Stage 1 and 2 percentages do not equal 100%: loans in stage 3 account for the difference and are not included in this table.*
[2] *The effective allowance rate equals the total allowance for loans in the stage divided by the period end loan balances in that stage.*

While allowances against each of our loan portfolios increased, our leasing business drove a disproportionately high share of the change. Leasing is typically a higher-loss business, though the better spreads in that business more than compensate for the expected losses through the credit cycle. We expect the rates of default in our leasing business to exceed those in our mortgage business and the loss given default to be higher. The higher loss on default results from the fact that we lend up to the full acquisition cost against depreciable assets, in line with industry standard practice.

Table 13: Stage 1 and 2 Allowance for credit losses by lending business

($ THOUSANDS, EXCEPT PERCENTAGES AND BPS)	Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
Uninsured Retail loans – stage 1 and 2 allowances	**$ 17,374**	$ 5,712	204%	$ 4,516	285%
as a % of uninsured retail loans (bps)	***16***	*5*	*11*	*5*	*11*
Uninsured Commercial loans – stage 1 and 2 allowances	**$ 25,403**	$ 19,383	31%	$ 19,486	30%
as a % of uninsured commercial loans (bps)	***66***	*50*	*16*	*51*	*15*
Equipment leases – stage 1 and 2 allowances	**$ 20,116**	$ 6,737	199%	$ 6,049	233%
as a % of equipment leases (bps)	***420***	*143*	*277*	*144*	*276*
Insured Retail and Commercial loans – stage 1 and 2 allowances	**$ 13**	$ 13	-%	$ -	N/A
as a % of insured retail and commercial loans (bps)	***0.01***	*0.01*	*-*	*-*	*N/A*
Total loans – stage 1 and 2 allowances	**$ 62,906**	$ 31,845	98%	$ 30,051	109%
as a % of total loans (bps)	***24***	*12*	*12*	*12*	*12*

Moody's Analytics provides the macroeconomic forecasts that we use in our credit loss modelling. These forecasts indicate a weakening in the Canadian economy and real estate market starting in Q2 and continuing beyond the end of the year, despite the unprecedented level of recently announced government support programs. Management has compared these forecasts to those of other Canadian economists, and the estimates that we used appear to be on the conservative end of the range. A multi-year view of the key forecast assumptions for each scenario that we model is below:

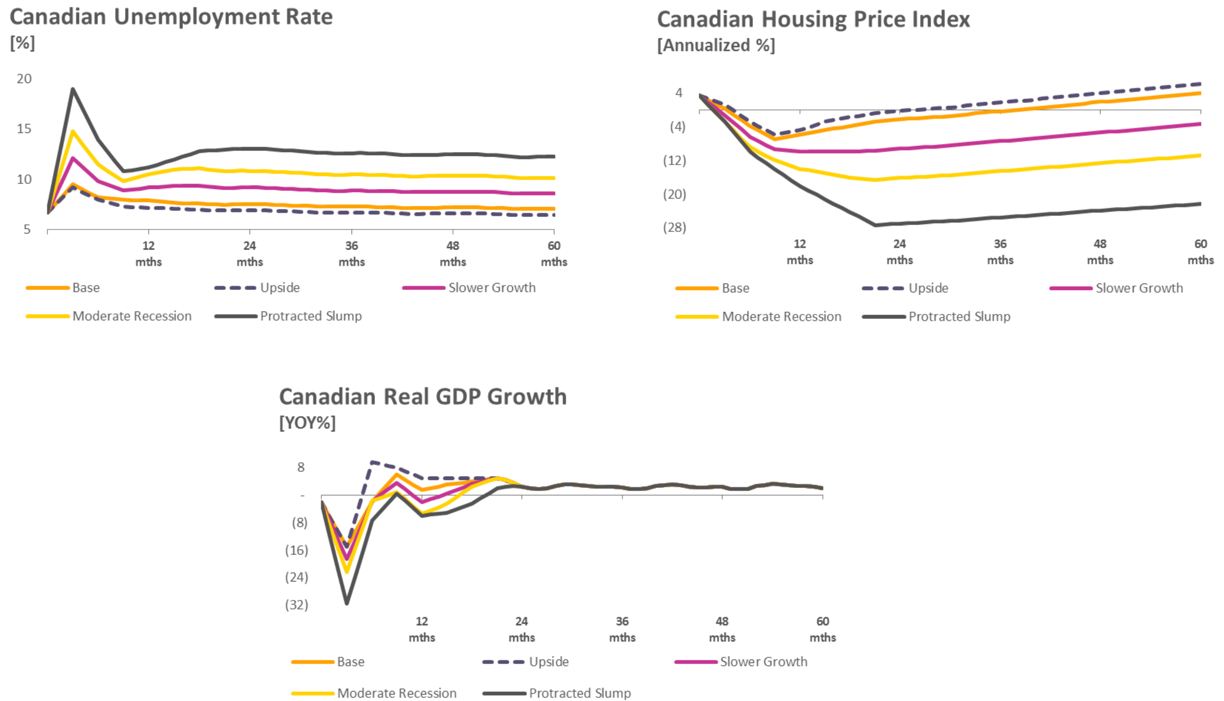

Table 14: Expected future credit losses by macroeconomic scenario

($ THOUSANDS EXCEPT PERCENTAGES)	Base Case	Upside Scenario	Slower Growth	Moderate Recession	Protracted Slump
Weighting for financial statement ECL calculation (%)	**50**	15	20	10	5
Expected credit losses if each scenario weighted 100%	**$ 53,215**	$ 45,439	$ 68,040	$ 95,844	$ 125,808
Difference vs. financial statement ECL	**$ (9,691)**	$ (17,467)	$ 5,134	$ 32,938	$ 62,902

Stage 3 allowances relate to impaired loans and were up by $1.1 million during the quarter. Stage 3 allowances are determined loan-by-loan and we believe that they are adequate at the end of Q1. The stage 3 allowances on our mortgages are generally supported by up-to-date, independent property appraisals.

Taking into account all known information and acknowledging the high level of uncertainty inherent in current economic forecasts, management believes that the total Allowance for Credit Losses represents a reasonable estimate of future losses. Our estimates are subject to uncertainty and actual losses may differ materially if one or more of the underlying assumptions do not materialize as expected, including the expected impact of Government support programs. Actual losses may also differ from our estimates due to the weightings we apply to the underlying economic scenarios.

Impaired Loans

Impaired loans at the end of Q1 2020 were $133.5 million, up $11.6 million from a year ago and $11.0 from last quarter. The sequential change relates primarily to an $8.9 million commercial loan in Manitoba (LTV of 64%) and a $6.6 million increase in impaired equipment leases, offset by a decline in impaired Single Family loans. The impaired loan balances in the current and comparative periods include a $39 million commercial loan that defaulted in Q1 2019. This loan is secured by a high-quality commercial property in Vancouver and has a current LTV of 39%. We expect the property to sell and the loan to discharge in Q3 2020 (we have already received a significant deposit from a likely buyer), and continue to believe that we will not realize a loss on the loan.

Impaired loan balances are as at March 31, before the full impact of COVID-19 was felt on the economy. We expect that impaired loans will increase in the latter half of 2020 as the effects of softer economic conditions, offset by the effects of Government support programs, flow through our portfolio.

Table 15: Impaired loan metrics

($ THOUSANDS, EXCEPT PERCENTAGES)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Gross impaired loan assets	**$ 133,466**	$ 122,454	9%	$ 121,888	9%
Net impaired loan assets	**127,286**	117,392	8%	119,671	6%
Net impaired loan assets as a % of total loan assets	**0.47%**	0.44%	0.03%	0.49%	(0.02%)

LIQUIDITY INVESTMENTS AND EQUITY SECURITIES

Management believes that its retail and securitization funding markets continue to be liquid and efficient. Significant programs announced by the Bank of Canada and other government agencies are providing further support to our funding market position. Non-securitization wholesale funding markets have become prohibitively expensive during COVID-19, but we have not needed to access those markets to date in 2020.

We maintain liquid asset balances at a level that we believe is sufficient for the Company to meet its upcoming obligations even through periods of disruption in the financial markets, including the current COVID-19 pandemic. The size and composition of our liquidity portfolio at any point in time is influenced by several factors such as our expected future cash needs and the availability of our various funding sources. Further, we apply a strategic approach to liquidity management through rigorous asset-liability matching analysis and stress testing. Even with this liquidity risk management framework, a significant or protracted disruption to funding markets could require the Company to take further liquidity protection measures. Please refer to the Risk Management section of this document for more detail on the Company's Liquidity and Funding Risk policies and procedures.

In addition to assets that are held for the purpose of providing liquidity protection, we also maintain a portfolio of liquid equity securities (99% of which are investment grade preferred shares) to yield tax-preferred dividend income. We have the ability to liquidate this portfolio in the event of financial stress.

Table 16: Liquid assets

($ THOUSANDS, EXCEPT PERCENTAGES)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Eligible deposits with regulated financial institutions[1]	**$ 737,220**	$ 508,711	45%	$ 485,991	52%
Debt securities	**132,042**	67,798	95%	68,269	93%
Government of Canada issued or guaranteed debt instruments:					
Investments purchased under reverse repurchase agreements	**499,966**	150,069	233%	547,620	(9%)
Loans held in the form of debt securities[2], net of obligations under repurchase agreements	**814,551**	848,719	(4%)	829,371	(2%)
Liquid assets held for regulatory purposes	**2,183,779**	1,575,297	39%	1,931,251	13%
Other deposits with regulated financial institutions	**115**	142	(19%)	431	(73%)
Equity securities[3]	**86,437**	114,898	(25%)	115,214	(25%)
Total liquid assets	**$ 2,270,331**	$ 1,690,337	34%	$ 2,046,896	11%
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**7.5%**	5.5%	2.0%	7.3%	0.2%
Total liquid assets as a % of total assets	**7.8%**	6.0%	1.8%	7.8%	-%

[1] *Eligible deposits with regulated financial institutions represents deposits of Equitable Bank which are held at major Canadian financial institutions and excludes $44.0 million (December 31, 2019 – $8.4 million, March 31, 2019 – $10.6 million) of restricted cash held as collateral with third parties for the Company's interest rate swap transactions and $346.4 million (December 31, 2019 – $454.6 million, March 31, 2019 – $370.6 million) of cash held in trust accounts and deposits held with banks as collateral for the Company's securitization activities.*

[2] *Loans held in the form of debt securities represent loans securitized and retained by the Company and are reported in our Loans receivable balances. The values reported above represent the fair market value of the associated MBS securities.*

[3] *Equity securities include publicly traded common and preferred shares and exclude privately held investments.*

To ensure institutions have sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days, OSFI has mandated that Canadian deposit-taking institutions monitor and report their Liquidity Coverage Ratio ("LCR")[1]. At March 31, 2020, our LCR was well in excess of the regulatory minimum of 100%.

Liquid assets held for regulatory purposes were $2.2 billion at Q1 2020, up $253 million and $608 million from Q1 and Q4 2019 respectively. The increase in liquid assets reflects measures taken by management to strengthen Equitable's liquidity position in light of COVID-19 related uncertainties.

DEPOSITS

Table 17: Deposit principal

($ THOUSANDS)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Brokered deposits:					
Term	**$ 11,278,428**	$ 11,056,440	2%	$ 11,316,137	(0%)
Demand	**523,974**	557,211	(6%)	637,777	(18%)
	11,802,402	11,613,651	2%	11,953,914	(1%)
EQ Bank deposits:					
Term	**861,540**	516,195	67%	529,144	63%
Demand	**1,845,643**	2,150,356	(14%)	1,689,463	9%
	2,707,183	2,666,551	2%	2,218,607	22%
Strategic partnerships	**610,141**	602,970	1%	315,266	94%
Deposit notes	**355,127**	348,716	2%	150,000	137%
Total	**$ 15,474,853**	$ 15,231,888	2%	$ 14,637,787	6%

[1] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

Total deposit principal was up by $243 million or 2% from the preceding quarter and $837 million or 6% over the prior year.

Our award-winning *EQ Bank* platform continues to attract more customers and was the most significant source of year-over-year deposit growth. Balances grew to $2.7 billion, up $489 million or 22% from a year ago and $41 million or 2% from the preceding quarter. Our customer base stood at over 105,000 customers at the end of Q1 2020, up nearly 29,000 from a year ago and 9,500 over the prior quarter. We expect to continue growing our customer base and balances as we enhance the platform by adding more services, maintain a highly competitive deposit rate, and provide superior service.

