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EQUITABLE

CANADA'S CHALLENGER BANK™

Second Quarter Report

For the three and six months ended June 30, 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 and six months ended June 30, 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") and six months ended June 30, 2020. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 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 July 28, 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", "Q2 2020 Highlights", "Update on the impact of the COVID-19 Pandemic", "Business Outlook", "Provision for Credit Losses", "Credit Quality and Allowance for Credit Losses", "Liquidity Investments and Equity Securities", "Deposits", "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.

UPDATE ON THE IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic ("COVID-19") has continued to cause unparalleled global economic and social disruption over the past several months. However, as businesses across the country open their doors and consumers begin spending again, it appears that the Canadian economy has started to rebound from its trough in April. Residential real estate market activity levels have followed a similar pattern and appear to be rebounding, with June home sales almost equal to the prior year's level. House prices have also been relatively firm as supply and demand dynamics remain in balance across most major Canadian markets.

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 2020 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 continues on its path to recovery.

Protecting our employees

Operationally, our team has been able to deliver a high level of service to both customers and other stakeholders throughout the crisis with a work-from-home model, a move that was made easier by our branchless business model and our cloud-based digital platform. We provided a small number of employees the option of returning to Equitable's offices at the beginning of July and will gradually migrate the rest of our team back starting in September. Equitable is committed to ensuring that all of our employees have a safe workspace upon their return.

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. 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. Daily account applications to *EQ Bank* support that belief: they averaged 2,587 per month over the twelve months prior to COVID-19 and increased to 6,548 per month in Q2. We continue to provide value with a better way to bank and offer competitive interest rates on all of our deposit accounts to help customers build their savings balances.

In an effort to support our lending clients during COVID-19, our team continues to work with borrowers to help them manage their loan obligations in the current environment and at the same time to protect the interests of the Bank. We have offered loan payment deferrals of up to six months to qualifying borrowers, consistent with our industry peers. Our average deferral period is just under three months, and we are pleased that our active deferrals as at July 17th were down to 30% of peak levels. We have provided some of the key statistics on our deferral program in the table below:

($ THOUSAND, EXCEPT PERCENTAGES)	Retail Amount	Retail % of portfolio	Commercial Amount	Commercial % of portfolio	Total Amount	Total % of portfolio
Balances of loans on deferral plans – peak level	$ 4,968,482	26%	$ 659,621	8%	$ 5,628,102	20%
Balances of expired deferral plans – July 17th level	3,494,825	18%	469,109	5%	3,963,934	14%
Balances of loans remaining on deferral plans – July 17th level	1,473,657	8%	190,512	2%	1,664,168	6%
Total payments deferred	85,460	0.4%	32,160	0.4%	117,620	0.4%

We expect the deferrals to run-down over the course of the next three months, with the maturity profile of the current deferrals being:

(PERCENTAGES)	Jul 31, 2020	Aug 31, 2020	Sep 30, 2020	Oct 31, 2020
% of total loan balances remaining on deferral plans	5.2%	1.7%	0.3%	-%

Our team has conducted a thorough analysis of the profile of borrowers on deferral plans within each of our businesses. There does not appear to be any distinguishing, common characteristics to the borrowers, except that Prime Single Family borrowers are less likely to request a payment deferral than are Alternative Single Family borrowers. At peak levels, approximately 34% and 14% of our Alternative and Prime single family mortgage portfolios, respectively, were in deferment. Those figures are down to 9% for the Alternative and 6% for the Prime Single Family portfolios as at July 17th. On dimensions such as credit score and nature of employment (self vs corporately employed), the borrowers on deferral plans were representative of the overall portfolio.

Managing our risks and costs

While we are committed to supporting our team and not engaging in COVID-19-driven 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 continues to apply its long-standing, rigorous approach to risk management. We altered underwriting parameters in response to changing market conditions, to limit risk in our single family, commercial, and equipment leasing businesses, and are monitoring the performance of all credit exposures more tightly than normal. These steps are necessary because of general economic conditions as well as uncertainty with respect to future real estate market activity levels and prices.

The Government of Canada 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 have used several of the programs to date and intend to continue using them while they are available. For example, we insured $687 million of Alternative single family mortgages under CMHC's portfolio insurance program in Q2 2020, renewed our draw against the Bank of Canada's Standing Term Liquidity Facility, and have optimized 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 with 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 $34.7 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.

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

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. Economic uncertainty due to COVID-19 has impacted our investment plans for 2020. At the same time, widespread physical distancing requirements have accelerated a consumer shift towards digital banking and our leading-edge technology platform, positioning 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 expands the possibilities for our business by giving us a channel 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, become a driving force in reaching new customers in our markets.

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.

5O YEARS OF SERVICE

2020 marks Equitable's 50th anniversary as a regulated Canadian financial institution. Equitable has had a remarkable five decades, starting with its humble beginning as a Trust company in Hamilton in 1970 and growing to be the ninth largest publicly traded Schedule I bank in Canada. As *Canada's Challenger Bank™*, Equitable is well positioned for the future of Canadian banking. Whether it's helping people through their decumulation phase of life with a reimagined reverse mortgage, building on the accelerated momentum we've seen recently in digital banking or driving the conversation around open banking, we remain committed to providing industry-leading value to consumers by systematically removing unnecessary complexities in banking. Our most recent milestone, the Company's elevation to the TSX Composite Index in 2019, is another sign of maturity and success. And there is so much more to do. With 50 years behind us, it still feels like we're only getting started on what's needed to truly evolve banking in this country. This journey would not have been possible without the growing support of Canadians across the country, the commitment and engagement of all employees, the strength and loyalty of our partners, and the unwavering support of our Board of Directors ("the Board"). We are grateful to all our stakeholders for enabling Equitable to become a force in Canadian banking.

FINANCIAL OVERVIEW

Table 1: Selected financial information

($ THOUSANDS, EXCEPT SHARE, PER SHARE AMOUNTS AND PERCENTAGES)	As at or for three months ended					Six months ended		
	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
RESULTS OF OPERATIONS								
Net income	**$ 52,482**	$ 25,970	102%	$ 54,022	(3%)	**$ 78,452**	$ 95,683	(18%)
Adjusted net income[1]	**49,259**	29,948	64%	54,512	(10%)	**79,207**	101,091	(22%)
Net income available to common shareholders	**51,363**	24,851	107%	52,831	(3%)	**76,214**	93,301	(18%)
Net interest income ("NII")	**118,707**	120,151	(1%)	114,322	4%	**238,858**	219,674	9%
Total revenue	**290,151**	294,892	(2%)	283,625	2%	**585,043**	555,119	5%
EPS – basic	**3.06**	1.48	107%	3.17	(3%)	**4.54**	5.62	(19%)
EPS – diluted	**3.05**	1.46	109%	3.15	(3%)	**4.50**	5.57	(19%)
Adjusted EPS – diluted[1]	**2.86**	1.70	68%	3.18	(10%)	**4.55**	5.90	(23%)
ROE[1]	**14.7%**	7.2%	7.5%	16.8%	(2.1%)	**10.9%**	15.1%	(4.2%)
Adjusted ROE[1]	**13.8%**	8.4%	5.4%	16.9%	(3.1%)	**11.0%**	15.9%	(4.9%)
Return on average assets[1]	**0.7%**	0.4%	0.3%	0.8%	(0.1%)	**0.5%**	0.7%	(0.2%)
Net interest margin ("NIM")[1]	**1.64%**	1.71%	(0.07%)	1.76%	(0.12%)	**1.68%**	1.72%	(0.04%)
Efficiency Ratio[1][2]	**39.2%**	43.4%	(4.2%)	39.5%	(0.3%)	**41.2%**	40.3%	0.9%
BALANCE SHEET								
Total assets	**29,957,246**	29,153,879	3%	26,361,201	14%			
Assets Under Management	**34,662,258**	33,936,125	2%	30,909,183	12%			
Loans receivable	**27,708,917**	26,781,248	3%	24,867,909	11%			
Loans Under Management[1]	**32,330,889**	31,496,058	3%	29,321,091	10%			
Preferred shares	**72,557**	72,557	-%	72,557	-%			
Common shareholders' equity	**1,426,826**	1,378,143	4%	1,287,089	11%			
CREDIT QUALITY								
Provision for credit losses ("PCL")	**8,847**	35,687	(75%)	1,386	538%	**44,534**	11,014	304%
PCL – rate[1]	**0.13%**	0.54%	(0.41%)	0.02%	0.11%	**0.33%**	0.09%	0.24%
Net impaired loans as a % of total loan assets	**0.54%**	0.47%	0.07%	0.42%	0.12%			
Allowance for credit losses as a % of total loan assets	**0.27%**	0.26%	0.01%	0.13%	0.14%			
SHARE CAPITAL								
Common shares outstanding	**16,807,317**	16,807,317	-%	16,666,896	1%			
Book value per common share[1]	**84.89**	82.00	4%	77.22	10%			
Common share price – close	**71.39**	58.07	23%	72.59	(2%)			
Common share market capitalization	**1,199,874**	976,001	23%	1,209,850	(1%)			
EQUITABLE BANK CAPITAL RATIOS[1]								
CET1 Ratio	**14.0%**	13.5%	0.5%	13.1%	0.9%			
Tier 1 Capital Ratio	**14.7%**	14.3%	0.4%	13.9%	0.8%			
Total Capital Ratio	**15.2%**	14.7%	0.5%	14.2%	1.0%			
Leverage Ratio	**4.8%**	4.7%	0.1%	4.9%	(0.1%)			

[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.*

Q2 2020 HIGHLIGHTS

PERFORMANCE AGAINST STRATEGIC PRIORITIES

Equitable's financial performance continued to be affected by the economic impacts of COVID-19. Q2 earnings rebounded from the preceding quarter but were below Q2 2019 levels due to premiums for insuring $687 million of Alternative single family mortgages, provisions for expected future loan losses, and a higher expense base. The insurance premiums, net of funding cost savings, will be amortized largely during Q2 and Q3, while the funding and capital benefits will be realized over the next several years. In Q2, this mismatch had a negative $4.7 million impact on NII. Provisions were higher due to the forward-looking nature of International Financial Reporting Standards 9 Financial Instruments ("IFRS 9") and the impact of a deterioration in our economic outlook and not because of realized losses in the quarter. Realized losses and write-offs in Q2 2020 were $4.2 million or 6 bps of total loan assets annualized.

Adjusted EPS and ROE were $2.86 and 13.8%, respectively, compared to $1.70 and 8.4% in Q1 2020 and $3.18 and 16.9% in Q2 2019. Adjusted Q2 2020 results exclude the impact of $4.4 million of net mark-to-market gains on certain investments, loans, and derivative positions. Including these items, reported EPS and ROE were $3.05 and 14.7%, respectively.

Despite economic and market volatility, Equitable made progress against all of its 2020 strategic objectives in Q2:

Strategic Objectives for 2020	Accomplishments
Expand and enhance *EQ Bank*	• Surpassed $3 billion *EQ Bank* deposits, an increase of $1 billion or 46% from Q2 2019 • Significantly grew our *EQ Bank* depositor base year-over-year by 52% to almost 124,000 customers, with nearly 19,000 customers signing up in Q2 2020 alone • Launched new digital customer referral capability and program • Launched joint accounts in July 2020, which we expect will further increase demand for our *Savings Plus* account
Grow our existing businesses with better service and innovation	• Grew our Retail and Commercial loan portfolios year-over-year by 12% and 10%, respectively • Increased deposits from strategic partnerships by $240 million or 55% to $675 million as compared with Q2 2019
Further diversify through our leasing, reverse mortgage, and CSV loan businesses	• Grew our equipment lease portfolio by 10% over the prior year despite a more cautious approach to the market and lower originations during COVID-19 • Continued to expand market awareness of our decumulation businesses (reverse mortgage and CSV line of credit products) and grew the origination pipeline • Grew our decumulation lending product balances by more than three-fold since last year, with balances now amounting to $48 million
Pursue AIRB and improve sophistication of our capital management	• Conducted further stress tests on our loan portfolios to ensure that we have sufficient capital to manage through a range of economic scenarios • Progressed our AIRB program and remain committed to its completion, but reduced the pace of investment and delayed implementation to 2022 due to COVID-19 • Reported a CET1 Ratio of 14.0%, up from last year by 0.9 percentage points and at the top end of our target range
Enhance our capabilities through technology and people	• Recognized as one of the Best Workplaces™ in Canada by Great Place To Work® for the year 2020-21 • Continued to make enhancements to our cloud infrastructure and other applications supporting our *EQ Bank* platform • Sustained an industry leading Efficiency Ratio of 39.2% while still investing in digitization initiatives

ITEMS OF NOTE

Q2 2020 financial results were impacted by the following item, on a pre-tax basis:

- $4.4 million of net mark-to-market gains on certain investments, loans, and securitization-related derivative positions.