The majority of the increase in our total deposits from the preceding quarter was in brokered deposits. These balances were up $189 million or 2% as we continued to deliver value to our customers and demonstrate the strength of our relationships with our distribution partners. Our distribution network remains as broad as that of any non-big 6 bank.

We continued to strengthen our funding profile by deepening our Strategic deposit distribution partnerships. The more stable deposits obtained through our two partners in this channel grew to $610 million at quarter end, up $295 million or 94% year-over-year. These relationships have allowed us to reach new customers across Canada and further diversify our deposit sources.

Brokered demand deposits remain a small share component of our overall funding base as a result of our decision to de-emphasize their growth. We will continue to offer these deposits with a competitive rate and aim to grow balances only modestly. While balances may increase in nominal terms, we expect them to remain a small share of our total funding over time.

CAPITAL MANAGEMENT – EQUITABLE BANK

On March 27, 2020, OSFI announced several actions to address operational issues stemming from the economic impact of COVID-19 including the introduction of a transitional arrangement for expected credit loss provisioning on capital. This transitional arrangement results in a portion of allowances that would otherwise be included in Tier 2 capital of the Bank to instead be included in CET1 capital. The adjustment will be equal to the increase in Stage 1 and Stage 2 allowances relative to December 31, 2019. This increase is tax-effected and subject to a scaling factor that will decrease over time. The scaling factor will be set at 70% for 2020, 50% for 2021, and 25% for 2022.

Management believes that the Bank's current level of capital and earnings in future periods will be sufficient to support our strategic objectives and ongoing growth. Equitable Bank's Capital Ratios at Q1 2020 exceeded regulatory minimums and were within our target range. Our CET1 ratio declined only 9 bps from the preceding quarter despite $18 million (18 bps) of unrealized mark-to-market losses on preferred shares and corporate bonds that flowed through Other Comprehensive Income in the quarter. The transitional arrangement provided by OSFI for expected credit loss provisioning added $16 million or 16 bps to our CET1 ratio.

Canadian banks are required to report on OSFI's Leverage Ratio which is based on Basel III guidelines. OSFI has established Leverage Ratio targets on a confidential and institution-by-institution basis. Equitable Bank's Leverage Ratio was 4.7% at the end of Q1 2020 and the Bank was fully compliant with our regulatory requirements.

As part of our capital management process, we stress test the loan portfolio on a regular basis in order to understand the potential impact of extreme but plausible adverse economic scenarios. We use these tests to analyze the impact that an increase in unemployment, rising interest rates, a decline in real estate prices, and other factors could have on our financial position. In light of COVID-19, we are also running a variety of financial and capital stress tests to ensure we are positioned to manage through any of the potential scenarios that may transpire. Based on the results of the stress tests performed to date, we have determined that even in the most adverse scenario analyzed, the Company has sufficient capital to absorb the potential losses without impairing the viability of the institution and that we would remain profitable in each year of the testing horizon.

Table 18: Capital measures of Equitable Bank

($ THOUSANDS, EXCEPT PERCENTAGES)	Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
Total risk-weighted assets ("RWA")	**$ 9,916,286**	$ 9,761,287	2%	$ 9,229,237	7%
Common Equity Tier 1 Capital:					
Common shares	**214,418**	213,995	0%	206,418	4%
Contributed surplus	**8,496**	8,065	5%	7,999	6%
Retained earnings	**1,210,047**	1,191,562	2%	1,045,960	16%
Accumulated other comprehensive (loss) income ("AOCI")[1]	**(36,781)**	(18,827)	(95%)	(18,607)	(98%)
Less: Regulatory adjustments to Common Equity Tier 1 Capital[2]	**(55,380)**	(66,591)	17%	(53,324)	(4%)
Common Equity Tier 1 Capital	**1,340,800**	1,328,204	1%	1,188,446	13%
Additional Tier 1 capital:					
Non-cumulative preferred shares	**72,554**	72,554	-%	72,554	-%
Tier 1 Capital	**1,413,354**	1,400,758	1%	1,261,000	12%
Tier 2 Capital:					
Eligible Stage 1 and 2 allowance	**62,906**	31,844	98%	30,051	109%
Less: Transitional adjustment in response to COVID-19	**(16,125)**	-	N/A	-	N/A
Tier 2 Capital	**46,781**	31,844	47%	30,051	56%
Total Capital	**$ 1,460,135**	$ 1,432,602	2%	$ 1,291,051	13%
Capital ratios:					
CET1 Ratio	**13.5%**	13.6%	(0.1%)	12.9%	0.6%
Tier 1 Capital Ratio	**14.3%**	14.4%	(0.1%)	13.7%	0.6%
Total Capital Ratio	**14.7%**	14.7%	-%	14.0%	0.7%
Leverage Ratio	**4.7%**	4.9%	(0.2%)	4.7%	-%

(1) *As prescribed by OSFI (under Basel III rules), AOCI is part of the CET1 in its entirety, however, the amount of cash flow hedge reserves that relate to the hedging of items that are not fair valued is excluded.*

(2) *The includes the positive effect of the transitional adjustment of $16.1 million, as prescribed by OSFI.*

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's performance over the last eight quarters. Equitable does not typically experience material seasonality in its earnings, but changes in loan prepayment income, and fair value of our security investments and hedging activities may cause some volatility in earnings from quarter to quarter.

Table 19: Summary of quarterly results

	2020	2019				2018		
($ THOUSANDS, EXCEPT SHARE, PER SHARE AMOUNTS AND PERCENTAGES)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
RESULTS OF OPERATIONS								
Net income	**$ 25,970**	$ 55,854	$ 54,942	$ 54,022	$ 41,661	$ 40,116	$ 47,806	$ 37,537
Adjusted net income	**29,948**	56,045	54,754	54,512	46,579	45,535	45,662	41,510
Net income available to common shareholders	**24,851**	54,736	53,751	52,831	40,470	38,926	46,615	36,346
NII	**120,151**	124,827	118,147	114,322	105,352	94,591	93,024	79,496
Total revenue	**294,892**	302,822	293,285	283,625	271,494	239,568	232,410	214,958
EPS – basic[(1)]	**1.48**	3.27	3.22	3.17	2.44	2.35	2.82	2.20
EPS – diluted[(1)]	**1.46**	3.21	3.18	3.15	2.42	2.33	2.80	2.19
Adjusted EPS – diluted[(1)]	**1.70**	3.22	3.17	3.18	2.72	2.66	2.67	2.43
ROE	**7.2%**	15.9%	16.2%	16.8%	13.4%	12.9%	15.9%	13.0%
Adjusted ROE	**8.4%**	15.9%	16.2%	16.9%	15.0%	14.7%	15.2%	14.4%
Return on average assets	**0.4%**	0.8%	0.8%	0.8%	0.7%	0.7%	0.8%	0.7%
NIM	**1.71%**	1.78%	1.75%	1.76%	1.67%	1.58%	1.66%	1.50%
Efficiency Ratio	**43.4%**	40.6%	39.5%	39.5%	41.1%	41.7%	36.5%	43.2%
BALANCE SHEET								
Total assets	**29,153,879**	28,392,452	27,544,976	26,361,201	26,327,464	25,037,145	23,147,614	21,944,721
AUM	**33,936,125**	33,005,353	32,333,820	30,909,183	30,830,162	29,410,999	27,495,398	26,142,735
Loans receivable	**26,781,248**	26,607,830	25,960,054	24,867,909	24,446,452	23,526,404	21,671,338	20,455,377
LUM	**31,496,058**	31,123,254	30,640,893	29,321,091	28,848,831	27,800,546	25,935,686	24,568,457
Preferred Shares	**72,557**	72,557	72,557	72,557	72,557	72,557	72,557	72,557
Common shareholders' equity	**1,378,144**	1,395,157	1,338,965	1,287,089	1,241,411	1,207,470	1,187,318	1,140,395
Liquid assets	**2,270,331**	1,690,337	1,431,940	1,592,125	2,046,896	1,406,592	1,439,394	1,782,905
CREDIT QUALITY								
PCL	**35,687**	3,917	3,463	1,386	9,628	628	517	168
PCL – rate	**0.54%**	0.06%	0.05%	0.02%	0.16%	0.01%	0.01%	0.003%
Net impaired loans as a % of total loan assets	**0.47%**	0.44%	0.47%	0.42%	0.49%	0.16%	0.16%	0.13%
Allowance for credit losses as a % of total loan assets	**0.26%**	0.14%	0.13%	0.13%	0.13%	0.11%	0.11%	0.12%

(1) *Annual EPS may not equal to the sum of quarterly EPS as a result of rounding and the computation of the in-the-money options for the year versus the quarter.*

Table 19: Summary of quarterly results (continued)

($ THOUSANDS, EXCEPT SHARE, PER SHARE AMOUNTS AND PERCENTAGES)	2020	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
SHARE CAPITAL								
Common shares outstanding								
Weighted average basic	**16,800,410**	16,756,323	16,705,416	16,650,635	16,573,522	16,553,212	16,528,351	16,517,020
Weighted average diluted	**16,989,227**	17,031,780	16,920,557	16,770,276	16,702,520	16,672,512	16,654,209	16,603,186
Book value per common share	**82.00**	83.06	79.97	77.22	74.59	72.94	71.73	69.03
Common share price – close	**58.07**	109.35	103.81	72.59	64.73	59.12	68.87	59.56
Common share market capitalization	**976,001**	1,836,817	1,738,117	1,209,850	1,077,281	978,674	1,140,013	983,968
Dividends declared per:[1]								
Common share	**0.37**	0.35	0.33	0.31	0.30	0.28	0.27	0.27
Preferred share – Series 3	**0.37**	0.37	0.40	0.40	0.40	0.40	0.40	0.40
EQUITABLE BANK CAPITAL RATIOS								
CET1 Ratio	**13.5%**	13.6%	13.3%	13.1%	12.9%	13.5%	13.8%	14.3%
Tier 1 Capital Ratio	**14.3%**	14.4%	14.1%	13.9%	13.7%	14.3%	14.7%	15.3%
Total Capital Ratio	**14.7%**	14.7%	14.4%	14.2%	14.0%	14.5%	15.0%	15.6%
Leverage Ratio	**4.7%**	4.9%	4.8%	4.9%	4.7%	5.0%	5.3%	5.4%

(1) *Annual dividends declared per share may not equal the sum of the quarterly dividends per share due to rounding.*

ACCOUNTING POLICY CHANGES

The Company's significant accounting policies are essential to an understanding of its reported results of operations and financial position. Accounting policies applied by the Company in the Q1 2020 interim consolidated financial statements are the same as those applied by the Company as at and for the year ended December 31, 2019. Please refer to Note 3 to the interim consolidated financial statements for further discussion.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses. Estimates and underlying assumptions are reviewed by management on an ongoing basis. The critical estimates and judgments utilized in preparing the Company's consolidated financial statements affect the assessment of the allowance for credit losses on loans, impairment of other financial instruments, fair values of financial assets and liabilities, derecognition of financial assets transferred in securitization transactions, effectiveness of financial hedges for accounting purposes and income taxes.

In making estimates and judgments, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments or events that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these interim consolidated financial statements, except as discussed below. Actual results could differ from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

Impact of COVID-19 on allowance for credit losses under IFRS 9

As a result of the COVID-19 pandemic, the economic environment has experienced a high degree of volatility and uncertainty. This has resulted in a direct impact on the forward-looking macroeconomic indicators which management uses as part of its underlying assumptions for calculating the ECL, as discussed in our MD&A for the year ended December 31, 2019 under "Critical Accounting Estimates". Management has used the latest forward-looking macroeconomic indicators provided by Moody's Analytics in calculating the ECL.

Recognizing the current economic situation, management has also revised the probability-weights assigned to the economic scenarios and has exercised its judgment in determining the amount of ECL by considering reasonable and supportable information that was not already incorporated in the ECL modelling process. The estimate of ECL is inherently uncertain because it involves judgment and is highly sensitive to changes in economic conditions and other factors outside of our control. As better information emerges on the impact of the COVID-19 pandemic on the credit condition of loan portfolios and groups of borrowers, the assumptions will be revised as appropriate and the ability to evaluate where significant increase in credit risk has occurred will improve.

Refer to Notes 2(d) and 7(d) to (f) to the Q1 2020 interim consolidated financial statements for further discussion.

OFF-BALANCE SHEET ACTIVITIES

The Company engages in certain financial transactions that, for accounting purposes, are not recorded on our interim consolidated balance sheets. Off-Balance sheet transactions are generally undertaken for risk, capital and funding management purposes. These include certain securitization transactions, the commitments we make to fund our pipeline of loan originations (see Note 23 to the audited consolidated financial statements in the Company's 2019 Annual Report) and letters of credit issued in the normal course of business.

SECURITIZATION OF FINANCIAL ASSETS

Certain securitization transactions qualify for derecognition when the Company has transferred substantially all of the risks and rewards or control associated with the securitized assets. The outstanding securitized loan principal that qualified for derecognition totalled $4.8 billion at March 31, 2020 (December 31, 2019 – $4.6 billion, March 31, 2019 – $4.5 billion). The securitization liabilities associated with these transferred assets were approximately $4.8 billion at March 31, 2020 (December 31, 2019 – $4.6 billion, March 31, 2019 – $4.5 billion). The securitization retained interests recorded with respect to certain securitization transactions were $145.9 million at March 31, 2020 (December 31, 2019 – $139.0 million, March 31, 2019 – $119.2 million) and the associated servicing liability was $28.4 million at March 31, 2020 (December 31, 2019 – $27.8 million, March 31, 2019 – $26.7 million).

COMMITMENTS AND LETTERS OF CREDIT

The Company provides commitments to extend credit to our borrowers. The Company had outstanding commitments to fund $2.0 billion of loans in the ordinary course of business at March 31, 2020 (December 31, 2019 – $1.9 billion, March 31, 2019 – $1.8 billion).

The Company issues letters of credit which represent assurances that the Company will make payments in the event that a borrower cannot meet its obligations to a third party. Letters of credit in the amount of $26.6 million were outstanding at March 31, 2020 (December 31, 2019 – $29.1 million, March 31, 2019 – $18.6 million), none of which were drawn upon.

RELATED PARTY TRANSACTIONS

Certain of the Company's key management personnel have transacted with the Company and/or invested in deposits, and/or the Series 3 preferred shares of the Company in the ordinary course of business, on market terms and conditions. See Note 24 to the audited consolidated financial statements in the Company's 2019 Annual Report for further details.

RISK MANAGEMENT

Through Equitable Bank and its wholly-owned subsidiaries, the Company is exposed to risks that are similar to those of other financial institutions, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect our business, financial condition and operating results. These factors may also influence an investor's decision to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company's direct control. The Board plays an active role in monitoring the Company's key risks and in determining the policies, practices, controls and other mechanisms that are best suited to manage these risks.

For a detailed discussion of our approach to risk management and the risks that affect the Company, please refer to the section entitled Risk Management in the Company's 2019 Annual Report which is available on SEDAR at www.sedar.com. While the seven core risks discussed in that report remain relevant, the COVID-19 pandemic increased the downside potential within each and caused us to take the actions outlined earlier in this report.

The following sections address the risks associated with COVID-19 and provide updates on our credit risk and liquidity risk profiles.

COVID-19

This section should be read in conjunction with the other comments about COVID-19 and management's actions in other parts of this document, in particular but not limited to the sections titled "COVID-19", "Business Outlook", and "Credit Quality and Allowances".

As a result of the rapidly unfolding and global COVID-19 pandemic, the downside risks to our business have increased materially. The COVID-19 pandemic has had, and continues to have, a material adverse impact on businesses in Canada and around the world and the economic environments in which they operate. The outbreak of this virus has disrupted Canadian and global financial markets and negatively affected supply and demand across a broad range of industries. The spread of COVID-19 and resulting efforts to contain its spread will likely result in a recession, a period of reduced economic activity and a significant correction in the global stock markets.

In Canada, Federal and Provincial governments restricted mobility and social interaction beginning in March which has had a significant impact on economic activity. It remains unclear how long these restrictions will stay in place or evolve through 2020 and in the longer term. Equitable expects that it will experience disruption in its business primarily due to loan defaults, leading to decreased earnings and possibly a reduction in its regulatory capital ratios.

The ultimate extent of the impact on the Company's business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the pandemic, and actions taken to contain or prevent further spread. These and other potential impacts of epidemics, pandemics or other outbreaks of an illness, disease or virus could materially and adversely affect the Company's business, revenue, operations, financial condition, liquidity, results of operations and prospects. If the response to contain COVID-19 is unsuccessful, material adverse effects may be exacerbated. The full extent of the impact of COVID-19 is currently uncertain, cannot be predicted and will depend on certain developments, including, among others, governmental, regulatory and private sector actions and responses.

COVID-19 or an outbreak of other highly infectious or contagious diseases may impact businesses' and consumers' willingness and ability to borrow money and conduct other banking and financial transactions. The spread of COVID- 19 could disrupt the employment income, businesses, activities and operations of customers, result in a decrease in consumer and business confidence generally and lead to an increase in unemployment, which would cause a decline in demand for Equitable Bank's products and services, including loans and deposits. The Company's financial results could also be impacted due to an inability of customers to meet their loan commitments because of the economic impact of the pandemic, and could result in increased risk of delinquencies, defaults, foreclosures, declining collateral values (in real estate and equipment) and the ability of borrowers to repay their loans resulting in losses to the Company.

The Federal Government and Bank of Canada have introduced a range of liquidity programs and regulatory changes to support the financial sector. Equitable Bank has used several of the programs to date and intends to continue using them while they are available. There is no certainty as to how long such programs may be available. Future legislative and regulatory developments in relation to COVID-19 could limit management's flexibility in managing the business and taking action in relation to capital distribution and capital allocation and could temporarily require the Equitable Bank to conduct business related to foreclosures, repossessions, payments, deferrals and other customer-related transactions differently.

Although the Company has established a pandemic response plan and procedures, its workforce has been, is, and may continue to be impacted by COVID-19. The Company is taking precautions to protect the safety and well-being of its

employees and customers, including temporary office closures, but no assurance can be given that these actions will be adequate or appropriate. The unprecedented move across industries around the globe to conduct business from home and away from primary office locations increases both the demand on our technology infrastructure but also the risk of cyber-attacks which could lead to technology failures, security breaches, unauthorized access, loss or destruction of data or unavailability of services. Any of these events could result in litigation or result in a financial loss, disruption of our business activities, liability to our customers, government intervention or damage to our reputation. The spread of COVID-19 could also negatively impact availability of key personnel and employee productivity, as well as the business and operations of third-party service providers who perform critical services for the Company, which could adversely impact the ability to deliver products and services to customers.

In order to manage the financial and non-financial risks of COVID-19, Equitable is employing a special purpose executive management group to coordinate its response to the pandemic. This special purpose team monitors the Company's liquidity and funding actions and position, customer service activities including its payment deferral program, programs in support of Equitable's employees, and internal and external communication initiatives. Where relevant, management has instituted additional controls and processes, including additional reporting to ensure stakeholders are informed of developments on a timely basis. The CEO also provides the Board with regular updates.

CREDIT RISK

Credit risk is defined as the possibility that the Company will not receive the full value of amounts and recovery costs owed to it if counterparties fail to honour their obligations to the Company. Credit risk arises principally from the Company's lending activities and our investment in debt and equity securities. The Company's exposure to credit risk is monitored by senior management, the Enterprise Risk Management Committee, as well as the Risk and Capital Committee of the Board, which also undertakes the approval and monitoring of the Company's investment and lending policies.

The Company's primary lending business is providing first mortgages on real estate located across Canada. The Company also provides other forms of secured financing which mainly include equipment leasing. For information related to the credit quality of the portfolio, see the section entitled Credit Quality and Allowance for Credit Losses of this MD&A.

The Company invests in corporate bonds to diversify its liquidity holdings and to generate higher returns. These investments also expose the Company to credit risk, should the issuer of these securities be unable to make timely interest payments or, under a worst-case scenario, if the issuer becomes insolvent. To limit its exposure to this credit risk, the Company establishes policies with exposure limits based on credit rating and investment type. Securities rated BBB- and higher (which is considered "low risk") comprised 100% of the Company's corporate bond portfolio at March 31, 2020 (December 31, 2019 – 100%, March 31, 2019 – 100%).

We also invest in equity securities to generate returns that meet certain internally acceptable ROE thresholds. Preferred share securities rated P-2 or higher comprised 41% or $35 million of the total equity securities portfolio at March 31, 2020, compared to 41% or $47 million a year earlier. Preferred share securities rated P-3 or higher comprised 98% of the total equity securities portfolio at the end of Q1 2020.

Table 20: Credit risk exposure ratings scale

	Low risk	Standard risk	High risk
Cash and cash equivalents, investments, and derivatives:			
S&P equivalent grade	**AAA – BBB-**	**BB+ – B**	**B- – CC**
Loans receivable:			
Loans risk rating	**0 – 3**	**4 – 5**	**6 – 8**

Management has assessed the credit quality of the Company's assets as at March 31, 2020 on the basis of the above mapping of internal and external risk ratings to the credit risk exposure categories. In the context of COVID-19, management has applied industry guidance in assessing the Risk Ratings of loans where payment deferrals have been granted. As such, we have generally not considered COVID-19 related payment deferral as an erosion in risk rating.

The table below provides the gross carrying amount of all the debt instruments of the Company, for which a loss allowance is calculated, including contractual amounts of undrawn loan commitments, based on the Company's credit risk exposure rating scale.

Table 21: Credit quality analysis

				March 31, 2020
($ THOUSANDS)	Stage 1	Stage 2	Stage 3	Total
Loans receivable:				
Low risk	$ 11,433,050	$ 1,219,042	$ -	$ 12,652,092
Standard risk	8,529,826	5,207,746	-	13,737,572
High risk	176,072	151,132	-	327,204
Impaired	-	-	133,466	133,466
Total	20,138,948	6,577,920	133,466	26,850,334
Less allowance	(27,421)	(35,346)	(6,180)	(68,947)
	$ 20,111,527	$ 6,542,574	$ 127,286	$ 26,781,387
Loan commitments:				
Low risk	$ 357,469	$ 622	$ -	$ 358,001
Standard risk	387,441	521,874	-	909,315
High risk	1,855	7,682	-	9,537
Total	746,765	530,178	-	1,276,943
Less allowance	(60)	(79)	-	(139)
	$ 746,705	$ 530,099	$ -	$ 1,276,804

LIQUIDITY AND FUNDING RISK

Liquidity and Funding risk is defined as the possibility that we will be unable to generate sufficient funds in a timely manner and at a reasonable price to meet our financial obligations as they come due. These financial obligations mainly arise from the redemption or maturity of deposits, the maturity of mortgage-backed securities and commitments to extend credit. Redemption rates are affected by many factors, including the level of consumer confidence in the Bank. Funding and Liquidity Risk may also be affected if an unduly large proportion of our deposit-taking business involves a single person, organization or group of related persons/organizations or a single geographic area.

We have a low tolerance for liquidity and funding risk and adhere to a Liquidity and Funding Risk Management policy that requires us to maintain a pool of high-quality liquid assets. We closely monitor our liquidity position on a daily basis and ensure that the level of liquid resources held, together with our ability to raise new deposits, is sufficient to meet our funding commitments, deposit maturity obligations, and properly discharge our other financial obligations. Despite these precautions, there is a risk that a disruption in funding markets may be so severe or prolonged that the Company may need to take further actions to protect its liquidity position, which may even include curtailing lending activity or drawing on either its backstop funding facility or Government managed funding programs.

MARKET RISK

Market Risk consists of Interest Rate and Equity Price risk. Interest rate risk is defined as the possibility that changes in market interest rates will adversely affect the Company's profitability or financial condition. Interest rate risk may be affected if an unduly large proportion of the Company's assets or liabilities have unmatched terms, interest rates or other attributes. For the interest sensitivity position of the Company as at March 31, 2020, see Note 17 to the interim consolidated financial statements.

The Company closely monitors interest rates and acts upon any mismatches in a timely manner to ensure that any sudden or prolonged change in rates would not adversely affect the Company's economic value of shareholders' equity ("EVE") and its NII. The table below illustrates the results of management's sensitivity modelling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest rate changes on EVE and on NII during the 12-

month period following March 31, 2020. The estimate of sensitivity to interest rate changes is dependent on a number of assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 22: Net interest income shock

($ THOUSANDS, EXCEPT PERCENTAGE)	Increase in interest rates	Decrease in interest rates[(1)]
100 basis point shift		
Impact on net interest income	$ 5,424	$ (1,327)
Impact on EVE	(25,034)	24,348
EVE impact as a % of common shareholders' equity	(1.82%)	1.77%
200 basis point shift		
Impact on net interest income	$ 17,052	$ (1,315)
Impact on EVE	(45,554)	24,345
EVE impact as a % of common shareholders' equity	(3.31%)	1.77%

(1) *Interest rate is not allowed to decrease beyond a floor of 0% and is therefore not allowed to be negative.*

Equity Price Risk is defined as the risk of loss from an adverse movement in the value of the Company's securities portfolio due to volatility in financial markets. We mitigate this risk by investing only in high-quality, liquid shares and actively monitoring our investment portfolio.