Q1 2020 financial results were impacted by the following item, on a pre-tax basis:

- $5.4 million of net mark-to-market losses on certain investments, loans, and securitization-related derivative positions.

Q2 2019 financial results were impacted by the following items, on a pre-tax basis:

- $1.0 million net reduction in the provision for credit losses for Bennington's equipment lease portfolio as a result of refined assumptions determined during the quarter; and
- $0.7 million of net mark-to-market losses on certain investments and securitization-related derivative positions.

DIVIDENDS

Common share dividends

On July 28, 2020, the Company's Board declared a quarterly dividend of $0.37 per common share, payable on September 30, 2020, to common shareholders of record at the close of business on September 15, 2020. This dividend is consistent with last quarter and represents a 12% increase over dividends declared in July 2019.

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 put these planned increases on hold because of regulatory guidance from OSFI in March 2020 meant to support the financial and operational resilience of all federally regulated banks. The Company intends to maintain its current dividend.

Preferred share dividends

On July 28, 2020, the Board declared a quarterly dividend of $0.373063 per preferred share, payable on September 30, 2020, to preferred shareholders of record at the close of business on September 15, 2020.

BUSINESS OUTLOOK

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

COVID-19 and the related restrictions that have disrupted the global economy, our industry, and our business has impacted the prospects for our 2020 financial performance. We are optimistic about the economy's trajectory but it is still difficult to predict the extent of the pandemic's impact on the economy and our business. Given this continuing uncertainty, management is not providing 2020 guidance for its financial results.

Instead, we have commented on select aspects of our business and future performance below:

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 growing our *EQ Bank* customer base more quickly than during the pre-COVID-19 period.

- Our liquidity position remains solid and we will evaluate reducing our liquid asset balances as the economy continues to improve and if our funding markets are stable.

- Government of Canada programs announced in March have injected more liquidity into the banking system and are mitigating the systemic impact of COVID-19. Those programs provide us with greater comfort in our liquidity risk profile now and looking forward.

- Funding costs have been lower than pre-crisis levels which has contributed to higher margins on new business. 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, although we remain committed to them longer term. Wholesale funding, which is comprised primarily of deposit notes, currently accounts for 2% of our total deposit funding. We still believe that covered bonds represent a valuable long-term funding source and intend to issue our first bond in mid-2021.

- 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

- We believe that loan balances in our established Retail and Commercial portfolios will be relatively stable through to the end of the year, while our new decumulation and specialized financing businesses should all grow over that period.

- Alternative Single Family mortgage origination volumes softened in Q2 2020, as a result of higher unemployment, some of it temporary, making it difficult for some potential customers to qualify for a mortgage; our reduced risk appetite in the face of housing market and economic uncertainty; and slower housing market activity. We believe that origination volumes will return to more normal levels as the influence of these factors is reduced. Using our current assumptions and economic expectations, we expect the portfolio to modestly reduce over the balance of the year.

Credit Quality

- Many of our retail and commercial customers have been experiencing financial stress and have asked for deferment of their mortgage payments. We believe that the longer-term impact of these programs will be positive for our customers and the economy, and in turn our Bank. Some proportion of these borrowers will likely still default but it is too early to determine when and by how much impaired loan balances will increase.

- 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.

- 55% of our loans under management or 51% 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 predominantly 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 62% on our uninsured residential mortgage portfolio at the end of Q2 protects us against an economic scenario involving a combination of higher defaults and a decrease in house prices.

- PCLs should decrease in subsequent quarters, assuming economic forecasts stabilize or improve with the reopening of the Canadian economy and our borrowers' behaviour is consistent with what our credit loss models anticipate. If economic forecasts worsen or our borrowers react more negatively than expected to credit stress, provisions could 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 grow compared with 2019, but at a much lower rate than originally communicated in our February outlook, in light of the expense actions we have taken. Expenses in Q3 and Q4 should be consistent with Q2.

- We are 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 Q3 to Q4 2020 should grow from Q2 levels, primarily due to lower PCLs and mortgage insurance costs. Earnings will likely be down year-over-year, primarily due to our higher expense base (relative to last year).

- Net interest income will be negatively impacted on a diminishing basis in Q3 and Q4 as a result of insurance premium amortization, net of funding costs benefits, associated with the $687 million of Alternative single family mortgages insured in Q2 2020. Mortgage insurance expenses should decline by approximately $2 million in each of the next two quarters, relative to the $4.7 million recorded in Q2.

- The Bank's CET1 ratio moved to the top of our target range in Q2, and we expect it to increase through the remainder of the year as positive earnings add to our capital base at a faster rate than our risk-weighted assets grow.

- 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 maintain high capital ratios in times of stress, and OSFI has mandated that banks do not buy back shares until further notified, so we will not introduce any buyback programs in 2020 even if our capital ratios increase above our target range.

- 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. In March 2020, the Board put these planned increases on hold because of regulatory guidance to the banking industry. Our dividend payout ratio was a sustainable 12% for the current quarter, the lowest of any TSX Composite banks. 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 COVID-19, 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.**

Table 2: Income statement highlights

($ THOUSANDS, EXCEPT PER SHARE AMOUNT)	Three months ended					Six months ended		
	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Net income	**$ 52,482**	$ 25,970	102%	$ 54,022	(3%)	**$ 78,452**	$ 95,683	(18%)
Adjusted net income	**49,259**	29,948	64%	54,512	(10%)	**79,207**	101,091	(22%)
EPS – diluted	**3.05**	1.46	109%	3.15	(3%)	**4.50**	5.57	(19%)
Adjusted EPS – diluted	**2.86**	1.70	68%	3.18	(10%)	**4.55**	5.90	(23%)
Net interest income	**118,707**	120,151	(1%)	114,322	4%	**238,858**	219,674	9%
Provision for credit losses	**8,847**	35,687	(75%)	1,386	538%	**44,534**	11,014	304%
Non-interest expenses	**51,467**	54,180	(5%)	48,496	6%	**105,647**	94,607	12%

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						Six months ended			
	Jun 30, 2020		Mar 31, 2020		Jun 30, 2019		**June 30, 2020**		Jun 30, 2019	
	Revenue/ Expense	**Average rate[1]**	Revenue/ Expense	Average rate[1]	Revenue/ Expense	Average rate[1]	**Revenue/ Expense**	**Average rate[1]**	Revenue/ Expense	Average rate[1]
Revenues derived from:										
Cash and equivalents	**$ 5,131**	**1.10%**	$ 7,067	1.90%	$ 7,289	2.04%	**$ 12,198**	**1.46%**	$ 13,668	2.03%
Equity securities	**1,404**	**5.52%**	1,368	4.46%	1,519	4.93%	**2,772**	**4.94%**	2,895	4.61%
Alternative single family mortgages	**135,863**	**4.73%**	140,441	4.91%	133,183	4.85%	**276,304**	**4.82%**	259,531	4.82%
Prime single family mortgages	**35,704**	**2.03%**	40,764	2.40%	34,835	2.42%	**76,468**	**2.21%**	67,638	2.39%
Other retail loans	**452**	**4.80%**	352	5.46%	118	5.99%	**804**	**5.07%**	189	6.05%
Total Retail loans	**172,019**	**3.71%**	181,557	3.98%	168,136	4.02%	**353,576**	**3.84%**	327,358	3.98%
Conventional commercial loans	**58,012**	**5.60%**	59,116	5.90%	57,409	6.05%	**117,128**	**5.75%**	115,764	6.08%
Equipment leases	**13,485**	**11.18%**	13,508	11.06%	13,537	12.00%	**26,993**	**11.12%**	25,752	11.95%
Insured multi-unit residential mortgages	**27,477**	**2.92%**	27,582	2.94%	27,262	3.13%	**55,059**	**2.93%**	54,321	3.18%
Total Commercial loans	**98,974**	**4.72%**	100,206	4.86%	98,208	5.08%	**199,180**	**4.79%**	195,837	5.11%
Average interest earning assets	**277,528**	**3.84%**	290,198	4.13%	275,152	4.23%	**567,726**	**3.98%**	539,758	4.22%
Expenses related to:										
Deposits	**93,147**	**2.40%**	99,378	2.62%	96,280	2.64%	**192,525**	**2.51%**	188,643	2.65%
Secured backstop funding facility[2]	**617**	**N/A**	617	N/A	1,441	N/A	**1,234**	**N/A**	3,690	N/A
Securitization liabilities	**63,302**	**2.34%**	67,021	2.50%	62,653	2.55%	**130,323**	**2.42%**	125,556	2.59%
Others	**1,755**	**0.86%**	3,031	2.45%	456	4.57%	**4,786**	**1.46%**	2,195	3.81%
Average interest bearing liabilities	**158,821**	**2.34%**	170,047	2.58%	160,830	2.63%	**328,868**	**2.46%**	320,084	2.67%
Net interest income and margin	**$ 118,707**	**1.64%**	$ 120,151	1.71%	$ 114,322	1.76%	**$ 238,858**	**1.68%**	$ 219,674	1.72%

(1) *Average rates are calculated based on the daily average balances outstanding during the period.*
(2) *Since its establishment in June 2017, there have been no draws on the secured backstop funding facility.*

Q2 2020 v Q2 2019

NII was up 4% year-over-year due to growth in our average asset balances of 11% and despite a 12 bp decrease in our NIM. The decrease in NIM was primarily driven by an increase in premiums for insuring $687 million of Alternative single family mortgages (net of the associated funding cost advantage) and a mix shift towards lower margin Prime mortgages.

Table 4(a): Factors affecting Q2 2020 v Q2 2019 NIM

	Impact (in bps)	**Drivers of change**
Bulk insurance amortization	(7)	• $4.7 million of premium expenses related to the $687 million of Alternative single family loans insured in Q2 2020, net of funding cost benefits
Business mix	(4)	• Mix shift toward lower spread Prime mortgages, which experienced high growth during the second half of 2019 and Q2 2020 • Increase in the relative size of our low yielding liquidity portfolio • Funding mix shift towards our relatively higher cost *EQ Bank* deposits
Rates/spread[1]	(3)	• Lower rate of interest earned on our cash balances • Timing and basis differences on the reset of interest rates on our variable rate, securitized assets and liabilities, *offset in part by:* • Higher spreads on recently originated Retail and Commercial mortgages, and the impact of interest rate floors on certain commercial mortgages • Lower rate of interest on our *EQ Bank* deposits
Backstop funding facility fees	1	• Lower fees associated with our downsized secured backstop funding facility
Other	1	• FV adjustments, prepayment income, and other
Change in Total NIM	(12)	

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

Q2 2020 v Q1 2020

NII decreased by 1% from last quarter as a result of a 7 bp decrease in NIM and despite asset growth of 3%.

Table 4(b): Factors affecting Q2 2020 v Q1 2020 NIM

	Impact (in bps)	**Drivers of change**
Bulk insurance amortization	(7)	• $4.7 million of premium expenses related to the $687 million of Alternative single family loans insured in Q2 2020, net of funding cost benefits
Business mix	(3)	• Asset mix shift toward lower spread Prime mortgages and lower yielding liquid assets • Funding mix shift towards our relatively higher cost *EQ bank* deposits
Rates/spread[1]	1	• The impact of interest rate floors on certain commercial mortgages • Lower rate of interest on our *EQ Bank* deposits, *offset in part by:* • Lower rates on our cash balances • Timing and basis differences on the reset of interest rates on our variable rate, securitized assets and liabilities
Other	2	• Fair value adjustments and other
Change in Total NIM	(7)	

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

YTD 2020 v YTD 2019

NII increased by 9% from last year mainly driven by 11% growth in average assets and despite a 4 bp decrease in NIM.