On a monthly basis, the Asset and Liability Committee ("ALCO") reviews the investment performance, composition, and quality of the portfolio. This information is also reviewed by a Committee of the Board quarterly.

UPDATED SHARE INFORMATION

At May 13, 2020, the Company had 16,807,317 common shares and 3,000,000 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 668,899 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $44.0 million.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying interim consolidated financial statements. Equitable has in place appropriate information systems and procedures to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board, performs an oversight role with respect to all public financial disclosures made by the Company and has reviewed and approved this MD&A and the accompanying interim consolidated financial statements and accompanying notes.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during the first quarter of 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") FINANCIAL MEASURES

Management uses a variety of financial measures to evaluate the Company's performance. In addition to GAAP prescribed measures, management uses certain non-GAAP measures that it believes provide useful information to investors regarding the Company's financial condition and results of operations. Readers are cautioned that non-GAAP measures often do not have any standardized meaning, and therefore, are unlikely to be comparable to similar measures presented by other companies. The primary non-GAAP measures used in this MD&A are:

- **Adjusted results:** in periods where management determines that non-recurring or unusual items will have a significant impact on a user's assessment of business performance, the Company may present adjusted results in addition to reported results by removing the non-recurring or unusual items from the reported results. Management believes that adjusted results, if any, can to some extent enhance comparability between reporting periods or provide the reader with a better understanding of how management views the Company's performance. Adjusted results are also intended to provide the user with greater consistency and comparability to other financial institutions. Adjustments that remove non-recurring or unusual items from net income will affect the calculation of other measures such as adjusted ROE and adjusted EPS.

Reconciliation of Adjusted net income, Adjusted net income available to common shareholders and Adjusted ROE

			Three months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Net income	**$ 25,970**	$ 55,854	(54%)	$ 41,661	(38%)
Adjustments on an after-tax basis:					
Provision for credit losses on equipment leases at Bennington's acquisition date	**-**	-	N/A	4,226	N/A
Fair value adjustments related to securities and Derivatives	**3,978**	191	1,983%	692	475%
Adjusted net income	**$ 29,948**	$ 56,045	(47%)	$ 46,579	(36%)
Less: Dividends on preferred shares	**1,119**	1,118	0%	1,191	(6%)
Adjusted net income available to common shareholders	**$ 28,829**	$ 54,927	(48%)	$ 45,388	(36%)
Adjusted weighted average common equity	**1,388,563**	1,366,616	2%	1,225,556	13%
Adjusted ROE	**8.4%**	15.9%	(7.5%)	15.0%	(6.6%)

Reconciliation of Adjusted EPS – diluted

			Three months ended		
($ PER SHARE AMOUNTS)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
EPS – diluted	**$ 1.46**	$ 3.21	(55%)	$ 2.42	(40%)
Adjustments on an after-tax basis:					
Provision for credit losses on equipment leases at Bennington's acquisition date	**-**	-	N/A	0.26	N/A
Fair value adjustments related to securities and Derivatives	**0.24**	0.01	2,300%	0.04	500%
Adjusted EPS – diluted	**$ 1.70**	$ 3.22	(47%)	$ 2.72	(38%)

Adjusted Efficiency Ratio

($ THOUSANDS, EXCEPT PERCENTAGES)				Three months ended	
	Mar 31, 2020	Dec 31, 2019	Change	Mar 31, 2019	Change
Non-interest expenses	**$ 54,180**	$ 54,477	(1%)	$ 46,111	17%
Net revenue	**124,845**	134,180	(7%)	112,240	11%
Adjustments on a pre-tax basis:					
Fair value adjustments related to securities and derivatives	**5,412**	259	1,990%	942	475%
Adjusted net revenue	**$ 130,257**	$ 134,439	(3%)	$ 113,182	15%
Adjusted Efficiency Ratio	**41.6%**	40.5%	1.1%	40.7%	0.9%

- **Assets Under Management ("AUM"):** is the sum of total assets reported on the consolidated balance sheet and loan principal derecognized but still managed by the Company.

($ THOUSANDS)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Total assets on the consolidated balance sheet	**$ 29,153,879**	$ 28,392,452	3%	$ 26,327,464	11%
Loan principal derecognized	**4,782,246**	4,612,901	4%	4,502,698	6%
Assets Under Management	**$ 33,936,125**	$ 33,005,353	3%	$ 30,830,162	10%

- **Book value per common share:** is calculated by dividing common shareholders' equity by the number of common shares outstanding.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Shareholders' equity	**$ 1,450,701**	$ 1,467,714	(1%)	$ 1,313,968	10%
Preferred shares	**(72,557)**	(72,557)	-%	(72,557)	-%
Common shareholders' equity	**$ 1,378,144**	$ 1,395,157	(1%)	$ 1,241,411	11%
Common shares outstanding	**16,807,317**	16,797,593	0%	16,642,685	1%
Book value per common share	**$ 82.00**	$ 83.06	(1%)	$ 74.59	10%

- **Capital ratios:**

  - **CET1 Ratio:** this key measure of capital strength is defined as CET1 Capital as a percentage of total RWA. This ratio is calculated for the Bank in accordance with the guidelines issued by OSFI. CET1 Capital is defined as shareholders' equity plus any qualifying other non-controlling interest in subsidiaries less preferred shares issued and outstanding, any goodwill, other intangible assets and cash flow hedge reserve components of accumulated other comprehensive income.

  - **Tier 1 and Total Capital Ratios:** these adequacy ratios are calculated for the Bank, in accordance with the guidelines issued by OSFI by dividing Tier 1 or Total Capital by total RWA. Tier 1 Capital is calculated by adding non-cumulative preferred shares to CET1 Capital. Tier 2 Capital is equal to the sum of the Bank's eligible Stage 1 and 2 allowance. Total Capital equals to Tier 1 plus Tier 2 Capital.

  - **Leverage Ratio:** this measure is calculated by dividing Tier 1 Capital by an exposure measure. The exposure measure consists of total assets (excluding items deducted from Tier 1 Capital) and certain off-balance sheet items converted into credit exposure equivalents. Adjustments are also made to derivatives and secured financing transactions to reflect credit and other risks.

  A detailed calculation of all Capital ratios can be found in Table 18 of this MD&A.

- **Economic value of shareholders' equity ("EVE"):** is a calculation of the present value of the Company's asset cash flows less the present value of liability cash flows on an after-tax basis. EVE is a more comprehensive measure of our exposure to interest rate changes than is net interest income because it captures all interest-rate mismatches across all terms.

- **Efficiency Ratio:** this measure is used to assess the efficiency of the Company's cost structure in terms of revenue generation. This ratio is derived by dividing non-interest expenses by the sum of net revenue. A lower Efficiency Ratio reflects a more efficient cost structure.

($ THOUSANDS, EXCEPT PERCENTAGES)					Three months ended	
	Mar 31, 2020	Dec 31, 2019	Change		Mar 31, 2019	Change
Non-interest expenses	**$ 54,180**	$ 54,477	(1%)	$	46,111	17%
Net revenue	**124,845**	134,180	(7%)		112,240	11%
Efficiency Ratio	**43.4%**	40.6%	2.8%		41.1%	2.3%

- **Liquid assets:** is a measure of the Company's cash or assets that can be readily converted into cash, which are held for the purposes of funding loans, deposit maturities, and the ability to collect other receivables and settle other obligations. A detailed calculation can be found in Table 16 of this MD&A.

- **Liquidity Coverage Ratio ("LCR"):** this ratio, calculated according to OSFI's Liquidity Adequacy Requirements, measures the Company's ability to meet its liquidity needs for a 30-calendar day liquidity stress scenario. It is equal to high-quality liquid assets divided by total net cash outflows over the next 30 calendar days.

- **Loans Under Management ("LUM"):** is the sum of loan principal reported on the consolidated balance sheet and loan principal derecognized but still managed by the Company. A detailed calculation can be found in Table 9 of this MD&A.

- **Net interest margin ("NIM"):** this profitability measure is calculated on an annualized basis by dividing net interest income by the average total interest earning assets for the period. A detailed calculation can be found in Table 3 of this MD&A.

- **Net revenue:** is calculated as the sum of net interest income and other income.

($ THOUSANDS)					Three months ended	
	Mar 31, 2020	Dec 31, 2019	Change		Mar 31, 2019	Change
Net interest income	**$ 120,151**	$ 124,827	(4%)	$	105,352	14%
Other income	**4,694**	9,353	(50%)		6,888	(32%)
Net revenue	**$ 124,845**	$ 134,180	(7%)	$	112,240	11%

- **Provision for credit losses – rate**: this credit quality metric is calculated on an annualized basis and is defined as the provision for credit losses as a percentage of average loan portfolio outstanding during the period.

($ THOUSANDS, EXCEPT PERCENTAGES)					Three months ended	
	Mar 31, 2020	Dec 31, 2019	Change		Mar 31, 2019	Change
Provision for credit losses	**$ 35,687**	$ 3,917	811%	$	9,628	271%
Divided by: average loan principal	**26,612,083**	26,181,201	2%		24,105,462	10%
Provision for credit losses – rate	**0.54%**	0.06%	0.48%		0.16%	0.38%

- **Return on average assets:** this profitability measure is calculated on an annualized basis and is defined as net income as a percentage of average month-end total assets balances outstanding during the period.

($ THOUSANDS, EXCEPT PERCENTAGES)					Three months ended	
	Mar 31, 2020	Dec 31, 2019	Change		Mar 31, 2019	Change
Net income	**$ 25,970**	$ 55,854	(54%)	$	41,661	(38%)
Average total assets	**28,658,081**	27,984,188	2%		25,722,083	11%
Return on average assets	**0.4%**	0.8%	(0.4%)		0.7%	(0.3%)

- **Return on shareholders' equity ("ROE"):** this profitability measure is calculated on an annualized basis and is defined as net income available to common shareholders as a percentage of the weighted average common equity outstanding during the period.

	Three months ended				
($ THOUSANDS, EXCEPT PERCENTAGES)	**Mar 31, 2020**	Dec 31, 2019	Change	Mar 31, 2019	Change
Net income available to common shareholders	**$ 24,851**	$ 54,736	(55%)	$ 40,470	(39%)
Weighted average common equity outstanding	**1,386,574**	1,366,521	1%	1,223,097	13%
Return on shareholders' equity	**7.2%**	15.9%	(8.7%)	13.4%	(6.2%)

- **Risk-weighted assets ("RWA"):** represents the Bank's assets and off-balance sheet exposures, weighted according to risk as prescribed by OSFI under the CAR Guideline.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (unaudited)

AS AT MARCH 31, 2020

With comparative figures as at December 31, 2019 and March 31, 2019

($ THOUSANDS)

	Note	**March 31, 2020**	December 31, 2019	March 31, 2019
Assets:				
Cash and cash equivalents		**$ 737,335**	$ 508,853	$ 486,422
Restricted cash		**390,398**	462,992	381,144
Securities purchased under reverse repurchase agreements		**499,966**	150,069	547,620
Investments	*6*	**410,639**	362,611	198,321
Loans – Retail	*7, 8*	**18,552,216**	18,359,805	16,734,424
Loans – Commercial	*7, 8*	**8,229,032**	8,248,025	7,712,028
Securitization retained interests		**145,850**	139,009	119,183
Other assets	*9*	**188,443**	161,088	148,322
		$ 29,153,879	$ 28,392,452	$ 26,327,464
Liabilities and Shareholders' Equity				
Liabilities:				
Deposits	*10*	**$ 15,695,407**	$ 15,442,207	$ 14,821,107
Securitization liabilities	*8*	**10,777,497**	10,706,956	9,926,375
Obligations under repurchase agreements	*8*	**429,347**	507,044	-
Deferred tax liabilities	*11*	**48,117**	54,689	59,366
Other liabilities	*12*	**252,822**	213,842	206,648
Bank facilities	*13*	**499,988**	-	-
		27,703,178	26,924,738	25,013,496
Shareholders' equity:				
Preferred shares		**72,557**	72,557	72,557
Common shares		**213,701**	213,277	204,492
Contributed surplus	*14*	**7,405**	6,973	6,907
Retained earnings		**1,212,125**	1,193,493	1,049,208
Accumulated other comprehensive loss		**(55,087)**	(18,586)	(19,196)
		1,450,701	1,467,714	1,313,968
		$ 29,153,879	$ 28,392,452	$ 26,327,464