Table 4(c): Factors affecting YTD 2020 v YTD 2019 NIM

	Impact (in bps)	Drivers of change
Business mix	(7)	• Asset mix shift toward lower spread Prime mortgages and lower yielding liquid assets • Funding mix shift towards relatively higher cost *EQ Bank* deposits
Bulk insurance amortization	(4)	• Premiums related to the $687 million of Alternative single family loans insured in Q2 2020, net of funding cost benefits
Rates/spread[1]	2	• Higher spreads on Retail and Commercial mortgages originated over the past year • Lower rate of interest on our *EQ Bank* deposits, *offset in part by:* • Lower rates on our cash balances • Timing and basis differences on the reset of interest rates on our variable rate, securitized assets and liabilities in Q2 2020
Backstop funding facility fees	2	• Lower fees associated with our downsized secured backstop funding facility
Other	3	• FV adjustments and other
Change in Total NIM	(4)	

(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					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Jun 30, 2020**	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Stage 1 and 2 provision	**$ 5,386**	$ 31,061	(83%)	$ (400)	1,447%	**$ 36,447**	$ 5,879	520%
Stage 3 provision	**3,461**	4,626	(25%)	1,786	94%	**8,087**	5,135	57%
Provision for credit losses[1]	**$ 8,847**	$ 35,687	(75%)	$ 1,386	538%	**$ 44,534**	$ 11,014	304%
Provision for credit losses – rate[2]	**0.13%**	0.54%	(0.41%)	0.02%	0.11%	**0.33%**	0.09%	0.24%

(1) *Total provisions in YTD 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 $5,265 and 4 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 ("ACL"), net of any recoveries, during the period. The ACL is the reserve 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.

In Q2, we increased our allowance for loans categorized as Stage 1 and Stage 2 (performing loans) in light of a COVID-19 driven deterioration in macroeconomic forecasts, which led to elevated Stage 1 and 2 provisions in our income statement. Stage 3 provisions – those related to impaired loans – were down by $1.2 million from the preceding quarter primarily due to lower levels of provisions required on our mortgage portfolio and a reduced level of net impaired lease formations.

OTHER INCOME

Table 6: Other income

($ THOUSANDS)	Three months ended					Six months ended		
	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Fees and other income:								
Fees and other income	**$ 5,089**	$ 6,554	(22%)	$ 5,482	(7%)	**$ 11,643**	$ 10,523	11%
Income from successor issuer activities	**41**	169	(76%)	418	(90%)	**210**	1,021	(79%)
Net gain (loss) on loans and investments	**8,653**	(8,531)	201%	76	11,286%	**122**	(745)	116%
Securitization activities:								
Gains on securitization and income from retained interests	**3,020**	3,299	(8%)	3,071	(2%)	**6,319**	5,257	20%
Fair value (losses) gains on derivative financial instruments	**(4,180)**	3,203	(231%)	(574)	(628%)	**(977)**	(695)	(41%)
Total	**$ 12,623**	$ 4,694	169%	$ 8,473	49%	**$ 17,317**	$ 15,361	13%

Q2 2020 v Q2 2019

Other income increased compared with Q2 2019, mainly due to:

- Higher net mark-to-market gains on loans and certain security investments;

Offset by:

- Higher net fair value losses on derivative financial instruments related to securitization activities; and
- Reduced income from successor issuer activities, representing income earned on certain assets that we acquired from Maple Bank in Q4 2016 and which is expected to taper to zero by the end of 2020.

Q2 2020 v Q1 2020

Other income increased, primarily due to:

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

Offset by:

- Net unrealized fair value losses on derivative financial instruments related to securitization activities compared to gains in the prior quarter; and
- Lower fees and other income largely due to a $1.1 million net recovery in the preceding quarter from the resolution of a litigation matter.

YTD 2020 v YTD 2019

Other income increased on a year-to-date basis largely due to:

- Higher fees and other income driven by the resolution of a litigation matter in Q1 2020;
- Higher Gains on securitization and income from retained interests, mainly due to a higher gain on sale margin; and
- Net mark-to-market gains on loans and certain security investments compared to losses in the prior year;

Offset by:

- Reduced income from successor issuer activities.

NON-INTEREST EXPENSES

Table 7: Non-interest expenses and Efficiency Ratio

($ THOUSANDS, EXCEPT PERCENTAGES AND FTE)	Three months ended					Six months ended		
	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Compensation and benefits	**$ 26,253**	$ 26,895	(2%)	$ 25,751	2%	**$ 53,148**	$ 50,035	6%
Technology and system costs	**8,790**	9,491	(7%)	7,617	15%	**18,281**	15,046	22%
Product costs	**4,758**	5,094	(7%)	3,645	31%	**9,852**	7,487	32%
Regulatory, legal and professional fees	**4,624**	5,157	(10%)	4,447	4%	**9,781**	9,121	7%
Marketing and corporate expenses	**4,513**	4,745	(5%)	4,776	(6%)	**9,258**	8,430	10%
Premises	**2,529**	2,798	(10%)	2,260	12%	**5,327**	4,488	19%
Total	**$ 51,467**	$ 54,180	(5%)	$ 48,496	6%	**$ 105,647**	$ 94,607	12%
Efficiency Ratio	**39.2%**	43.4%	(4.2%)	39.5%	(0.3%)	**41.2%**	40.3%	0.9%
Full-time employee ("FTE") – period average	**884**	879	1%	820	8%	**880**	810	9%

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 was 39.2% compared to 43.4% in the preceding quarter and 39.5% a year ago. Our Efficiency Ratio was lower than in the preceding quarter due to lower non-interest expenses (numerator) and higher net revenue.

Q2 2020 v Q2 2019

Total non-interest expenses increased primarily because of:

- Higher technology and system costs for support, maintenance, and enhancement of our core banking systems and the *EQ Bank* platform; and
- An increase in Product costs due to amortization of investments in major projects completed over the past 12 months and higher transaction fees driven by portfolio growth.

Q2 2020 v Q1 2020

Total expenses decreased compared with the preceding quarter primarily as a result of our expense management activities. The main variances were:

- A decrease in technology and system costs due to reduced IT consulting and outsourcing services;
- A decrease in compensation and benefits costs due to a lower bonus accrual and a seasonal decline in benefit costs; and
- Lower legal fees due to costs incurred to settle a litigation matter in Q1 2020.

YTD 2020 v YTD 2019

Total year-to-date non-interest expenses increased largely due to:

- Higher technology and system costs for support, maintenance, and enhancement of our core banking systems and the *EQ Bank* platform;
- Higher compensation and benefits costs due to headcount growth of 9% and annual salary inflationary adjustments;
- An increase in product costs due to amortization of investments in major projects completed over the past 12 months and higher title, discharge and deposit processing fees;
- Higher premises costs as we have taken on more office space to accommodate headcount growth;
- Higher marketing expenditures to promote *EQ Bank* through growing digital channels and the launch of our Smart Money Campaign; and
- An increase in regulatory, legal and professional fees largely due to CDIC premiums on our growing deposit balances.

FINANCIAL REVIEW – BALANCE SHEET

Table 8: Balance sheet highlights

($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2020	Mar 31, 2020	Change	Dec 31, 2019	Change	Jun 30, 2019	Change
Total assets	**$ 29,957,246**	$ 29,153,879	3%	$ 28,392,452	6%	$ 26,361,201	14%
Loan Principal – Retail	**19,005,131**	18,456,396	3%	18,250,574	4%	16,915,910	12%
Loan principal – Commercial	**8,620,746**	8,257,416	4%	8,259,779	4%	7,857,199	10%
Deposit principal	**15,636,120**	15,474,853	1%	15,231,888	3%	14,532,042	8%
Total liquid assets as a % of total assets[1]	**6.4%**	7.8%	(1.4%)	6.0%	0.4%	6.0%	0.4%

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

Total assets increased by $3.6 billion or 14% from last year driven by growth in all our lending businesses and higher liquid assets.

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)	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change
Alternative single family mortgages	**$ 11,397,453**	$ 11,646,720	(2%)	$ 11,155,609	2%
Prime single family mortgages	**7,560,146**	6,780,160	12%	5,749,924	31%
Other retail loans	**47,532**	29,516	61%	10,377	358%
Total Retail – on Balance Sheet	**19,005,131**	18,456,396	3%	16,915,910	12%
Conventional commercial loans	**4,304,977**	4,057,343	6%	3,810,649	13%
Equipment leases	**518,483**	511,191	1%	469,271	10%
Insured multi-unit residential mortgages	**3,797,286**	3,688,882	3%	3,577,279	6%
Total Commercial – on Balance Sheet	**8,620,746**	8,257,416	4%	7,857,199	10%
Total Loans – on Balance Sheet	**27,625,877**	26,713,812	3%	24,773,109	12%
Insured multi-unit residential mortgages – derecognized	**4,705,012**	4,782,246	(2%)	4,547,982	3%
Total Loans – off Balance Sheet	**4,705,012**	4,782,246	(2%)	4,547,982	3%
Total Loans Under Management	**$ 32,330,889**	$ 31,496,058	3%	$ 29,321,091	10%

Table 10: On-Balance Sheet loan principal continuity schedule

($ THOUSANDS, EXCEPT PERCENTAGES)	Three months ended June 30, 2020		
	Retail	**Commercial**	**Total**
Q1 2020 closing balance	**$ 18,456,396**	**$ 8,257,416**	**$ 26,713,812**
Originations	**1,682,125**	**935,772**	**2,617,897**
Derecognition	**-**	**(217,643)**	**(217,643)**
Net repayments	**(1,133,390)**	**(354,799)**	**(1,488,189)**
Q2 2020 closing balance	**$ 19,005,131**	**$ 8,620,746**	**$ 27,625,877**
% Change from Q1 2020	**3%**	**4%**	**3%**
% Change from Q2 2019	**12%**	**10%**	**12%**
Net repayments percentage[1]	**6.1%**	**4.3%**	**5.6%**

($ THOUSANDS, EXCEPT PERCENTAGES)	Three months ended June 30, 2019		
	Retail	Commercial	Total
Q1 2019 closing balance	$ 16,629,554	$ 7,716,579	$ 24,346,133
Originations	1,118,757	924,970	2,043,727
Derecognition	-	(244,394)	(244,394)
Net repayments	(832,401)	(539,956)	(1,372,357)
Q2 2019 closing balance	$ 16,915,910	$ 7,857,199	$ 24,773,109
% Change from Q1 2019	2%	2%	2%
Net repayments percentage[1]	5.0%	7.0%	5.6%

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

Q2 2020 v Q2 2019

Total loan principal increased by $2.9 billion year-over-year, driven by growth in both our Retail and Commercial businesses.

Within Retail, Prime single family grew 31% as a result of continued progress building our internal originations business and mortgages sourced through third parties. Our internal business has established new monthly originations records twice in 2020, as we continue to build our market presence. We sourced $1.9 billion from third parties over the past twelve months.

Alternative Single Family grew 2% as originations declined in Q2 2020 as a result of COVID-19. Attrition levels over the past twelve months have been in-line with historical averages but above the rates experienced in 2018 and early 2019.

Our Commercial business grew by 10% year-over-year, mainly driven by Conventional commercial loans. Conventional commercial grew by $494 million on the strength of activity in the multi-unit residential construction sector and more favourable competitive conditions. 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 $49 million or 10%, and Insured multis by $220 million or 6%, both on strong origination volumes and lower attrition.

Q2 2020 v Q1 2020

Total loan principal increased by $912 million from the preceding quarter, primarily because of growth in our Prime single family and Conventional commercial businesses. Alternative Single Family declined as originations declined with overall housing market activity.

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 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 alternative single family residential borrowers was 697 at quarter-end, up from 688 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:

- 55% 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-19 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* residential mortgage portfolio was 62% 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 likely experience challenges as a result of 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 $787 million or only 3% of our assets, and our uninsured commercial loans in Alberta total $552 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 the 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, even though the risk of project disruptions has dissipated over the past few months after work resumed at most sites. Our commercial team has invested significant resources in analyzing our construction exposure, 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. The construction portfolio accounts for only 5% of our total loans and current allowances should appropriately account for the risks on these loans. We continue to lend against construction assets, but are approaching the market more carefully and approving only the highest quality loans.

We believe that there is also an elevated level of risk in portions of our equipment leasing business. 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 21% 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 $4.6 million in Q2, primarily as a result of the economic impact of COVID-19 and a continued deterioration of macroeconomic forecasts. IFRS 9 requires us to estimate future losses taking into account macro-economic forecasts, and several forecasts variables deteriorated in the current quarter 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 in both dollar terms and relative to loan balances, driven by $5.4 million of estimated future losses on performing loans (Stage 1 and 2 allowances).

Table 11: Allowance for credit losses

($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change
Allowance for credit losses – Stage 1 and 2	$ 68,292	$ 62,906	9%	$ 29,651	130%
Allowance for credit losses – total	73,733	69,086	7%	33,119	123%
Allowance for credit losses – total as a % of total loan assets	0.27%	0.26%	0.01%	0.13%	0.14%
Allowance for credit losses – total as a % of uninsured loan assets	0.50%	0.45%	0.05%	0.23%	0.27%
Allowances for credit losses – total as a % of gross impaired	47%	52%	(5%)	30%	17%

The higher Stage 1 and 2 allowances were a function of increases in both the probability that loans will default and the expected loss rates on loans within Stage 2. The increase in the probability of default was driven mainly by worsening real gross domestic product ("RGDP") and unemployment forecasts, which triggered a migration of $3.0 billion of loans from Stage

1 to Stage 2. This migration caused allowances to grow by $13.3 million 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. On the other hand, the loss that we expect to incur on defaulted loans (the loss given default) declined for Stage 2 primarily due to improved house price forecasts. The lower loss given default caused a $7.9 million decrease in allowances. 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)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Stage 1 – proportion of loan assets[1]	**65.0%**	75.0%	88.9%	86.4%	87.0%
Stage 1 – effective allowance rate[2]	**0.16%**	0.14%	0.08%	0.09%	0.09%
Stage 2 – proportion of loan assets	**34.5%**	24.5%	10.6%	13.1%	12.5%
Stage 2 – effective allowance rate	**0.41%**	0.54%	0.42%	0.31%	0.33%

(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.*

Over the first two quarters of the year, allowances against each of our loan portfolios have increased, though our leasing business has driven 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 higher 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.

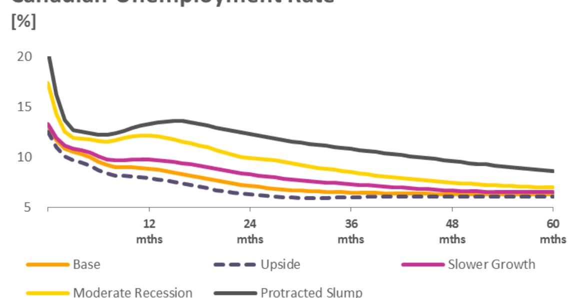
Table 13: Stage 1 and 2 Allowance for credit losses by lending business

($ THOUSANDS, EXCEPT PERCENTAGES AND BPS)	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change
Uninsured Retail loans – stage 1 and 2 allowances	**$ 19,637**	$ 17,374	13%	$ 4,326	354%
as a % of uninsured retail loans (bps)	***20***	*16*	*4*	*4*	*16*
Uninsured Commercial loans – stage 1 and 2 allowances	**$ 27,388**	$ 25,403	8%	$ 19,328	42%
as a % of uninsured commercial loans (bps)	***68***	*66*	*2*	*52*	*16*
Equipment leases – stage 1 and 2 allowances	**$ 21,255**	$ 20,116	6%	$ 5,997	254%
as a % of equipment leases (bps)	***438***	*420*	*18*	*144*	*294*
Insured Retail and Commercial loans – stage 1 and 2 allowances	**$ 12**	$ 13	(8%)	$ -	N/A
as a % of insured retail and commercial loans (bps)	***0.01***	*0.01*	*-*	*-*	*N/A*
Total loans – stage 1 and 2 allowances	**$ 68,292**	$ 62,906	9%	$ 29,651	130%
as a % of total loans (bps)	***25***	*24*	*1*	*12*	*13*

Moody's Analytics provides the macroeconomic forecasts that we use in our credit loss modelling. It forecasts that a slow rebound will commence in Q3 2020, but that the Canadian economy and real estate market will remain weak through the year and into 2021. It also expects that the rebound will be helped by the unprecedented level of announced government support programs.

Forecasts for certain macroeconomic factors have weakened since we released our Q1 results and caused our Expected Credit Losses ("ECL") to increase. This increase occurred despite an improvement in the forecast for residential home prices. Management has compared these forecasts to those of other Canadian economists, and the estimates that we used appear to be in line with market consensus. A multi-year view of the key forecast assumptions for each scenario that we model is below:

Canadian Unemployment Rate



Canadian Housing Price Index

Canadian Real GDP Growth

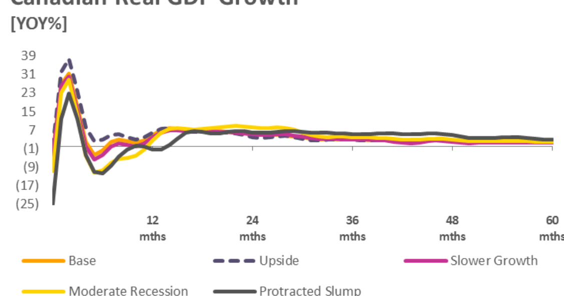


Table 14: Expected future credit losses by macroeconomic scenario

($ 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%	$ 60,458	$ 49,461	$ 68,902	$ 103,987	$ 129,291
Difference vs. financial statement ECL	$ (7,834)	$ (18,831)	$ 610	$ 35,695	$ 60,999

Stage 3 allowances relate to impaired loans and were down by $0.7 million during the quarter. Stage 3 allowances are determined loan-by-loan and we believe that they are adequate at the end of Q2. 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 Q2 2020 were $156.6 million, up $47.4 million and $23.1 million respectively, from a year ago and the prior quarter. The change over the past 12 months relates primarily to two commercial loans totaling $25.9 million (one in Alberta, LTV – 56% and one in Manitoba, LTV – 64%), $16.3 million of impaired equipment leases, and $3.4 million of insured single family mortgages. The impaired loan balances in the current and comparative periods included a $39 million commercial loan in Vancouver that discharged in July on the sale of the underlying property. With the proceeds of this sale, the loan was fully repaid, with Equitable recovering all of its outstanding principal and accrued interest.

We expect that impaired loans will increase in the latter half of 2020, after excluding the discharge of the $39 million commercial loan discussed above. Defaults are likely to increase as the effects of softer economic conditions and payment deferral expiries continue to flow through our portfolio, with those effects offset partly by Government support programs.

Table 15: Impaired loan metrics

($ THOUSANDS, EXCEPT PERCENTAGES)	Jun 30, 2020	Mar 31, 2019	Change	Jun 30, 2019	Change
Gross impaired loan assets	$ 156,588	$ 133,466	17%	$ 109,208	43%
Net impaired loan assets	151,147	127,286	19%	105,740	43%
Net impaired loan assets as a % of total loan assets	0.54%	0.47%	0.07%	0.42%	0.12%

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 have provided further support to our liquidity position. Senior unsecured 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)	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change
Eligible deposits with regulated financial institutions[1]	$ 569,573	$ 737,220	(23%)	$ 423,830	34%
Debt securities	293,488	132,042	122%	71,945	308%
Government of Canada issued or guaranteed debt instruments:					
Investments purchased under reverse repurchase agreements	200,370	499,966	(60%)	125,069	60%
Loans held in the form of debt securities[2], net of obligations under repurchase agreements	762,098	814,551	(6%)	860,238	(11%)
Liquid assets held for regulatory purposes	1,825,529	2,183,779	(16%)	1,481,082	23%
Other deposits with regulated financial institutions	115	115	-%	592	(81%)
Equity securities[3]	94,645	86,437	9%	110,451	(14%)
Total liquid assets	$ 1,920,289	$ 2,270,331	(15%)	$ 1,592,125	21%
Total assets held for regulatory purposes as a % of total Equitable Bank assets	6.1%	7.5%	(1.4%)	5.6%	0.5%
Total liquid assets as a % of total assets	6.4%	7.8%	(1.4%)	6.0%	0.4%

(1) *Eligible deposits with regulated financial institutions represents deposits of Equitable Bank which are held at major Canadian financial institutions and excludes $43.4 million (March 31, 2020 – $44.0 million, June 30, 2019 – $8.3 million) of restricted cash held as collateral with third parties for the Company's interest rate swap transactions and $546 million (March 31, 2020 – $346.4million, June 30, 2019 – $454.2 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 June 30, 2020, our LCR was well in excess of the regulatory minimum of 100%.

Liquid assets held for regulatory purposes were $1.8 billion at Q2 2020, down $358 million from the prior quarter and up $344 million over a year ago. The current level of 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)	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change
Brokered deposits:					
Term	$ **10,679,411**	$ 11,278,428	(5%)	$ 11,097,490	(4%)
Demand	**638,409**	523,974	22%	597,664	7%
	11,317,820	11,802,402	(4%)	11,695,154	(3%)
EQ Bank deposits:					
Term	**469,062**	861,540	(46%)	549,593	(15%)
Demand	**2,818,540**	1,845,643	53%	1,701,405	66%
	3,287,602	2,707,183	21%	2,250,998	46%
Strategic partnerships	**675,433**	610,141	11%	435,423	55%
Deposit notes	**355,265**	355,127	0%	150,467	136%
Total	$ **15,636,120**	$ 15,474,853	1%	$ 14,532,042	8%

Total deposit principal was up $1.1 billion or 8% higher compared to prior year and $161 million or 1% from the preceding quarter.

During the pandemic, as access to branches remained limited and more people are working remotely, we witnessed a greater demand for digitization of banking services. Consequently, our award-winning *EQ Bank* platform experienced a surge of customer sign-ups and balance growth. Balances grew to $3.3 billion, up $1.0 billion or 46% from a year ago and $580 million or 21% from the preceding quarter. Our customer base stood at nearly 124,000 customers at the end of Q2 2020, up nearly 42,500 from a year ago with 19,000 of those customers added in the current quarter. We expect to continue growing our customer base and balances as we enhance the platform by adding more services and products such as the recently launched *Joint Savings Plus* account, maintain a highly competitive deposit rate, and provide superior service.

Our brokered term deposits decreased compared to both Q1 2020 and Q2 2019 as we continued to diversify our funding base and due to the fact that we insured and securitized a portfolio of Alternative single family mortgages (securitization funding displaced deposits). We continue 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 further diversified our funding profile by deepening our Strategic partnerships. The more stable deposits obtained through our partners in this channel grew to $675 million at quarter end, up $240 million or 55% year-over-year. These relationships have allowed us to reach new customers across Canada.

Brokered demand deposits grew over the past 4 quarters mainly driven by the HISAs offered through our Trust company and the launch of a competitive USD product, but these deposits remain a small component of our overall funding base. 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.

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

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 be included in CET1 capital. The adjustment is 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 is 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 Q2 2020 exceeded regulatory minimums and were at the top of our target range. Our CET1 ratio increased by 50 bps from the preceding quarter mainly due to the portfolio insurance we obtained on $687 million of Alternative single family mortgages and quarterly earnings growth.

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 4.8% at the end of Q2 2020 and the Bank was fully compliant with its 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 have also been 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)		Jun 30, 2020		Mar 31, 2020	Change		Jun 30, 2019	Change
Total risk-weighted assets ("RWA")	**$**	**9,936,298**	$	9,916,286	0%	$	9,373,293	6%
Common Equity Tier 1 Capital:								
Common shares		**214,418**		214,418	-%		207,376	3%
Contributed surplus		**8,910**		8,496	5%		8,223	8%
Retained earnings		**1,255,281**		1,210,047	4%		1,093,402	15%
Accumulated other comprehensive (loss) income ("AOCI")[1]		**(29,580)**		(36,781)	20%		(20,320)	(46%)
Less: Regulatory adjustments to Common Equity Tier 1 Capital[2]		**(58,214)**		(55,380)	(5%)		(61,883)	6%
Common Equity Tier 1 Capital		**1,390,815**		1,340,800	4%		1,226,798	13%
Additional Tier 1 capital:								
Non-cumulative preferred shares		**72,554**		72,554	-%		72,554	-%
Tier 1 Capital		**1,463,369**		1,413,354	4%		1,299,352	13%
Tier 2 Capital:								
Eligible Stage 1 and 2 allowance		**68,291**		62,906	9%		29,651	130%
Less: Transitional adjustment in response to COVID-19		**(18,772)**		(16,125)	(16%)		-	N/A
Tier 2 Capital		**49,519**		46,781	6%		29,651	67%
Total Capital	**$**	**1,512,888**	$	1,460,135	4%	$	1,329,003	14%
Capital ratios:								
CET1 Ratio		**14.0%**		13.5%	0.5%		13.1%	0.9%
Tier 1 Capital Ratio		**14.7%**		14.3%	0.4%		13.9%	0.8%
Total Capital Ratio		**15.2%**		14.7%	0.5%		14.2%	1.0%
Leverage Ratio		**4.8%**		4.7%	0.1%		4.9%	(0.1%)

[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 $18.8 million (March 31, 2020 – $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