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

With comparative figures for the three month period ended March 31, 2019

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Note	Three months ended	
		March 31, 2020	March 31, 2019
Interest income:			
Loans – Retail		**$ 181,557**	$ 159,222
Loans – Commercial		**100,206**	97,629
Investments		**2,488**	1,821
Other		**5,947**	5,934
		290,198	264,606
Interest expense:			
Deposits		**101,820**	93,696
Securitization liabilities		**67,021**	62,903
Bank facilities		**1,206**	2,655
		170,047	159,254
Net interest income		**120,151**	105,352
Provision for credit losses	*7*	**35,687**	9,628
Net interest income after provision for credit losses		**84,464**	95,724
Other income:			
Fees and other income		**6,723**	5,644
Net loss on loans and investments		**(8,531)**	(821)
Gains on securitization activities and income from securitization retained interests	*8*	**6,502**	2,065
		4,694	6,888
Net interest and other income		**89,158**	102,612
Non-interest expenses:			
Compensation and benefits		**26,895**	24,284
Other		**27,285**	21,827
		54,180	46,111
Income before income taxes		**34,978**	56,501
Income taxes:			
Current		**15,580**	13,576
Deferred		**(6,572)**	1,264
		9,008	14,840
Net income		**$ 25,970**	$ 41,661
Dividends on preferred shares		**1,119**	1,191
Net income available to common shareholders		**$ 24,851**	$ 40,470
Earnings per share:	*15*		
Basic		**$ 1.48**	$ 2.44
Diluted		**$ 1.46**	$ 2.42

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

With comparative figures for the three month period ended March 31, 2019

($ THOUSANDS)

	Three months ended	
	March 31, 2020	March 31, 2019
Net income	**$ 25,970**	$ 41,661
Other comprehensive income – items that will be reclassified subsequently to income:		
Debt instruments at Fair Value through Other Comprehensive Income:		
Net unrealized (losses) gains from change in fair value	**(825)**	402
Reclassification of net losses to income	**(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 losses from change in fair value	**(22,908)**	(1,832)
Reclassification of net gains to retained earnings	**-**	11
	(24,401)	(1,419)
Income tax recovery	**6,447**	377
	(17,954)	(1,042)
Cash flow hedges:		
Net unrealized losses from change in fair value	**(28,061)**	(4,589)
Reclassification of net losses to income	**2,855**	179
	(25,206)	(4,410)
Income tax recovery	**6,659**	1,172
	(18,547)	(3,238)
Total other comprehensive loss	**(36,501)**	(4,280)
Total comprehensive (loss) income	**$ (10,531)**	$ 37,381

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

With comparative figures for the three month period ended March 31, 2019

($ THOUSANDS)

	March 31, 2020							
					Accumulated other comprehensive income (loss)			
	Preferred shares	**Common shares**	**Contributed surplus**	**Retained earnings**	**Cash flow hedges**	**Financial instruments at FVOCI**	**Total**	**Total**
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**

	March 31, 2019							
					Accumulated other comprehensive income (loss)			
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cash flow hedges	Financial instruments at FVOCI	Total	Total
Balance, beginning of period	$ 72,557	$ 200,792	$ 7,035	$ 1,014,559	$ 2,649	$ (17,565)	$ (14,916)	$ 1,280,027
Cumulative effect of adopting IFRS 16[(1)]	-	-	-	(840)	-	-	-	(840)
Restated balance as at January 1, 2019	72,557	200,792	7,035	1,013,719	2,649	(17,565)	(14,916)	1,279,187
Net income	-	-	-	41,661	-	-	-	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)	(4,272)
Exercise of stock options	-	3,133	-	-	-	-	-	3,133
Dividends:								
Preferred shares	-	-	-	(1,191)	-	-	-	(1,191)
Common shares	-	-	-	(4,989)	-	-	-	(4,989)
Stock-based compensation	-	-	439	-	-	-	-	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)	$ 1,313,968

(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.

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

With comparative figures for the three month period ended March 31, 2019

($ THOUSANDS)

	Three months ended	
	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	**$ 25,970**	$ 41,661
Adjustments for non-cash items in net income:		
Financial instruments at fair value through income	**13,362**	2,075
Amortization of premiums/discount on investments	**309**	1,329
Amortization of capital assets and intangible costs	**5,231**	3,898
Provision for credit losses	**35,687**	9,628
Securitization gains	**(2,767)**	(1,780)
Stock-based compensation	**499**	439
Income taxes	**9,008**	14,840
Securitization retained interests	**8,480**	7,334
Changes in operating assets and liabilities:		
Restricted cash	**72,594**	(11,469)
Securities purchased under reverse repurchase agreements	**(349,897)**	(297,620)
Loans receivable, net of securitizations	**(205,567)**	(499,679)
Other assets	**(2,470)**	50,466
Deposits	**235,874**	1,138,365
Securitization liabilities	**66,119**	300,697
Obligations under repurchase agreements	**(77,697)**	(342,010)
Bank facilities	**499,988**	(320,421)
Other liabilities	**21,860**	(7,207)
Income taxes paid	**(37,499)**	(13,157)
Cash flows from operating activities	**319,084**	77,389
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**357**	3,133
Dividends paid on preferred shares	**(1,119)**	(1,191)
Dividends paid on common shares	**(6,219)**	(9,623)
Cash flows used in financing activities	**(6,981)**	(7,681)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(115,962)**	(12,507)
Acquisition of subsidiary	**-**	(47,065)
Proceeds on sale or redemption of investments	**62,181**	4,140
Net change in Canada Housing Trust re-investment accounts	**(23,670)**	136
Purchase of capital assets and system development costs	**(6,170)**	(4,600)
Cash flows used in investing activities	**(83,621)**	(59,896)
Net increase in cash and cash equivalents	**228,482**	9,812
Cash and cash equivalents, beginning of period	**508,853**	476,610
Cash and cash equivalents, end of period	**$ 737,335**	$ 486,422
Cash flows from operating activities include:		
Interest received	**$ 280,309**	$ 256,470
Interest paid	**(143,095)**	(100,160)
Dividends received	**1,554**	1,553

See accompanying notes to the interim consolidated financial statements.

Note 1 – Reporting Entity

Equitable Group Inc. (the "Company") was formed on January 1, 2004 as the parent company of its wholly owned subsidiary, Equitable Bank. The Company is listed on the Toronto Stock Exchange ("TSX") and domiciled in Canada with its registered office located at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario. Equitable Bank is a Schedule I Bank under the Bank Act (Canada) and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Equitable Bank and its subsidiaries offer savings and lending products to retail and commercial customers across Canada.

Note 2 – Basis of Preparation

(a) Statement of compliance:

These interim consolidated financial statements of Equitable Group Inc. have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. These interim consolidated financial statements should be read in conjunction with the Company's 2019 annual audited consolidated financial statements.

These interim consolidated financial statements were approved for issuance by the Company's Board of Directors (the "Board") on May 13, 2020.

(b) Basis of measurement:

The interim consolidated financial statements have been prepared on the historical cost basis except for the following items which are stated at fair value: derivative financial instruments, financial assets and liabilities that are classified or designated as at fair value through profit and loss and fair value through other comprehensive income.

(c) Functional currency:

The functional currency of the Company and its subsidiaries is Canadian dollars, which is also the presentation currency of the interim consolidated financial statements.

(d) Use of estimates and accounting judgments in applying accounting policies:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the periods. Estimates and underlying assumptions are reviewed by management on an ongoing basis. The critical estimates and judgments utilized in preparing the Company's consolidated financial statements affect the assessment of the allowance for credit losses on loans, impairment of other financial instruments, fair values of financial assets and liabilities, derecognition of financial assets transferred in securitization transactions, effectiveness of financial hedges for accounting purposes, and income taxes.

In making estimates and judgments, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, or events that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these interim consolidated financial statements. These estimates and judgments have been made taking into consideration the economic impact of the COVID-19 pandemic and the significant economic volatility and uncertainty it has created. Actual results could differ materially from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

Allowance for credit losses under IFRS 9

The expected credit loss (the “ECL”) model requires management to make judgements and estimates in a number of areas. Management must exercise significant judgement in determining whether there has been a significant increase in credit risk since initial recognition and in estimating the amount of expected credit losses. The calculation of expected credit losses includes the incorporation of forward-looking forecasts of future economic conditions, which requires significant judgement to determine the forward-looking variables that are relevant for each portfolio and the scenarios and probability weights that should be applied. Management also exercises judgement in determining the amount of the ECL at each reporting date by considering reasonable and supportable information that is not already incorporated in the modelling process. Changes in these inputs, assumptions, models, and judgements directly impact the measurement of the ECL.

As a result of the Covid-19 pandemic, the economic environment has experienced significant volatility and uncertainty. This has resulted in a direct impact on the forward-looking macroeconomic indicators which management uses as part of its underlying assumptions for calculating the ECL. Management has used the latest forward-looking macroeconomic indicators provided by Moody’s Analytics economic forecasting services for calculating the ECL. Please refer to note 7 (d).

Recognizing the current economic situation, management has also revised the probability-weights assigned to the economic scenarios and has also exercised its judgment in determining the amount of the ECL by considering reasonable and supportable information that was not already incorporated in the ECL modelling process.

(e) Consolidation

The interim consolidated financial statements as at and for the three months ended March 31, 2020 and March 31, 2019 include the assets, liabilities, and results of operations of the Company and its subsidiaries, after the elimination of intercompany transactions and balances. The Company has control of its subsidiaries as it is exposed to and has rights to variable returns from its involvement with the subsidiaries and it has the ability to affect those returns through its power over their relevant activities.

Note 3 – Significant Accounting Policies

The significant accounting policies applied by the Company in these interim consolidated financial statements are the same as those applied by the Company as at and for the year ended December 31, 2019 as described in Note 3 of the audited consolidated financial statements in the Company’s 2019 Annual Report.

Future accounting policies:

There are no significant updates to future accounting developments subsequent to the disclosure in Note 3 of the audited consolidated financial statements in the Company’s 2019 Annual Report.

Note 4 – Risk Management

The Company, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results, which may also influence an investor to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company’s direct control. The use of financial instruments exposes the Company to credit risk, liquidity risk and market risk. A discussion of the Company’s risk exposures and how it manages those risks can be found on pages 26 to 30 of the Company’s first quarter 2020 Management ‘s Discussion & Analysis and pages 50 to 64 of the Company’s 2019 Annual Report.

Note 5 – Financial Instruments

The Company's business activities result in a consolidated balance sheets that consists primarily of financial instruments. The majority of the Company's net income is derived from gains, losses, income and expenses related to these financial assets and liabilities.

(a) Valuation methods and assumptions:

Valuation methods and assumptions used to estimate fair values of financial instruments are as follows:

(i) Financial instruments whose cost or amortized cost approximates fair value

The fair value of Cash and cash equivalents and Restricted cash approximate their cost due to their short term nature.

Securities purchased under reverse repurchase agreements, obligations under repurchase agreements, bank facilities and certain other financial assets and liabilities are carried at cost or amortized cost, which approximates fair value.

(ii) Financial instruments classified as at FVOCI and FVTPL

These financial assets and financial liabilities are measured on the consolidated balance sheets at fair value. For financial instruments measured at fair value where active market prices are available, bid prices are used for financial assets and ask prices for financial liabilities. For those financial instruments measured at fair value that are not traded in an active market, fair value estimates are determined using valuation methods which maximize the use of observable market data and include discounted cash flow analysis and other commonly used valuation techniques.

(iii) Loans

The estimated fair value of loans receivable is determined using a discounted cash flow calculation and the market interest rates offered for loans with similar terms and credit risks.

(iv) Deposits

The estimated fair value of deposits is determined by discounting expected future contractual cash flows using observed market interest rates offered for deposits with similar terms. Deposit liabilities include GICs that are measured at fair value through income and are guaranteed by Canada Deposit Insurance Corporation ("CDIC"). This guarantee from CDIC is reflected in the fair value measurement of the deposit liabilities.

(v) Securitization liabilities

The estimated fair value of securitization liabilities is determined by discounting expected future contractual cash flows using market interest rates offered for similar terms.

(vi) Derivatives

Fair value estimates of derivative financial instruments are determined based on commonly used pricing methodologies (primarily discounted cash flow models) that incorporate observable market data. Frequently applied valuation techniques incorporate various inputs such as stock prices, bond prices and interest rate curves into present value calculations.