($ THOUSANDS, EXCEPT SHARE, PER SHARE AMOUNTS AND PERCENTAGES)	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
RESULTS OF OPERATIONS								
Net income	**$ 52,482**	$ 25,970	$ 55,854	$ 54,942	$ 54,022	$ 41,661	$ 40,116	$ 47,806
Adjusted net income	**49,259**	29,948	56,045	54,754	54,512	46,579	45,535	45,662
Net income available to common shareholders	**51,363**	24,851	54,736	53,751	52,831	40,470	38,926	46,615
NII	**118,707**	120,151	124,827	118,147	114,322	105,352	94,591	93,024
Total revenue	**290,151**	294,892	302,822	293,285	283,625	271,494	239,568	232,410
EPS – basic[1]	**3.06**	1.48	3.27	3.22	3.17	2.44	2.35	2.82
EPS – diluted[1]	**3.05**	1.46	3.21	3.18	3.15	2.42	2.33	2.80
Adjusted EPS – diluted[1]	**2.86**	1.70	3.22	3.17	3.18	2.72	2.66	2.67
ROE	**14.7%**	7.2%	15.9%	16.2%	16.8%	13.4%	12.9%	15.9%
Adjusted ROE	**13.8%**	8.4%	15.9%	16.2%	16.9%	15.0%	14.7%	15.2%
Return on average assets	**0.7%**	0.4%	0.8%	0.8%	0.8%	0.7%	0.7%	0.8%
NIM	**1.64%**	1.71%	1.78%	1.75%	1.76%	1.67%	1.58%	1.66%
Efficiency Ratio	**39.2%**	43.4%	40.6%	39.5%	39.5%	41.1%	41.7%	36.5%
BALANCE SHEET								
Total assets	**29,957,246**	29,153,879	28,392,452	27,544,976	26,361,201	26,327,464	25,037,145	23,147,614
AUM	**34,662,258**	33,936,125	33,005,353	32,333,820	30,909,183	30,830,162	29,410,999	27,495,398
Loans receivable	**27,708,917**	26,781,248	26,607,830	25,960,054	24,867,909	24,446,452	23,526,404	21,671,338
LUM	**32,330,889**	31,496,058	31,123,254	30,640,893	29,321,091	28,848,831	27,800,546	25,935,686
Preferred Shares	**72,557**	72,557	72,557	72,557	72,557	72,557	72,557	72,557
Common shareholders' equity	**1,426,827**	1,378,144	1,395,157	1,338,965	1,287,089	1,241,411	1,207,470	1,187,318
Liquid assets	**1,920,289**	2,270,331	1,690,337	1,431,940	1,592,125	2,046,896	1,406,592	1,439,394
CREDIT QUALITY								
PCL	**8,847**	35,687	3,917	3,463	1,386	9,628	628	517
PCL – rate	**0.13%**	0.54%	0.06%	0.05%	0.02%	0.16%	0.01%	0.01%
Net impaired loans as a % of total loan assets	**0.54%**	0.47%	0.44%	0.47%	0.42%	0.49%	0.16%	0.16%
Allowance for credit losses as a % of total loan assets	**0.27%**	0.26%	0.14%	0.13%	0.13%	0.13%	0.11%	0.11%

[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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
SHARE CAPITAL								
Common shares outstanding								
Weighted average basic	**16,807,317**	16,800,410	16,756,323	16,705,416	16,650,635	16,573,522	16,553,212	16,528,351
Weighted average diluted	**16,857,386**	16,989,227	17,031,780	16,920,557	16,770,276	16,702,520	16,672,512	16,654,209
Book value per common share	**84.89**	82.00	83.06	79.97	77.22	74.59	72.94	71.73
Common share price – close	**71.39**	58.07	109.35	103.81	72.59	64.73	59.12	68.87
Common share market capitalization	**1,199,874**	976,001	1,836,817	1,738,117	1,209,850	1,077,281	978,674	1,140,013
Dividends declared per:[1]								
Common share	**0.37**	0.37	0.35	0.33	0.31	0.30	0.28	0.27
Preferred share – Series 3	**0.37**	0.37	0.37	0.40	0.40	0.40	0.40	0.40
EQUITABLE BANK CAPITAL RATIOS								
CET1 Ratio	**14.0%**	13.5%	13.6%	13.3%	13.1%	12.9%	13.5%	13.8%
Tier 1 Capital Ratio	**14.7%**	14.3%	14.4%	14.1%	13.9%	13.7%	14.3%	14.7%
Total Capital Ratio	**15.2%**	14.7%	14.7%	14.4%	14.2%	14.0%	14.5%	15.0%
Leverage Ratio	**4.8%**	4.7%	4.9%	4.8%	4.9%	4.7%	5.0%	5.3%

[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 Q2 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 expected 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 prevailing economic situation, management had revised the probability-weights assigned to the economic scenarios in Q1 and 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 Q2 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 $4.7 billion at June 30, 2020 (March 31, 2020 – $4.8 billion, June 30, 2019 – $4.5 billion). The securitization liabilities associated with these transferred assets were approximately $4.7 billion at June 30, 2020 (March 31, 2020 – $4.8 billion, June 30, 2019 – $4.5 billion). The securitization retained interests recorded with respect to certain securitization transactions were $149.3 million at June 30, 2020 (March 31, 2020 – $145.9 million, June 30, 2019 – $124.6 million) and the associated servicing liability was $28.6 million at June 30, 2020 (March 31, 2020 – $28.4 million, June 30, 2019 – $27.0 million).

COMMITMENTS AND LETTERS OF CREDIT

The Company provides commitments to extend credit to our borrowers. The Company had outstanding commitments to fund $1.8 billion of loans in the ordinary course of business at June 30, 2020 (March 31, 2020 – $2.0 billion, June 30, 2019 – $2.0 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 $26.9 million were outstanding at June 30, 2020 (March 31, 2020 – $26.6 million, June 30, 2019 – $24.5 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 June 30, 2020 (December 31, 2019 – 100%, June 30, 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 $39 million of the total equity securities portfolio at June 30, 2020, compared to 41% or $45 million a year earlier. Preferred share securities rated P-3 or higher comprised 98% of the total equity securities portfolio at the end of Q2 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 June 30, 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

				June 30, 2020
($ THOUSANDS)	Stage 1	Stage 2	Stage 3	Total
Loans receivable:				
Low risk	$ 11,039,707	$ 3,121,066	$ -	$ 14,160,773
Standard risk	6,822,730	6,147,126	-	12,969,856
High risk	190,689	304,744	-	495,433
Impaired	-	-	156,588	156,588
Total	18,053,126	9,572,936	156,588	27,782,650
Less allowance	(29,102)	(39,060)	(5,441)	(73,603)
	$ 18,024,024	$ 9,533,876	$ 151,147	$ 27,709,047
Loan commitments:				
Low risk	$ 380,313	$ 2,513	$ -	$ 382,826
Standard risk	663,431	241,744	-	905,175
High risk	5,323	6,308	-	11,631
Total	1,049,067	250,565	-	1,299,632
Less allowance	(96)	(34)	-	(130)
	$ 1,048,971	$ 250,531	$ -	$ 1,299,502

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, Equity price and Foreign currency rate risks. 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 June 30, 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 June 30, 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	$ 8,794	$ (975)
Impact on EVE	(23,455)	1,375
EVE impact as a % of common shareholders' equity	(1.6%)	0.1%
200 basis point shift		
Impact on net interest income	$ 21,702	$ (963)
Impact on EVE	(42,977)	1,823
EVE impact as a % of common shareholders' equity	(3.0%)	0.1%

(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.

Foreign currency rate risk is defined as the risk of loss resulting from changes in currency exchange rates arising from the exposure of Company's debt products denominated in foreign currency. We mitigate this risk through hedging, using foreign exchange derivatives.

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 July 28, 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 668,193 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $43.9 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 second 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					Six months ended		
($ THOUSANDS)	**Jun 30, 2020**	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Net income	**$ 52,482**	$ 25,970	102%	$ 54,022	(3%)	**$ 78,452**	$ 95,683	(18%)
Adjustments on an after-tax basis:								
Provision for credit losses on equipment leases at Bennington’s acquisition date	**-**	-	N/A	-	N/A	**-**	4,226	N/A
Fair value adjustments related to securities, loans and derivatives	**(3,223)**	3,978	(181%)	490	(758%)	**755**	1,182	(36%)
Adjusted net income	**$ 49,259**	$ 29,948	64%	$ 54,512	(10%)	**$ 79,207**	$ 101,091	(22%)
Less: Dividends on preferred shares	**1,119**	1,119	-%	1,191	(6%)	**2,238**	2,382	(6%)
Adjusted income available to common shareholders	**$ 48,140**	$ 28,829	67%	$ 53,321	(10%)	**$ 76,969**	$ 98,709	(22%)
Adjusted weighted average common equity	**1,400,873**	1,388,563	1%	1,264,190	11%	**1,411,420**	1,249,405	13%
Adjusted ROE	**13.8%**	8.4%	5.4%	16.9%	(3.1%)	**11.0%**	15.9%	(4.9%)

Reconciliation of Adjusted EPS – diluted

	Three months ended					Six months ended		
($ THOUSANDS)	**Jun 30, 2020**	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
EPS – diluted	**$ 3.05**	$ 1.46	109%	$ 3.15	(3%)	**$ 4.50**	$ 5.57	(19%)
Adjustments on an after-tax basis:								
Provision for credit losses on equipment leases at Bennington’s acquisition date	**-**	-	N/A	-	N/A	**-**	0.26	N/A
Fair value adjustments related to securities, loans and derivatives	**(0.19)**	0.24	(179%)	0.03	(733%)	**0.05**	0.07	29%
Adjusted EPS – diluted	**$ 2.86**	$ 1.70	68%	$ 3.18	(10%)	**$ 4.55**	$ 5.90	(23%)

Adjusted Efficiency Ratio

($ THOUSANDS)	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change	Jun 30, 2020	Jun 30, 2019	Change
	Three months ended					Six months ended		
Non-interest expenses	**$ 51,467**	$ 54,180	(5%)	$ 48,496	6%	**$ 105,647**	$ 94,607	12%
Net revenue	**131,330**	124,845	5%	122,795	7%	**256,175**	235,035	9%
Adjustments on a pre-tax basis:								
Fair value adjustments related to securities, loans and derivatives	**(4,385)**	5,412	(181%)	667	(757%)	**1,027**	1,609	(36%)
Adjusted net revenue	**126,945**	130,257	(3%)	123,462	3%	**257,202**	236,644	9%
Adjusted Efficiency Ratio	**$ 40.5%**	$ 41.6%	(1.1%)	$ 39.3%	1.2%	**$ 41.1%**	$ 40.0%	1.1%

- **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)	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change
Total assets on the consolidated balance sheet	**$ 29,957,246**	$ 29,153,879	3%	$ 26,361,201	14%
Loan principal derecognized	**4,705,012**	4,782,246	(2%)	4,547,982	3%
Assets Under Management	**$ 34,662,258**	$ 33,936,125	2%	$ 30,909,183	12%

- **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)	Jun 30, 2020	Mar 31, 2020	Change	Jun 30, 2019	Change
Shareholders' equity	**$ 1,499,383**	$ 1,450,701	3%	$ 1,359,646	10%
Preferred shares	**(72,557)**	(72,557)	-%	(72,557)	-%
Common shareholders' equity	**$ 1,426,826**	$ 1,378,144	4%	$ 1,287,089	11%
Common shares outstanding	**16,807,317**	16,807,317	-%	16,666,896	1%
Book value per common share	**$ 84.89**	$ 82.00	4%	$ 77.22	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 by 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 by 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 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.

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Jun 30, 2020**	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Non-interest expenses	**$ 51,467**	$ 54,180	(5%)	$ 48,496	6%	**$ 105,647**	$ 94,607	12%
Net revenue	**131,330**	124,845	5%	122,795	7%	**256,175**	235,035	9%
Efficiency Ratio	**39.2%**	43.4%	(4.2%)	39.5%	(0.3%)	**41.2%**	40.3%	0.9%

- **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 mortgages, 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 Bank'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.

	Three months ended					Six months ended		
($ THOUSANDS)	**Jun 30, 2020**	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Net interest income	**$ 118,707**	$ 120,151	(1%)	$ 114,322	4%	**$ 238,858**	$ 219,674	9%
Other income	**12,623**	4,694	169%	8,473	49%	**17,317**	15,361	13%
Net revenue	**$ 131,330**	$ 124,845	5%	$ 122,795	7%	**$ 256,175**	$ 235,035	9%

- **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.