The following tables present the carrying values for each category of financial assets and liabilities and their estimated fair values as at March 31, 2020 and December 31, 2019. The tables do not include assets and liabilities that are not financial instruments.

						March 31, 2020
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	$ -	$ -	$ -	$ 737,335	$ 737,335	$ 737,335
Restricted cash	-	-	-	390,398	390,398	390,398
Securities purchased under reverse repurchase agreements	-	-	-	499,966	499,966	499,966
Investments	137,233	19,907	69,444	184,055	410,639	414,725
Loans – Retail	-	-	-	18,552,216	18,552,216	18,768,322
Loans – Commercial[1]	185,065	-	-	7,560,338	7,745,403	7,915,100
Securitization retained interests	-	-	-	145,850	145,850	149,453
Other assets:						
Derivative financial instruments[2]:						
Interest rate swaps	32,797	-	-	-	32,797	32,797
Total return swaps	212	-	-	-	212	212
Bond forwards	289	-	-	-	289	289
Loan commitments	16	-	-	-	16	16
Other	-	-	-	18,364	18,364	18,364
Total financial assets	$ 355,612	$ 19,907	$ 69,444	$ 28,088,522	$ 28,533,485	$ 28,926,977
Financial liabilities:						
Deposits	$ -	$ -	$ -	$ 15,695,407	$ 15,695,407	$ 15,869,035
Securitization liabilities	-	-	-	10,777,497	10,777,497	10,983,106
Obligations under repurchase agreements	-	-	-	429,347	429,347	429,347
Bank facilities	-	-	-	499,988	499,988	499,988
Other liabilities:						
Derivative financial instruments[2]:						
Interest rate swaps	28,346	-	-	-	28,346	28,346
Total return swaps	17,646	-	-	-	17,646	17,646
Bond forwards	3,146	-	-	-	3,146	3,146
Other	-	-	-	203,306	203,306	203,306
Total financial liabilities	$ 49,138	$ -	$ -	$ 27,605,545	$ 27,654,683	$ 28,033,920

						December 31, 2019
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	$ -	$ -	$ -	$ 508,853	$ 508,853	$ 508,853
Restricted cash	-	-	-	462,992	462,992	462,992
Securities purchased under reverse repurchase agreements	-	-	-	150,069	150,069	150,069
Investments	55,533	43,199	92,386	171,493	362,611	361,134
Loans – Retail	-	-	-	18,359,805	18,359,805	18,331,260
Loans – Commercial[(1)]	195,051	-	-	7,566,364	7,761,415	7,771,496
Securitization retained interests	-	-	-	139,009	139,009	139,336
Other assets:						
Derivative financial instruments[(2)]:						
Interest rate swaps	14,468	-	-	-	14,468	14,468
Total return swaps	6,686	-	-	-	6,686	6,686
Bond forwards	1,939	-	-	-	1,939	1,939
Other	-	-	-	19,139	19,139	19,139
Total financial assets	$ 273,677	$ 43,199	$ 92,386	$ 27,377,724	$ 27,786,986	$ 27,767,372
Financial liabilities:						
Deposits	$ -	$ -	$ -	$ 15,442,207	$ 15,442,207	$ 15,451,289
Securitization liabilities	-	-	-	10,706,956	10,706,956	10,719,070
Obligations under repurchase agreements	-	-	-	507,044	507,044	507,044
Other liabilities:						
Derivative financial instruments[(2)]:						
Interest rate swaps	4,959	-	-	-	4,959	4,959
Total return swaps	7,083	-	-	-	7,083	7,083
Loan commitments	209	-	-	-	209	209
Other	-	-	-	179,740	179,740	179,740
Total financial liabilities	$ 12,251	$ -	$ -	$ 26,835,947	$ 26,848,198	$ 26,869,394

(1) *Loans – Commercial does not include $487,364 (December 31, 2019 - $486,610) of Finance leases, as these are specifically excluded for classification and measurement under IFRS 9.*
(2) *Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.*

(b) Fair value hierarchy:

Financial instruments recorded at fair value on the consolidated balance sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities.

Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability.

Level 3: valuation techniques with significant unobservable market inputs.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that

would have been determined by market participants acting at arm's length. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the fair value hierarchy of all financial instruments, whether or not measured at fair value on the Consolidated Balance Sheets, except for certain financial instruments whose carrying amount always approximates their fair values due to their short-term in nature:

				March 31, 2020
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Investments	$ 407,880	$ -	$ 6,845	$ 414,725
Loans – Retail	-	-	18,768,322	18,768,322
Loans – Commercial	-	185,065	7,730,035	7,915,100
Securitization retained interests	-	149,453	-	149,453
Other assets:				
Derivative financial instruments[1]:				
Interest rate swaps	-	32,797	-	32,797
Total return swaps	-	-	212	212
Bond forwards	-	289	-	289
Loan commitments	-	-	16	16
Other	-	18,364	-	18,364
Total financial assets	$ 407,880	$ 385,968	$ 26,505,430	$ 27,299,278
Financial liabilities:				
Deposits	$ -	$ 15,869,035	$ -	$ 15,869,035
Securitization liabilities	-	10,004,884	978,222	10,983,106
Bank facilities	-	499,988	-	499,988
Other liabilities:				
Derivative financial instruments[1]:				
Interest rate swaps	-	28,346	-	28,346
Total return swaps	-	3,587	14,059	17,646
Bond forwards	-	3,146	-	3,146
Other	-	203,306	-	203,306
Total financial liabilities	$ -	$ 26,612,292	$ 992,281	$ 27,604,573

				December 31, 2019
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Investments	$ 353,973	$ -	$ 7,161	$ 361,134
Loans – Retail	-	-	18,331,260	18,331,260
Loans – Commercial	-	195,051	7,576,445	7,771,496
Securitization retained interests	-	139,336	-	139,336
Other assets:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	14,468	-	14,468
Total return swaps	-	6,242	444	6,686
Bond forwards	-	1,939	-	1,939
Other	-	19,139	-	19,139
Total financial assets	$ 353,973	$ 376,175	$ 25,915,310	$ 26,645,458
Financial liabilities:				
Deposits	$ -	$ 15,451,289	$ -	$ 15,451,289
Securitization liabilities	-	9,809,562	909,508	10,719,070
Other liabilities:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	4,959	-	4,959
Total return swaps	-	12	7,071	7,083
Loan commitments	-	-	209	209
Other	-	179,740	-	179,740
Total financial liabilities	$ -	$ 25,445,562	$ 916,788	$ 26,362,350

[(1)] *Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.*

Note 6 – Investments

Carrying value of investments is as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Equity securities measured at FVOCI	**$ 69,444**	$ 92,386	$ 94,625
Equity securities measured at FVTPL	**1,025**	1,100	292
Debt securities measured at FVTPL	**93,789**	54,432	28,602
Debt securities measured at AMC	**184,055**	171,493	3,524
Debt securities measured as at FVOCI	**62,326**	43,200	71,278
	$ 410,639	$ 362,611	$ 198,321

The Company has elected to designate certain Equity securities to be measured at FVOCI as these investments are expected to be held for the long term. For the period ended March 31, 2020, the Company earned dividends of $1,143 (March 31, 2019 – $1,123) on these Equity securities. During the period, the Company has sold Equity securities of $nil (March 31, 2019 – $4,140) and recognized gains of $nil (March 31, 2019 – $8) in Retained earnings.

Net unrealized gains (losses) on investments measured as at FVOCI and FVTPL are as follows:

	March 31, 2020	March 31, 2019
Equity securities measured at FVOCI	**$ (22,908)**	$ (1,822)
Equity securities measured at FVTPL	**(76)**	-
Debt securities measured at FVOCI	**(1,493)**	402
Debt securities measured at FVTPL	**(4,890)**	(821)

Note 7 – Loans

(a) Loans receivable:

						March 31, 2020
		Allowance for credit losses				
	Gross amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Net amount**
Loans – Retail	**$ 18,571,652**	**$ 7,771**	**$ 9,603**	**$ 2,062**	**$ 19,436**	**$ 18,552,216**
Loans – Commercial	**8,278,682**	**19,710**	**25,822**	**4,118**	**49,650**	**8,229,032**
	$ 26,850,334	**$ 27,481**	**$ 35,425**	**$ 6,180**	**$ 69,086**	**$ 26,781,248**

						December 31, 2019
		Allowance for credit losses				
	Gross amount	Stage 1	Stage 2	Stage 3	Total	Net amount
Loans – Retail	$ 18,367,715	$ 3,295	$ 2,417	$ 2,198	$ 7,910	$ 18,359,805
Loans – Commercial	8,277,022	16,758	9,375	2,864	28,997	8,248,025
	$ 26,644,737	$ 20,053	$ 11,792	$ 5,062	$ 36,907	$ 26,607,830

						March 31, 2019
		Allowance for credit losses				
	Gross amount	Stage 1	Stage 2	Stage 3	Total	Net amount
Loans – Retail	$ 16,740,610	$ 2,301	$ 2,215	$ 1,670	$ 6,186	$ 16,734,424
Loans – Commercial	7,738,110	17,356	8,179	547	26,082	7,712,028
	$ 24,478,720	$ 19,657	$ 10,394	$ 2,217	$ 32,268	$ 24,446,452

As at March 31, 2020, Loans – Commercial include certain loans measured at FVTPL with changes in fair value included in gains on securitization activities and income from securitization retained interests. As at March 31, 2020, the carrying value of these loans is $94,848 (December 31, 2019 – $96,779, March 31, 2019 – $93,948) and includes fair value adjustment of $360 (December 31, 2019 – ($726), March 31, 2019 – $848).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in net loss on loans and investments. As at March 31, 2020, the carrying amount of these loans is $90,217 (December 31, 2019 – $98,272, March 31, 2019 – $116,184) and includes fair value adjustment of ($3,271) (December 31, 2019 – $424, March 31, 2019 – ($194)).

The impact of changes in fair value of loans measured as at fair value through income is as follows:

	March 31, 2020	March 31, 2019
Net gains (losses) in fair values for loans measured as at FVTPL included in gains on securitization activities	$ 1,086	$ (179)
Net (losses) gains in fair values for loans measured as at FVTPL and recognized in net loss on loans and investments	(3,762)	555

Loans – Commercial include loans of $231,967 (December 31, 2019 – $169,859, March 31, 2019 – $158,961) invested in certain asset-backed structured entities. The Company holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. The Company does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income from these investments. Consequently, the Company does not control these structured entities and has not consolidated them.

Loans – Commercial also include the Company's net investment in finance leases of $487,364(December 31, 2019 – $486,610, March 31, 2019 – $442,274).

At March 31, 2020, the Company had commitments to fund a total of $2,002,136 (December 31, 2019 − $1,935,712, March 31, 2019 – $1,823,287) loans in the ordinary course of business.

(b) Impaired and past due loans:

Outstanding impaired loans, net of specific allowances are as follows:

	March 31, 2020			December 31, 2019	March 31, 2019
	Gross	Allowance for credit losses	Net	Net	Net
Loans – Retail	$ 46,297	$ 2,062	$ 44,235	$ 48,863	$ 50,253
Loans – Commercial – Conventional and Insured	54,611	406	54,205	45,296	42,176
Loans – Commercial – Finance Leases	32,558	3,712	28,846	23,233	27,242
	$ 133,466	$ 6,180	$ 127,286	$ 117,392	$ 119,671

Outstanding loans that are past due but not classified as impaired are as follows:

				March 31, 2020[1]
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Retail	$ 45,153	$ 13,772	$ -	$ 58,925
Loans – Commercial – Conventional and Insured	7,506	1,666	-	9,172
Loans – Commercial – Finance Leases	19,733	9,464	-	29,197
	$ 72,392	$ 24,902	$ -	$ 97,294

				December 31, 2019
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Retail	$ 39,872	$ 16,207	$ -	$ 56,079
Loans – Commercial – Conventional and Insured	8,922	2,760	-	11,682
Loans – Commercial – Finance Leases	16,690	6,213	-	22,903
	$ 65,484	$ 25,180	$ -	$ 90,664

				March 31, 2019
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Retail	$ 41,694	$ 15,035	$ -	$ 56,729
Loans – Commercial – Conventional and Insured	1,680	1,038	-	2,718
Loans – Commercial – Finance Leases	20,626	8,210	-	28,836
	$ 64,000	$ 24,283	$ -	$ 88,283

[1] *Loans that have been granted payment deferrals as a result of COVID-19 and do not exhibit other characteristics that indicate a significant increase in credit risk are considered current and not reported as past due or impaired.*

(c) Allowance for credit losses:

				March 31, 2020
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	$ 20,053	$ 11,792	$ 5,062	$ 36,907
Provision for credit losses:				
Transfers to (from) Stage 1	1,496	(1,155)	(341)	-
Transfers to (from) Stage 2	(1,862)	1,939	(77)	-
Transfers to (from) Stage 3	(19)	(447)	466	-
Re-measurement[1]	5,930	23,216	4,578	33,724
Originations	2,057	130	-	2,187
Discharges	(174)	(50)	-	(224)
Write-offs	-	-	(2,575)	(2,575)
Realized losses	-	-	(948)	(948)
Recoveries	-	-	15	15
Balance, end of period	$ 27,481	$ 35,425	$ 6,180	$ 69,086

				March 31, 2019
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	$ 14,596	$ 9,176	$ 1,526	$ 25,298
Provision for credit losses:				
Transfers to (from) Stage 1	338	(287)	(51)	-
Transfers to (from) Stage 2	(224)	264	(40)	-
Transfers to (from) Stage 3	(1)	(5)	6	-
Re-measurement[1]	(142)	(49)	904	713
Originations	394	-	-	394
Discharges	(41)	(17)	-	(58)
Finance leases acquired	4,737	1,312	2,530	8,579
Write-offs	-	-	(2,042)	(2,042)
Realized losses	-	-	(661)	(661)
Recoveries	-	-	45	45
Balance, end of period	$ 19,657	$ 10,394	$ 2,217	$ 32,268

[1] *Includes movement as a result of significant increase or decrease in credit risk and changes in credit risk due to model inputs/assumptions that did not result in a transfer between stages.*

The Stage 1 and 2 allowance for credit losses includes allowance on loan commitments amounting to $139 (March 31, 2019 – $142).

(d) Key inputs, assumptions and model techniques

The Company's allowance for credit losses is estimated using statistical models that involve a large number of inputs and assumptions. The key drivers of the change in the ECL include the following:

- Transfers between stages, due to significant changes in credit risk;
- Changes in forward looking macroeconomic conditions, specifically the macroeconomic variables to which the ECL models are calibrated, which are closely correlated with the credit losses in the relevant portfolios; and
- Changes to the probability weights assigned to each scenario.

In addition, these elements are also subject to a high degree of judgment which could have a significant impact on the level of ACL recognized.

(e) Forward-looking macroeconomic scenarios

The Company subscribes to Moody's Analytics economic forecasting services and leverages its forward-looking macroeconomic information to model the ECL. The Company considers five economic scenarios: a base-case scenario, one upside and three downside scenarios. Each scenario is assigned a probability weighting, with the base-case scenario receiving the highest weight. The probability-weighted scenarios are incorporated into both measurement of the ECL and assessment of whether the credit risk of an instrument has increased significantly since its initial recognition.

The following table provides the primary macroeconomic variables used in models to estimate the ECL on performing loans:

										March 31, 2020
					Downside Scenarios					
	Base-Case Scenario		Upside Scenario		Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	**7.9**	**7. 5**	**7.7**	**6.9**	**9.2**	**9.0**	**10.4**	**10.6**	**12.2**	**12.6**
Real GDP growth rate %	**(2.3)**	**2.3**	**(1.1)**	**3.3**	**(3.0)**	**1.7**	**(3.7)**	**1.1**	**(5.8)**	**(0.1)**
Home Price Index growth rate %	**(3.8)**	**0.9**	**(3.1)**	**1.3**	**(5.2)**	**(0.5)**	**(6.5)**	**(2.0)**	**(7.1)**	**(5.0)**
Commercial Property Index growth rate %	**(2.6)**	**1.9**	**(1.5)**	**2.6**	**(4.0)**	**0.7**	**(5.3)**	**(0.6)**	**(7.1)**	**(3.1)**
Household income growth rate %	**(1.8)**	**0.4**	**(1.4)**	**0.6**	**(2.5)**	**(0.1)**	**(3.3)**	**(0.6)**	**(4.1)**	**(1.5)**

										December 31, 2019
					Downside Scenarios					
	Base-Case Scenario		Upside Scenario		Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	5.8	6.1	5.4	5.6	5.9	6.8	6.9	7.9	7.0	9.1
Real GDP growth rate %	2.2	1.6	2.8	2.1	1.6	1.0	(0.6)	1.2	(1.1)	0.2
Home Price Index growth rate %	0.4	1.3	0.9	1.7	(0.4)	0.9	(2.2)	0.3	(3.3)	(1.2)
Commercial Property Index growth rate %	1.4	1.4	3.3	2.0	1.1	0.7	(1.9)	0.6	(3.1)	(0.9)
Household income growth rate %	0.0	0.1	0.0	0.9	(0.4)	(0.6)	(1.2)	(1.2)	(1.1)	(2.6)

										March 31, 2019
					Downside Scenarios					
	Base-Case Scenario		Upside Scenario		Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	5.7	6.1	5.4	5.6	5.8	6.4	6.9	7.9	7.0	9.1
Real GDP growth rate %	1.9	1.8	2.3	2.4	1.1	1.5	(1.1)	1.5	(2.0)	0.6
Home Price Index growth rate %	1.3	1.0	2.2	1.6	0.8	0.7	(0.8)	(0.1)	(2.1)	(1.4)
Commercial Property Index growth rate %	2.6	1.6	4.6	2.2	2.5	1.0	(0.8)	0.8	(2.1)	(0.7)
Household income growth rate %	0.0	0.3	0.4	0.9	(0.3)	(0.1)	(1.3)	(0.5)	(1.5)	(1.7)

(f) Sensitivity of allowance for credit losses

The ECL is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, the probability weightings of our five scenarios, and other factors considered when applying judgment. Changes in these inputs, assumptions, models, and judgments would have an impact on the assessment of credit risk and the measurement of the ECL.

Impact of probability-weighting on ACL

The following table presents a comparison of the Company's ACL using only the base-case scenario and downside scenario instead of the five probability-weighted scenarios for performing loans:

	March 31, 2020	December 31, 2019	March 31, 2019
ACL – Five probability-weighted scenarios (actual)	$ 62,906	$ 31,845	$ 30,051
ACL – Base-case scenario only	53,245	30,202	28,844
ACL – Downside scenario 3 only	125,808	43,935	39,691
Difference – Actual versus base-case scenario only	9,661	1,643	1,207
Difference – Actual versus downside scenario 3 only	$ (62,902)	$ (12,090)	$ (9,640)

Impact of staging on ACL

The following table illustrates the impact of staging on the Company's ACL by comparing the allowance if all performing loans were in Stage 1 to the actual ACL recorded:

	March 31, 2020	December 31, 2019	March 31, 2019
ACL – Loans in Stage 1 and Stage 2 (actual)	$ 62,906	$ 31,845	$ 30,051
ACL – Assuming all loans in Stage 1	56,310	29,625	28,595
Lifetime ACL impact	$ 6,596	$ 2,220	$ 1,456

Note 8 – Derecognition of Financial Assets

In the normal course of business, the Company enters into transactions that result in the transfer of financial assets. Transferred financial assets are recognized in their entirety or derecognized in their entirety, subject to the extent of the Company's continuing involvement. The Company transfers its financial assets through its securitization activities and sale of assets under repurchase agreements. For further details, refer to Note 11 to the audited consolidated financial statements in the Company's 2019 Annual Report.

(a) Transferred financial assets that are not derecognized in their entirety:

The following table provides information on the carrying amount and the fair values related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

	March 31, 2020		December 31, 2019		March 31, 2019	
	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	$ 10,850,058	$ 429,347	$ 10,707,145	$ 507,044	$ 10,100,068	$ -
Carrying amount of associated liability	10,777,497	429,347	10,706,956	507,044	9,926,375	-
Carrying amount, net position	$ 72,561	$ -	$ 189	$ -	$ 173,693	$ -
Fair value of assets	$ 11,085,216	$ 429,347	$ 10,703,277	$ 507,044	$ 10,123,827	$ -
Fair value of associated liability	10,983,106	429,347	10,718,809	507,044	9,962,157	-
Fair value, net position	$ 102,110	$ -	$ (15,532)	$ -	$ 161,670	$ -

The carrying amount of assets includes $138,960 (December 31, 2019 – $167,113, March 31, 2019 – $327,971) of the Company's net investment in finance leases that were securitized and not derecognized. The carrying value of associated liability includes $127,509 (December 31, 2019 – $160,658, March 31, 2019 – $283,705) of liabilities pertaining to finance leases securitized.

The Company's outstanding securitization liabilities are as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Securitization principal	**$ 10,818,382**	$ 10,752,193	$ 9,964,987
Deferred net discount and issuance costs	**(69,371)**	(69,265)	(65,724)
Accrued interest	**28,486**	24,028	27,112
	$ 10,777,497	$ 10,706,956	$ 9,926,375

(b) Transferred financial assets that are derecognized in their entirety:

The following table provides quantitative information of the Company's securitization activities and transfers that are derecognized in their entirety during the period:

	March 31, 2020	March 31, 2019
Loans securitized and sold	**$ 211,533**	$ 172,330
Carrying value of Securitization retained interests	**15,321**	11,186
Carrying value of Securitized loan servicing liability	**2,473**	1,616
Gains on loans securitized and sold	**2,767**	1,780
Gains from securitization activities and retained interests	**3,735**	285

Note 9 – Other Assets

	March 31, 2020	December 31, 2019	March 31, 2019
Intangible assets	**$ 57,616**	$ 53,536	$ 44,961
Receivable relating to securitization activities	**21,801**	16,589	9,758
Property and equipment	**17,285**	17,754	18,333
Goodwill	**16,944**	16,944	11,258
Income taxes receivable	**13,877**	-	3,945
Right-of-use assets	**12,688**	13,554	15,284
Prepaid expenses and other	**10,065**	14,648	12,532
Accrued interest and dividends on non-loan assets	**2,536**	3,008	1,779
Real estate owned	**1,976**	1,551	2,623
Deferred cost – Contingent liquidity facility	**341**	411	662
Loan commitments	**16**	-	128
Derivative financial instruments:			
Interest rate swaps	**32,797**	14,468	25,409
Total return swaps	**212**	6,686	1,606
Bond forwards	**289**	1,939	44
	$ 188,443	$ 161,088	$ 148,322

Intangible assets include system and software development costs relating to the Company's information systems.

As at March 31, 2020, the Company evaluated Intangible assets and Goodwill and determined that there was no indication of impairment.

As at December 31, 2019, Prepaid expenses and other included an amount of $3,100 (March 31, 2019 – $3,100) related to a litigation matter that was identified in 2011. During the period, the Company received an insurance settlement amounting to $4,300 and recorded a gain of $1,127 in Fees and other income.

The Company has recognized right-of-use assets for its leased office premises located in Toronto, Oakville, Calgary, Montreal and Vancouver, and for its leased data centres as follows:

	March 31, 2020	March 31, 2019
Carrying amount of right-of-use assets	**$ 12,688**	$ 15,284
Depreciation on right-of-use assets for the period	**605**	647
Cash outflows for leases	**781**	795
Interest expense on lease liabilities	**189**	206

Note 10 – Deposits

	March 31, 2020	December 31, 2019	March 31, 2019
Term and other deposits	**$ 15,474,853**	$ 15,231,888	$ 14,637,787
Accrued interest	**250,832**	241,406	216,415
Deferred deposit agent commissions	**(30,278)**	(31,087)	(33,095)
	$ 15,695,407	$ 15,442,207	$ 14,821,107

Note 11 – Income Taxes

(a) Income tax provision:

	March 31, 2020	March 31, 2019
Current tax expense:	**$ 15,580**	$ 13,576
Deferred tax expense:		
Reversal of temporary differences	**(6,578)**	1,265
Changes in tax rates	**6**	(1)
	(6,572)	1,264
Total income tax expense	**$ 9,008**	$ 14,840

The provision for income taxes shown in the Consolidated Statements of Income differs from that obtained by applying statutory income tax rates to income before provision for income taxes due to the following reasons:

	March 31, 2020	March 31, 2019
Canadian statutory income tax rate	**26.4%**	26.6%
Increase/(decrease) resulting from:		
Tax-exempt income	**(1.2%)**	(0.6%)
Non-deductible expenses and other	**0.5%**	0.3%
Effective income tax rate	**25.7%**	26.3%

(b) Deferred tax liabilities:

Net deferred income tax liabilities are comprised of:

	March 31, 2020	December 31, 2019	March 31, 2019
Deferred income tax assets:			
Tax losses	$ 11,641	$ 11,068	$ 7,541
Allowance for credit losses	11,314	6,657	6,422
Share issue expenses	77	101	174
Net loan fees	2,218	2,440	-
Other	2,706	2,507	2,026
	27,956	22,773	16,163
Deferred income tax liabilities:			
Securitization activities	41,372	39,907	34,707
Leasing activities	22,832	25,465	22,186
Deposit agent commissions	7,708	7,929	8,793
Net origination fees	-	-	5,213
Intangible costs	1,724	2,222	2,537
Other	2,437	1,939	2,093
	76,073	77,462	75,529
Net deferred income tax liabilities	$ 48,117	$ 54,689	$ 59,366

Note 12 – Other Liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payable and accrued liabilities	$ 118,105	$ 86,917	$ 107,514
Loan realty taxes	42,594	50,302	45,108
Securitized mortgage servicing liability	28,369	27,774	26,663
Income taxes payable	-	21,120	-
Right-of-use liabilities	14,616	15,478	17,087
Loan commitments		209	
Derivative financial instruments:			
Interest rate swaps	28,346	4,959	1,079
Total return swaps	17,646	7,083	6,695
Bond forwards	3,146	-	2,502
	$ 252,822	$ 213,842	$ 206,648

Accounts payable and accrued liabilities include $53,130 (December 31, 2019 – $26,230, March 31, 2019 – $34,862) relating to obligations associated with the purchase of the Maple portfolio in 2016.