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Jun 30, 2020**	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Provision for credit losses	**$ 8,847**	$ 35,687	(75%)	$ 1,386	538%	**$ 44,534**	$ 11,014	304%
Divided by: average loan principal	**27,169,845**	26,612,083	2%	24,559,621	11%	**27,068,115**	24,318,950	11%
Provision for credit losses – rate	**0.13%**	0.54%	(0.41%)	0.02%	0.11%	**0.33%**	0.09%	0.24%

- **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.

	Three months ended					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Jun 30, 2020**	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Net income	**$ 52,482**	$ 25,970	102%	$ 54,022	(3%)	**$ 78,452**	$ 95,683	(18%)
Average total assets	**29,510,706**	28,658,081	3%	26,337,074	12%	**29,074,468**	25,987,024	12%
Return on average assets	**0.7%**	0.4%	0.3%	0.8%	(0.1%)	**0.5%**	0.7%	(0.2%)

- **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					Six months ended		
($ THOUSANDS, EXCEPT PERCENTAGES)	**Jun 30, 2020**	Mar 31, 2020	Change	Jun 30, 2019	Change	**Jun 30, 2020**	Jun 30, 2019	Change
Net income available to common shareholders	**$ 51,363**	$ 24,851	107%	$ 52,831	(3%)	**$ 76,214**	$ 93,301	(18%)
Weighted average common equity	**1,402,485**	1,386,574	1%	1,263,945	11%	**1,411,043**	1,246,701	13%
Return on shareholders' equity	**14.7%**	7.2%	7.5%	16.8%	(2.1%)	**10.9%**	15.1%	(4.2%)

- **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 JUNE 30, 2020

With comparative figures as at December 31, 2019 and June 30, 2019

($ THOUSANDS)

	Note	**June 30, 2020**	December 31, 2019	June 30, 2019
Assets:				
Cash and cash equivalents		**$ 569,688**	$ 508,853	$ 424,422
Restricted cash		**589,046**	462,992	462,438
Securities purchased under reverse repurchase agreements		**200,370**	150,069	125,069
Investments	*6*	**566,859**	362,611	196,699
Loans – Retail	*7, 8*	**19,135,799**	18,359,805	17,014,738
Loans – Commercial	*7, 8*	**8,573,118**	8,248,025	7,853,171
Securitization retained interests		**149,307**	139,009	124,561
Other assets	*9*	**173,059**	161,088	160,103
		$ 29,957,246	$ 28,392,452	$ 26,361,201
Liabilities and Shareholders' Equity				
Liabilities:				
Deposits	*10*	**$ 15,861,725**	$ 15,442,207	$ 14,720,700
Securitization liabilities	*8*	**11,190,224**	10,706,956	10,024,334
Obligations under repurchase agreements	*8*	**598,956**	507,044	-
Deferred tax liabilities	*11*	**50,546**	54,689	58,100
Other liabilities	*12*	**256,038**	213,842	198,421
Bank facilities	*13*	**500,374**	-	-
		28,457,863	26,924,738	25,001,555
Shareholders' equity:				
Preferred shares		**72,557**	72,557	72,557
Common shares		**213,701**	213,277	206,039
Contributed surplus	*14*	**7,818**	6,973	7,132
Retained earnings		**1,257,268**	1,193,493	1,096,231
Accumulated other comprehensive loss		**(51,961)**	(18,586)	(22,313)
		1,499,383	1,467,714	1,359,646
		$ 29,957,246	$ 28,392,452	$ 26,361,201

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

With comparative figures for the three and six month periods ended June 30, 2019

($THOUSANDS, EXCEPT PER SHARE AMOUNTS)

		Three months ended		Six months ended	
	Note	**June 30, 2020**	June 30, 2019	**June 30, 2020**	June 30, 2019
Interest income:					
Loans – Retail		**$ 172,019**	$ 168,136	**$ 353,576**	$ 327,358
Loans – Commercial		**98,974**	98,208	**199,180**	195,837
Investments		**3,315**	2,084	**5,803**	3,905
Other		**3,220**	6,724	**9,167**	12,658
		277,528	275,152	**567,726**	539,758
Interest expense:					
Deposits		**94,022**	96,280	**195,842**	189,976
Securitization liabilities		**63,302**	62,653	**130,323**	125,556
Bank facilities		**1,497**	1,897	**2,703**	4,552
		158,821	160,830	**328,868**	320,084
Net interest income		**118,707**	114,322	**238,858**	219,674
Provision for credit losses	*7*	**8,847**	1,386	**44,534**	11,014
Net interest income after provision for credit losses		**109,860**	112,936	**194,324**	208,660
Other income:					
Fees and other income		**5,130**	5,900	**11,853**	11,544
Net gain (loss) on loans and investments		**8,653**	76	**122**	(745)
(Losses) gains on securitization activities and income from securitization retained interests	*8*	**(1,160)**	2,497	**5,342**	4,562
		12,623	8,473	**17,317**	15,361
Net interest and other income		**122,483**	121,409	**211,641**	224,021
Non-interest expenses:					
Compensation and benefits		**26,253**	25,751	**53,148**	50,035
Other		**25,214**	22,745	**52,499**	44,572
		51,467	48,496	**105,647**	94,607
Income before income taxes		**71,016**	72,913	**105,994**	129,414
Income taxes:	*11*				
Current		**16,106**	17,861	**31,686**	31,437
Deferred		**2,428**	1,030	**(4,144)**	2,294
		18,534	18,891	**27,542**	33,731
Net income		**$ 52,482**	$ 54,022	**$ 78,452**	$ 95,683
Dividends on preferred shares		**1,119**	1,191	**2,238**	2,382
Net income available to common shareholders		**$ 51,363**	$ 52,831	**$ 76,214**	$ 93,301
Earnings per share:	*15*				
Basic		**$ 3.06**	$ 3.17	**$ 4.54**	$ 5.62
Diluted		**$ 3.05**	$ 3.15	**$ 4.50**	$ 5.57

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

With comparative figures for the three and six month periods ended June 30, 2019

($ THOUSANDS)

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Net income	**$ 52,482**	$ 54,022	**$ 78,452**	$ 95,683
Other comprehensive income – items that will be reclassified subsequently to income:				
Debt instruments at Fair Value through Other Comprehensive Income:				
Net unrealized gains from change in fair value	**3,899**	143	**3,074**	545
Reclassification of net gains to income	**(351)**	(162)	**(1,019)**	(162)
Other comprehensive income – items that will not be reclassified subsequently to income:				
Equity instruments designated at Fair Value through Other Comprehensive Income:				
Net unrealized gains (losses) from change in fair value	**6,239**	(1,668)	**(16,669)**	(3,499)
Reclassification of net gains to retained earnings	**-**	(646)	**-**	(638)
	9,787	(2,333)	**(14,614)**	(3,754)
Income tax (expense) recovery	**(2,586)**	620	**3,861**	999
	7,201	(1,713)	**(10,753)**	(2,755)
Cash flow hedges*:*				
Net unrealized losses from change in fair value	**(5,293)**	(1,856)	**(33,354)**	(6,445)
Reclassification of net (gains) losses to income	**(245)**	(56)	**2,610**	123
	(5,538)	(1,912)	**(30,744)**	(6,322)
Income tax recovery	**1,463**	508	**8,122**	1,680
	(4,075)	(1,404)	**(22,622)**	(4,642)
Total other comprehensive income (loss)	**3,126**	(3,117)	**(33,375)**	(7,397)
Total comprehensive income	**$ 55,608**	$ 50,905	**$ 45,077**	$ 88,286

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2020

With comparative figures for the three month period ended June 30, 2019

($ THOUSANDS)

								June 30, 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**	**$ 213,701**	**$ 7,405**	**$ 1,212,125**	**$ (18,306)**	**$ (36,781)**	**$ (55,087)**	**$ 1,450,701**
Net income	**-**	**-**	**-**	**52,482**	**-**	**-**	**-**	**52,482**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**(4,075)**	**7,201**	**3,126**	**3,126**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(1,119)**	**-**	**-**	**-**	**(1,119)**
Common shares	**-**	**-**	**-**	**(6,220)**	**-**	**-**	**-**	**(6,220)**
Stock-based compensation	**-**	**-**	**413**	**-**	**-**	**-**	**-**	**413**
Transfer relating to the exercise of stock options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 72,557**	**$ 213,701**	**$ 7,818**	**$ 1,257,268**	**$ (22,381)**	**$ (29,580)**	**$ (51,961)**	**$ 1,499,383**

								June 30, 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	$ 204,492	$ 6,907	$ 1,049,208	$ (589)	$ (18,607)	$ (19,196)	$ 1,313,968
Net income	-	-	-	54,022	-	-	-	54,022
Transfer of losses on sale of equity instruments	-	-	-	(646)	-	646	646	-
Other comprehensive loss, net of tax	-	-	-	-	(1,404)	(2,359)	(3,763)	(3,763)
Exercise of stock options	-	1,399	-	-	-	-	-	1,399
Dividends:								
Preferred shares	-	-	-	(1,191)	-	-	-	(1,191)
Common shares	-	-	-	(5,162)	-	-	-	(5,162)
Stock-based compensation	-	-	373	-	-	-	-	373
Transfer relating to the exercise of stock options	-	148	(148)	-	-	-	-	-
Balance, end of period	$ 72,557	$ 206,039	$ 7,132	$ 1,096,231	$ (1,993)	$ (20,320)	$ (22,313)	$ 1,359,646

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

With comparative figures for the six month period ended June 30, 2019

($ THOUSANDS)

					Accumulated other comprehensive income (loss)			June 30, 2020
	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	**-**	**-**	**-**	**78,452**	**-**	**-**	**-**	**78,452**
Transfer of losses on sale of equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other comprehensive loss, net of tax	**-**	**-**	**-**	**-**	**(22,622)**	**(10,753)**	**(33,375)**	**(33,375)**
Exercise of stock options	**-**	**357**	**-**	**-**	**-**	**-**	**-**	**357**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(2,238)**	**-**	**-**	**-**	**(2,238)**
Common shares	**-**	**-**	**-**	**(12,439)**	**-**	**-**	**-**	**(12,439)**
Stock-based compensation	**-**	**-**	**912**	**-**	**-**	**-**	**-**	**912**
Transfer relating to the exercise of stock options	**-**	**67**	**(67)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 72,557**	**$ 213,701**	**$ 7,818**	**$ 1,257,268**	**$ (22,381)**	**$ (29,580)**	**$ (51,961)**	**$ 1,499,383**

					Accumulated other comprehensive income (loss)			June 30, 2019
	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	-	-	-	95,683	-	-	-	95,683
Transfer of losses on sale of equity instruments	-	-	-	(638)	-	638	638	-
Other comprehensive income, net of tax	-	-	-	-	(4,642)	(3,393)	(8,035)	(8,035)
Exercise of stock options	-	4,532	-	-	-	-	-	4,532
Dividends:								
Preferred shares	-	-	-	(2,382)	-	-	-	(2,382)
Common shares	-	-	-	(10,151)	-	-	-	(10,151)
Stock-based compensation	-	-	812	-	-	-	-	812
Transfer relating to the exercise of stock options	-	715	(715)	-	-	-	-	-
Balance, end of period	$ 72,557	$ 206,039	$ 7,132	$ 1,096,231	$ (1,993)	$ (20,320)	$ (22,313)	$ 1,359,646

(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 AND SIX MONTH PERIODS ENDED JUNE 30, 2020

With comparative figures for the three and six month periods ended June 30, 2019

($ THOUSANDS)