Note 13 – Bank Facilities

(a) Operating credit facility:

The Company has a $35,000 credit facility in place with a major Schedule I Canadian bank. The facility is secured by a portion of the Company's investments in equity securities. There was no outstanding balance on this facility as at March 31, 2020 (December 31, 2019 – $nil, March 31, 2019 – $nil).

(b) Secured funding facilities:

The Company has two credit facilities totaling $600,000 with major Schedule I Canadian banks to finance insured residential loans prior to securitization. The Company also has access to several liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility, Emergency Lending Assistance facility, and Contingent Term Repo Facility, as well as Canada Mortgage and Housing Corporation's Insured Mortgage Purchase Program. As at March 31, 2020, the Company had an outstanding balance of $499,988 (December 31, 2019 – $nil, March 31, 2019 – $nil) on these facilities.

(c) Backstop funding facility:

The Company has a secured backstop funding facility of $400,000. The terms of the facility include a 0.55% standby fee on any unused portion of the facility, and an interest rate on the drawn portion of the facility equal to 3 month CDOR + 1.25%. The Company has not made any draws on this facility since its inception.

Note 14 – Stock-Based Compensation

(a) Stock-based compensation plan:

Under the Company's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven years and vest over a four-year period. As at March 31, 2020, the maximum number of common shares available for issuance under the plan was 2,000,000. The outstanding options expire on various dates to March 2027. A summary of the Company's stock option activity and related information for the periods ended March 31, 2020 and March 31, 2019 is as follows:

	March 31, 2020		March 31, 2019	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**577,012**	**$ 60.75**	671,332	$ 52.59
Granted	**102,556**	**90.96**	138,967	67.77
Exercised	**(9,724)**	**36.64**	(79,979)	32.27
Forfeited/cancelled	**(945)**	**67.77**	(6,221)	68.48
Outstanding, end of period	**668,899**	**$ 65.72**	724,099	$ 57.61
Exercisable, end of period	**380,711**	**$ 58.94**	417,810	$ 53.42

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $499 (March 31, 2019 – $439) related to grants of options under the stock option plan. This amount has been credited to Contributed surplus. The fair value of options granted during the period ended March 31, 2020 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

	March 31, 2020	March 31, 2019
Risk-free rate	**1.4%**	1.8%
Expected option life (years)	**4.8**	4.8
Expected volatility	**27.2%**	27.8%
Expected dividends	**1.8%**	1.8%
Fair value of each option granted	**$ 18.91**	$ 14.71

(b) Other stock based plans:

The Company has an Employee share purchase ("ESP") plan, a Restricted share unit ("RSU" and "PSU") plan for eligible employees, and a Deferred share unit ("DSU") plan for Directors. For details on the plans, refer to Note 20 to the audited consolidated financial statements in the Company's 2019 Annual Report.

Under the DSU plan, the activity for the periods ended March 31, 2020 and March 31, 2019 is as follows:

	March 31, 2020	March 31, 2019
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	54,237	42,697
Granted	1,238	1,378
Dividends reinvested	369	389
Outstanding, end of period	55,844	44,464

The liability associated with DSUs outstanding as at March 31, 2020 was $2,917 (March 31, 2019 – $2,912). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the three months ended March 31, 2020 amounted to $145 (March 31, 2019 – $109).

Under the Company's RSU and PSU plan, the activity for the periods ended March 31, 2020 and March 31, 2019 is as follows:

	March 31, 2020	March 31, 2019
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of period	86,335	67,180
Granted	37,068	43,234
Dividends reinvested	831	820
Vested and paid out	(260)	(211)
Forfeited/cancelled	(994)	(1,671)
Outstanding, end of period	122,980	109,352

The liability associated with RSUs and PSUs outstanding as at March 31, 2020 was $2,527 (March 31, 2019 – $2,305). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the three months ended March 31, 2020 amounted to $1,109 (March 31, 2019 – $141).

Note 15 – Earnings Per Share

Diluted earnings per share is calculated based on net income available to common shareholders divided by the weighted average number of common shares outstanding during the year, taking into account the dilution effect of stock options using the treasury stock method.

	March 31, 2020	March 31, 2019
Earnings per common share – basic:		
Net income	$ 25,970	$ 41,661
Dividends on preferred shares	1,119	1,191
Net income available to common shareholders	$ 24,851	$ 40,470
Weighted average basic number of common shares outstanding	16,800,410	16,573,522
Earnings per common share – basic	$ 1.48	$ 2.44
Earnings per common share – diluted:		
Net income available to common shareholders	$ 24,851	$ 40,470
Weighted average basic number of common shares outstanding	16,800,410	16,573,522
Adjustment to weighted average number of common shares outstanding:		
Stock options	188,817	128,998
Weighted average diluted number of common shares outstanding	16,989,227	16,702,520
Earnings per common share – diluted	$ 1.46	$ 2.42

For the period ended March 31, 2020, the calculation of the diluted earnings per share excluded 36,429 (March 31, 2019 – 235,862) average options outstanding with a weighted average exercise price of $93.49 (March 31, 2019 – $69.38) as the exercise price of these options was greater than the average price of the Company's common shares.

Note 16 – Capital Management

Equitable Bank manages its capital in accordance with guidelines established by OSFI, based on standards issued by the Basel Committee on Banking Supervision. OSFI's Capital Adequacy Requirements ("CAR") Guideline details how Basel III rules apply to Canadian banks. OSFI has mandated that all Canadian-regulated financial institutions meet target Capital Ratios: those being a CET1 Ratio of 7.0%, a Tier 1 Capital Ratio of 8.5%, and a Total Capital Ratio of 10.5%. In order to govern the quality and quantity of capital necessary based on the Bank's inherent risks, Equitable Bank utilizes an Internal Capital Adequacy Assessment Process ("ICAAP").

The Bank's CET1 Ratio was 13.5% as at March 31, 2020, while Tier 1 Capital and Total Capital Ratios were 14.3% and 14.7% respectively. The Bank's Capital Ratios at March 31, 2020 exceeded the regulatory minimums.

Equitable Bank maintains a Capital Management Policy and an Internal Capital Adequacy Assessment Process to govern the quality and quantity of capital utilized in its operations.

During the period, Equitable Bank complied with all internal and external capital requirements.

Regulatory capital (relating solely to Equitable Bank) is as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Common Equity Tier 1 Capital ("CET1"):			
Common shares	$ 214,418	$ 213,995	$ 206,418
Contributed surplus	8,496	8,065	7,999
Retained earnings	1,210,047	1,191,562	1,045,960
Accumulated other comprehensive loss[1]	(36,781)	(18,827)	(18,607)
Less: Regulatory adjustments	(55,380)	(66,591)	(53,324)
Common Equity Tier 1 Capital	$ 1,340,800	$ 1,328,204	$ 1,188,446
Additional Tier 1 capital:			
Non-cumulative preferred shares	72,554	72,554	72,554
Tier 1 Capital	$ 1,413,354	$ 1,400,758	$ 1,261,000
Tier 2 Capital:			
Eligible Stage 1 and 2 allowance	62,906	31,844	30,051
Less: Regulatory adjustments	(16,125)	-	-
Tier 2 Capital	46,781	31,844	30,051
Total Capital	$ 1,460,135	$ 1,432,602	$ 1,291,051

[1] *As prescribed by OSFI (under Basel III rules), AOCI is part of CET1 in its entirety, however, the amount of cash flow hedge reserves that relates to hedging of items that are not fair valued are excluded.*

Note 17 – Interest Rate Sensitivity

The following table shows the Company's position with regard to interest rate sensitivity of assets, liabilities and equity on the date of the earlier of contractual maturity or re-pricing date, as at March 31, 2020.

								March 31, 2020
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total[1]
Total assets	$ 5,973,980 $	2,964,115 $	6,921,113 $	15,859,208 $	11,466,547 $	1,336,818 $	491,305 $	29,153,878
Total liabilities and equity[2]	(281)	(8,844,889)	(6,242,719)	(15,087,889)	(11,208,733)	(898,818)	(1,958,438)	(29,153,878)
Off-balance sheet items[3]	-	(216,974)	(194,748)	(411,722)	447,381	(35,659)	-	-
Interest rate sensitive gap	$ 5,973,699 $	(6,097,748) $	483,646 $	359,597 $	705,195 $	402,341 $	(1,467,133) $	-
Cumulative gap[2]	$ 5,973,699 $	(124,049) $	359,597 $	359,597 $	1,064,792 $	1,467,133 $	- $	-
Cumulative gap as a percentage of total assets	20.49%	(0.43%)	1.23%	1.23%	3.65%	5.03%	-%	-%

								December 31, 2019
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total[1]
Cumulative gap[2][3]	$ 5,914,549 $	(6,195,750) $	762,397 $	481,196 $	721,625 $	227,710 $	(1,430,531) $	-
Cumulative gap as a percentage of total assets	20.83%	(21.82%)	2.69%	1.69%	2.54%	0.80%	-%	-%

								March 31, 2019
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total[1]
Cumulative gap[2][3]	$ 5,830,882 $	(619,601) $	474,577 $	474,577 $	1,095,355 $	1,222,398 $	- $	-
Cumulative gap as a percentage of total assets	22.15%	(2.35%)	1.80%	1.80%	4.16%	4.64%	-%	-%

(1) *Accrued interest is included in "Non- interest sensitive" assets and liabilities.*
(2) *Cashable GIC deposits are included in the "0 to 3 months" as these are cashable by the depositor upon demand after 30 days from the date of issuance.*
(3) *Off-balance sheet items include the Company's interest rate swaps, hedges on funded assets, as well as mortgage rate commitments that are not specifically hedged. Mortgage rate commitments that are specifically hedged, along with their respective hedges, are assumed to substantially offset.*

SHAREHOLDER AND CORPORATE INFORMATION

Corporate Head Office
Equitable Bank Tower
30 St. Clair Avenue West, Suite 700
Toronto, Ontario, Canada, M4V 3A1

Regional Offices:

Montreal
1411 Peel Street, Suite 501
Montreal, Quebec, Canada, H3A 1S5

Calgary
600 - 1333 8th Street S.W, Suite 600
Calgary, Alberta, Canada, T2R 1M6

Vancouver
777 Hornby Street, Suite 1240
Vancouver, British Columbia, Canada, V6Z 1S4

Halifax
1959 Upper Water Street, Suite 1300
Halifax, Nova Scotia, Canada, B3J 3N2

Website
www.equitablebank.ca

Toronto Stock Exchange Listings
EQB and EQB.PR.C

Eligible Dividend Designation
The Company designates all common and preferred share dividends paid to Canadian residents as "eligible dividends", as defined in the Income Tax Act (Canada), unless otherwise noted.

Auditors
KPMG LLP
Toronto, Ontario

Quarterly Conference Call and Webcast
Thursday, May 14, 2020, 10:00 a.m. EST
Live: 647.427.7450
Replay: 416.849.0833 (code 6198080)
Archive: www.equitablebank.ca

Investor Relations
Tim Wilson
Senior Vice-President and Chief Financial Officer
416.515.7000
investor@equitablegroupinc.com

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario, Canada, M5J 2Y1
1.800.564.6253

2020 Annual Meeting
Friday May 15, 2020
10:00 a.m. ET
via live audio webcast online at
https://web.lumiagm.com/225652488