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	**$ 52,482**	$ 37,537	**$ 78,452**	$ 77,704
Adjustments for non-cash items in net income:				
Financial instruments at fair value through income	**982**	(6,985)	**14,344**	(3,720)
Amortization of premiums/discount on investments	**1,148**	2,247	**1,457**	4,537
Amortization of capital assets and intangible costs	**5,504**	2,424	**10,735**	4,759
Provision for credit losses	**8,847**	168	**44,534**	938
Securitization gains	**(2,516)**	(3,024)	**(5,283)**	(5,961)
Stock-based compensation	**413**	334	**912**	720
Income taxes	**18,534**	12,977	**27,542**	27,444
Securitization retained interests	**518**	6,966	**8,998**	13,700
Changes in operating assets and liabilities:				
Restricted cash	**(198,648)**	(14,188)	**(126,054)**	18,753
Securities purchased under reverse repurchase agreements	**299,594**	-	**(50,303)**	-
Loans, net of securitizations	**(939,714)**	(777,267)	**(1,145,281)**	(1,152,404)
Other assets	**(1,520)**	9,954	**(3,990)**	15,256
Deposits	**168,440**	478,126	**404,314**	1,364,963
Securitization liabilities	**412,120**	29,380	**478,239**	19,093
Obligations under repurchase agreements	**169,609**	98,276	**91,912**	(249,073)
Bank facilities	**386**	250,811	**500,374**	121,940
Other liabilities	**(8,057)**	4,595	**13,803**	(20,146)
Income taxes paid	**(420)**	(15,355)	**(37,919)**	(33,698)
Cash flows (used in) from operating activities	**(12,298)**	116,976	**306,786**	204,805
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares	**-**	151	**357**	525
Dividends paid on preferred shares	**(1,119)**	(1,191)	**(2,238)**	(2,382)
Dividends paid on common shares	**(6,220)**	(4,294)	**(12,439)**	(8,418)
Cash flows used in financing activities	**(7,339)**	(5,334)	**(14,320)**	(10,275)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	**(153,815)**	(9,952)	**(269,777)**	(52,622)
Proceeds on sale or redemption of investments	**50,045**	-	**112,226**	45
Net change in Canada Housing Trust re-investment Accounts	**(36,997)**	19	**(60,667)**	38
Purchase of capital assets and system development costs	**(7,243)**	(6,380)	**(13,413)**	(9,233)
Cash flows used in investing activities	**(148,010)**	(16,313)	**(231,631)**	(61,772)
Net (decrease) increase in cash and cash equivalents	**(167,647)**	95,329	**60,835**	132,758
Cash and cash equivalents, beginning of period	**737,335**	698,359	**508,853**	660,930
Cash and cash equivalents, end of period	**$ 569,688**	$ 793,688	**$ 569,688**	$ 793,688
Cash flows from operating activities include:				
Interest received	**$ 275,050**	$ 199,575	**$ 555,359**	$ 390,844
Interest paid	**(150,628)**	(80,334)	**(293,723)**	(144,237)
Dividends received	**1,522**	1,472	**3,076**	2,574

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 July 28, 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, macroeconomic variables and probability weightings to macroeconomic scenarios, which requires significant judgement. Management also exercises significant expert 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 macroeconomic environment has experienced significant volatility and uncertainty. This has resulted in a direct impact on the forward-looking macroeconomic variables which management uses as part of its underlying assumptions for calculating the ECL. Management has used the latest forward-looking macroeconomic variables 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 six months ended June 30, 2020 and June 30, 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 27 to 31 of the Company's second 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 June 30, 2020 and December 31, 2019. The tables do not include assets and liabilities that are not financial instruments.

						June 30, 2020
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	$ -	$ -	$ -	$ 569,688	$ 569,688	$ 569,688
Restricted cash	-	-	-	589,047	589,047	589,047
Securities purchased under reverse repurchase agreements	-	-	-	200,370	200,370	200,370
Investments	121,763	198,439	75,649	171,008	566,859	571,174
Loans – Retail	-	-	-	19,135,799	19,135,799	19,357,488
Loans – Commercial[1]	229,850	-	-	7,849,146	8,078,996	8,259,768
Securitization retained interests	-	-	-	149,307	149,307	154,634
Other assets:						
Derivative financial instruments[2]:						
Interest rate swaps	26,423	-	-	-	26,423	26,423
Total return swaps	1,537	-	-	-	1,537	1,537
Bond forwards	5	-	-	-	5	5
Foreign exchange forwards	31	-	-	-	31	31
Loan commitments	14	-	-	-	14	14
Other	-	-	-	14,288	14,288	14,288
Total financial assets	$ 379,623	$ 198,439	$ 75,649	$ 28,678,653	$ 29,332,364	$ 29,744,467
Financial liabilities:						
Deposits	$ -	$ -	$ -	$ 15,861,725	$ 15,861,725	$ 16,034,731
Securitization liabilities	-	-	-	11,190,224	11,190,224	11,488,020
Obligations under repurchase agreements	-	-	-	598,956	598,956	598,956
Bank facilities	-	-	-	500,374	500,374	500,374
Other liabilities:						
Derivative financial instruments[2]:						
Interest rate swaps	36,150	-	-	-	36,150	36,150
Total return swaps	19,719	-	-	-	19,719	19,719
Bond forwards	1,295	-	-	-	1,295	1,295
Other	-	-	-	195,353	195,353	195,353
Total financial liabilities	$ 57,164	$ -	$ -	$ 28,346,632	$ 28,403,796	$ 28,874,598

					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 $494,122 (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:

				June 30, 2020
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Investments	$ 564,716	$ -	$ 6,458	$ 571,174
Loans – Retail	-	-	19,357,488	19,357,488
Loans – Commercial	-	229,850	8,029,918	8,259,768
Securitization retained interests	-	154,634	-	154,634
Other assets:				
Derivative financial instruments[1]:				
Interest rate swaps	-	26,423	-	26,423
Total return swaps	-	1,537	-	1,537
Bond forwards	-	5	-	5
Foreign exchange forwards	-	31	-	31
Loan commitments	-	-	14	14
Other	-	14,288	-	14,288
	$ 564,716	$ 426,768	$ 27,393,878	$ 28,385,362
Financial liabilities:				
Deposits	$ -	$ 16,034,731	$ -	$ 16,034,731
Securitization liabilities	-	10,656,247	831,774	11,488,021
Bank facilities		500,374		500,374
Other liabilities:				
Derivative financial instruments[1]:				
Interest rate swaps	-	36,150	-	36,150
Total return swaps	-	731	18,988	19,719
Bond forwards	-	1,295	-	1,295
Other	-	195,353	-	195,353
	$ -	$ 27,424,881	$ 850,762	$ 28,275,643

				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:

	June 30, 2020	December 31, 2019	June 30, 2019
Equity securities measured at FVOCI	**$ 75,649**	$ 92,386	$ 89,947
Equity securities measured at FVTPL	**1,021**	1,100	1,029
Debt securities measured at FVTPL	**120,742**	54,432	46,597
Debt securities measured at AMC	**171,008**	171,493	3,507
Debt securities measured as at FVOCI	**198,439**	43,200	55,619
	$ 566,859	$ 362,611	$ 196,699

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 June 30, 2020, the Company earned dividends of $2,380 (June 30, 2019 – $2,754) on these Equity securities. During the period, the Company did not sell any Equity securities (June 30, 2019 – $5,829) and accordingly did not recognize any gains or losses (June 30, 2019 – $638) in Retained earnings.

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

	June 30, 2020	June 30, 2019
Equity securities measured at FVOCI	$ (16,669)	$ (4,137)
Equity securities measured at FVTPL	(80)	(351)
Debt securities measured at FVOCI	2,055	383
Debt securities measured at FVTPL	892	(1,636)

Note 7 – Loans

(a) Loans receivable:

June 30, 2020		Allowance for credit losses				
	Gross amount	Stage 1	Stage 2	Stage 3	Total	Net amount
Loans – Retail	$ 19,157,205	$ 8,322	$ 11,316	$ 1,768	$ 21,406	$ 19,135,799
Loans – Commercial	8,625,445	20,876	27,778	3,673	52,327	8,573,118
	$ 27,782,650	$ 29,198	$ 39,094	$ 5,441	$ 73,733	$ 27,708,917

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

June 30, 2019		Allowance for credit losses				
	Gross amount	Stage 1	Stage 2	Stage 3	Total	Net amount
Loans – Retail	$ 17,021,075	$ 2,231	$ 2,095	$ 2,011	$ 6,337	$ 17,014,738
Loans – Commercial	7,879,953	17,196	8,129	1,457	26,782	7,853,171
	$ 24,901,028	$ 19,427	$ 10,224	$ 3,468	$ 33,119	$ 24,867,909

As at June 30, 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 June 30, 2020, the carrying value of these loans is $154,996 (December 31, 2019 – $96,779, June 30, 2019 – $169,320) and includes fair value adjustment of $570 (December 31, 2019 – ($726), June 30, 2019 – $957).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in net gain (loss) on loans and investments. As at June 30, 2020, the carrying amount of these loans is $74,853 (December 31, 2019 – $98,272, June 30, 2019 – $107,515) and includes fair value adjustment of ($460) (December 31, 2019 – $424, June 30, 2019 – $74).

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

	June 30, 2020	June 30, 2019
Net gains in fair values for loans measured at FVTPL included in gains on securitization activities	$ 1,296	$ 70
Net gains (losses) in fair values for loans measured at FVTPL and recognized in net gain (loss) on loans and investments	(962)	808

Loans – Commercial include loans of $211,447 (December 31, 2019 – $169,859, June 30, 2019 – $149,515) 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 $494,122 (December 31, 2019 – $486,610, June 30, 2019 – $461,877).

At June 30, 2020, the Company had commitments to fund a total of $1,813,858 (December 31, 2019 − $1,935,712, June 30, 2019 – $2,041,188) loans in the ordinary course of business.

(b) Impaired and past due loans:

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

	June 30, 2020			December 31, 2019	June 30, 2019
	Gross	Allowance for credit losses	Net	Net	Net
Loans – Retail	$ 51,065	$ 1,768	$ 49,297	$ 48,863	$ 48,253
Loans – Commercial – Conventional and Insured	72,206	567	71,639	45,296	41,846
Loans – Commercial – Finance Leases	33,317	3,106	30,211	23,233	15,641
	$ 156,588	$ 5,441	$ 151,147	$ 117,392	$ 105,740

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

	June 30, 2020[1]			
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Retail	$ 30,298	$ 9,254	$ -	$ 39,552
Loans – Commercial – Conventional and Insured	19,879	-	-	19,879
Loans – Commercial – Finance Leases	14,642	8,963		23,605
	$ 64,819	$ 18,217	$ -	$ 83,036

	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

				June 30, 2019
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Retail	$ 41,251	$ 15,911	$ -	$ 57,162
Loans – Commercial – Conventional and Insured	12,937	0	-	12,937
Loans – Commercial – Finance Leases	10,898	5,613		16,511
	$ 65,086	$ 21,524	$ -	$ 86,610

(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:

				June 30, 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	**2,898**	**(2,374)**	**(524)**	**-**
Transfers to (from) Stage 2	**(6,252)**	**6,402**	**(150)**	**-**
Transfers to (from) Stage 3	**(44)**	**(865)**	**909**	**-**
Re-measurement[(1)]	**6,685**	**24,683**	**7,852**	**39,220**
Originations	**6,278**	**-**	**-**	**6,278**
Discharges	**(420)**	**(544)**	**-**	**(964)**
Finance leases acquired	**-**	**-**	**-**	**-**
Write-offs	**-**	**-**	**(6,349)**	**(6,349)**
Realized losses	**-**	**-**	**(1,384)**	**(1,384)**
Recoveries	**-**	**-**	**25**	**25**
Balance, end of period	**$ 29,198**	**$ 39,094**	**$ 5,441**	**$ 73,733**

				June 30, 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	664	(434)	(230)	-
Transfers to (from) Stage 2	(366)	454	(88)	-
Transfers to (from) Stage 3	(2)	(11)	13	-
Re-measurement[(1)]	(773)	(255)	2,016	988
Originations	734	-	-	734
Discharges	(85)	(44)	-	(129)
Finance leases acquired	4,659	1,338	3,424	9,421
Write-offs	-	-	(2,027)	(2,027)
Realized losses	-	-	(1,259)	(1,259)
Recoveries	-	-	93	93
Balance, end of period	$ 19,427	$ 10,224	$ 3,468	$ 33,119

(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 $130 (June 30, 2019 – $146).

(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:

	June 30, 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 %	**10.2**	**7. 3**	**9.6**	**6.7**	**10.3**	**8.0**	**12.7**	**9.5**	**14.0**	**11.3**
Real GDP growth rate %	**(5.9)**	**3.6**	**(3.7)**	**3.9**	**(6.5)**	**3.1**	**(10.4)**	**3.6**	**(14.8)**	**3.5**
Home Price Index growth rate %	**(3.6)**	**2.8**	**(2.9)**	**3.4**	**(4.3)**	**2.5**	**(6.2)**	**1.8**	**(7.7)**	**0.8**
Commercial Property Index growth rate %	**(12.1)**	**5.3**	**(9.8)**	**6.0**	**(13.9)**	**5.0**	**(21.0)**	**6.2**	**(26.2)**	**4.8**
Household income growth rate %	**(8.2)**	**1.0**	**(7.2)**	**1.8**	**(8.5)**	**0.1**	**(10.9)**	**(0.2)**	**(12.7)**	**(1.1)**

	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)

										June 30, 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	5.5	5.5	5.8	6.7	6.4	7.9	6.4	9.1
Real GDP growth rate %	2.2	1.7	2.5	2.4	1.9	1.2	0.3	1.1	(0.2)	0.0
Home Price Index growth rate %	1.1	1.2	1.4	2.0	0.6	0.8	(0.2)	(0.2)	(0.9)	(1.6)
Commercial Property Index growth rate %	3.5	1.3	4.9	2.1	3.4	0.6	1.3	0.1	0.6	(1.5)
Household income growth rate %	0.2	0.2	0.5	1.0	(0.0)	(0.3)	(0.5)	(0.7)	(0.6)	(1.9)

(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:

	June 30, 2020	December 31, 2019	June 30, 2019
ACL – Five probability-weighted scenarios (actual)	**$ 68,292**	$ 31,845	$ 29,651
ACL – Base-case scenario only	**60,458**	30,202	28,835
ACL – Downside scenario 3 only	**129,291**	43,935	35,225
Difference – Actual versus base-case scenario only	**7,834**	1,643	816
Difference – Actual versus downside scenario 3 only	**$ (60,999)**	$ (12,090)	$ (5,574)

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:

	June 30, 2020	December 31, 2019	June 30, 2019
ACL – Loans in Stage 1 and Stage 2 (actual)	**$ 68,292**	$ 31,845	$ 29,651
ACL – Assuming all loans in Stage 1	**61,326**	29,625	28,630
Lifetime ACL impact	**$ 6,966**	$ 2,220	$ 1,021

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:

	June 30, 2020		December 31, 2019		June 30, 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	**$ 11,163,922**	**$ 598,956**	$ 10,707,145	$ 507,044	$ 10,109,716	$ -
Carrying amount of associated liability	**11,190,224**	**598,956**	10,706,956	507,044	10,024,334	-
Carrying amount, net position	**$ (26,302)**	**$ -**	$ 189	$ -	$ 85,382	$ -
Fair value of assets	**$ 11,434,081**	**$ 598,956**	$ 10,703,277	$ 507,044	$ 10,157,881	$ -
Fair value of associated liability	**11,488,020**	**598,956**	10,718,809	507,044	10,083,073	-
Fair value, net position	**$ (53,939)**	**$ -**	$ (15,532)	$ -	$ 74,808	$ -

The carrying amount of assets includes $69,131 (December 31, 2019 – $167,113, June 30, 2019 – $237,636) of the Company's net investment in finance leases that were securitized and not derecognized. The carrying value of associated liability includes $59,471 (December 31, 2019 – $160,658, June 30, 2019 – $237,596) of liabilities pertaining to finance leases securitized.

The Company's outstanding securitization liabilities are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Securitization principal	**$ 11,220,472**	$ 10,752,193	$ 10,068,473
Deferred net discount and issuance costs	**(50,348)**	(69,265)	(65,417)
Accrued interest	**20,100**	24,028	21,278
	$ 11,190,224	$ 10,706,956	$ 10,024,334

(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:

	June 30, 2020	June 30, 2019
Loans securitized and sold	**$ 429,177**	$ 416,724
Carrying value of Securitization retained interests	**27,775**	24,268
Carrying value of Securitized loan servicing liability	**4,688**	3,747
Gains on loans securitized and sold	**5,283**	4,360
Gains from securitization activities and retained interests	**59**	202

Note 9 – Other Assets

	June 30, 2020	December 31, 2019	June 30, 2019
Intangible assets	$ 63,090	$ 53,536	$ 47,571
Receivable relating to securitization activities	21,255	16,589	14,992
Goodwill	16,944	16,944	17,159
Property and equipment	16,480	17,754	17,824
Right-of-use assets	12,596	13,554	14,637
Prepaid expenses and other	9,733	14,648	13,004
Accrued interest and dividends on non-loan assets	3,862	3,008	2,330
Real estate owned	818	1,551	1,907
Deferred cost – Contingent liquidity facility	271	411	558
Income taxes receivable	-	-	-
Derivative financial instruments:			
Interest rate swaps	26,423	14,468	28,588
Total return swaps	1,537	6,686	1,466
Bond forwards	5	1,939	40
Foreign exchange forwards	31	-	-
Loan commitments	14	-	27
	$ 173,059	$ 161,088	$ 160,103

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

As at June 30, 2020, the Company evaluated Intangible assets and Goodwill and determined that there were no indicators of impairment.

As at December 31, 2019, Prepaid expenses and other included an amount of $3,100 (June 30, 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:

	June 30, 2020	June 30, 2019
Carrying amount of right-of-use assets	$ 12,596	$ 14,637
Depreciation on right-of-use assets for the period	1,209	1,293
Cash outflows for leases	1,556	1,591
Interest expense on lease liabilities	370	417

Note 10 – Deposits

	June 30, 2020	December 31, 2019	June 30, 2019
Term and other deposits	$ 15,636,120	$ 15,231,888	$ 14,532,042
Accrued interest	252,988	241,406	220,714
Deferred deposit agent commissions	(27,383)	(31,087)	(32,056)
	$ 15,861,725	$ 15,442,207	$ 14,720,700

Note 11 – Income Taxes

(a) Income tax provision:

	June 30, 2020	June 30, 2019
Current tax expense:		
Current year	$ 32,332	$ 31,371
Adjustment for prior years	(646)	66
	31,686	31,437
Deferred tax expense:		
Reversal of temporary differences	(4,777)	2,374
Adjustment for prior years	628	(79)
Changes in tax rates	5	(1)
	(4,144)	2,294
Total income tax expense	$ 27,542	$ 33,731

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:

	June 30, 2020	June 30, 2019
Canadian statutory income tax rate	26.4%	26.6%
Increase (decrease) resulting from:		
Tax-exempt income	(0.7%)	(0.7%)
Non-deductible expenses and other	0.3%	0.2%
Effective income tax rate	26.0%	26.1%

(b) Deferred tax liabilities:

Net deferred income tax liabilities are comprised of:

	June 30, 2020	December 31, 2019	June 30, 2019
Deferred income tax assets:			
Tax losses	$ **17,819**	$ 11,068	$ 14,528
Allowance for credit losses	**12,419**	6,657	6,339
Share issue expenses	**53**	101	150
Net loan fees	**176**	2,440	
Other	**2,900**	2,507	2,532
	33,367	22,773	23,549
Deferred income tax liabilities:			
Securitization activities	**42,570**	39,907	36,222
Leasing activities	**29,105**	25,465	27,662
Deposit agent commissions	**6,951**	7,929	8,418
Net origination fees		-	5,145
Intangible costs	**1,625**	2,222	2,427
Other	**3,662**	1,939	1,775
	83,913	77,462	81,649
Net deferred income tax liabilities	$ **50,546**	$ 54,689	$ 58,100

Note 12 – Other Liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payable and accrued liabilities	$ **116,586**	$ 86,917	$ 102,719
Loan realty taxes	**36,130**	50,302	37,077
Securitized mortgage servicing liability	**28,647**	27,774	26,970
Right-of-use liabilities	**14,535**	15,478	16,501
Income taxes payable	**2,976**	21,120	278
Loan commitments		209	
Derivative financial instruments :			
Interest rate swaps	**36,150**	4,959	3,588
Total return swaps	**19,719**	7,083	9,405
Bond forwards	**1,295**	-	1,883
	$ **256,038**	$ 213,842	$ 198,421

Accounts payable and accrued liabilities include $44,783 (December 31, 2019 – $26,230, June 30, 2019 – $39,628) 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 June 30, 2020 (December 31, 2019 – $nil, June 30, 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 June 30, 2020, the Company had an outstanding balance of $500,374 (December 31, 2019 – $nil, June 30, 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 June 30, 2020, the maximum number of common shares available for issuance under the plan is 2,000,000. The outstanding options expire on various dates to June 2027. A summary of the Company's stock option activity and related information for the periods ended June 30, 2020 and June 30, 2019 is as follows:

		June 30, 2020		June 30, 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	**104,056**	**90.60**	138,967	67.77
Exercised	**(9,724)**	**36.64**	(95,772)	35.41
Forfeited/cancelled	**(2,677)**	**75.83**	(13,717)	66.57
Outstanding, end of period	**668,667**	**$ 65.68**	700,810	$ 57.67
Exercisable, end of period	**380,396**	**$ 58.94**	400,905	$ 53.46

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $912 (June 30, 2019 – $812) 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 June 30, 2020 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

	June 30, 2020	June 30, 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%
Weighted average fair value of each option granted	$ 18.83	$ 14.7

(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 plan, 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 June 30, 2020 and June 30, 2019 is as follows:

	June 30, 2020 Number of DSUs	June 30, 2019 Number of DSUs
Outstanding, beginning of period	54,237	42,697
Granted	11,096	9,388
Dividends reinvested	708	611
Outstanding, end of period	66,041	52,696

The liability associated with DSUs outstanding as at June 30, 2020 was $4,676 (June 30, 2019 – $3,796). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the six months ended June 30, 2020 amounted to $714 (June 30, 2019 – $703).

Under the Company's RSU and PSU plan, the activity for the periods ended June 30, 2020 and June 30, 2019 is as follows:

	June 30, 2020 Number of RSUs and PSUs	June 30, 2019 Number of RSUs and PSUs
Outstanding, beginning of period	86,335	67,180
Granted	37,068	43,241
Dividends reinvested	1,470	1,279
Vested and paid out	(324)	(1,306)
Forfeited/cancelled	(1,732)	(3,299)
Outstanding, end of period	122,817	107,095

The liability associated with RSUs and PSUs outstanding as at June 30, 2020 was $4,202 (June 30, 2019 – $3,167). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the six months ended June 30, 2020 amounted to $1,882 (June 30, 2019 – $786).

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.

	June 30, 2020	June 30, 2019
Earnings per common share – basic:		
Net income	**$ 78,451**	$ 95,683
Dividends on preferred shares	**2,238**	2,382
Net income available to common shareholders	**$ 76,213**	$ 93,301
Weighted average basic number of common shares outstanding	**16,803,864**	16,612,292
Earnings per common share – basic	**$ 4.54**	$ 5.62
Earnings per common share – diluted:		
Net income available to common shareholders	**$ 76,213**	$ 93,301
Weighted average basic number of common shares outstanding	**16,803,864**	16,612,292
Adjustment to weighted average number of common shares outstanding:		
Stock options	**120,103**	124,294
Weighted average diluted number of common shares outstanding	**16,923,967**	16,736,586
Earnings per common share – diluted	**$ 4.50**	$ 5.57

For the period ended June 30, 2020, the calculation of the diluted earnings per share excluded 180,055 (June 30, 2019 – 231,631) average options outstanding with a weighted average exercise price of $78.49 (June 30, 2019 – $69.37) 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 14.0% as at June 30, 2020, while Tier 1 Capital and Total Capital Ratios were 14.7% and 15.2% respectively. The Bank's Capital Ratios at June 30, 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Common Equity Tier 1 Capital ("CET1"):			
Common shares	**$ 214,418**	$ 213,995	$ 207,376
Contributed surplus	**8,910**	8,065	8,223
Retained earnings	**1,255,281**	1,191,562	1,093,402
Accumulated other comprehensive loss[1]	**(29,580)**	(18,827)	(20,320)
Less: Regulatory adjustments	**(58,214)**	(66,591)	(61,883)
Common Equity Tier 1 Capital	**1,390,815**	1,328,204	1,226,798
Additional Tier 1 capital:			
Non-cumulative preferred shares	**72,554**	72,554	72,554
Tier 1 Capital	**1,463,369**	1,400,758	1,299,352
Tier 2 Capital:			
Eligible Stage 1 and 2 allowance	**68,291**	31,844	
Less: Regulatory adjustments	**(18,772)**	-	29,651
Tier 2 Capital	**49,519**	31,844	29,651
Total Capital	**$ 1,512,888**	$ 1,432,602	$ 1,329,003

(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 the 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 June 30, 2020.

								June 30, 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	**$ 6,444,593**	**$ 2,701,277**	**$ 6,705,526**	**$ 15,851,396**	**$ 12,420,349**	**$ 1,174,635**	**$ 510,866**	**$ 29,957,246**
Total liabilities and equity[2]	**(443)**	**(9,809,521)**	**(6,318,298)**	**(16,128,262)**	**(10,786,405)**	**(881,616)**	**(2,160,963)**	**(29,957,246)**
Off-balance sheet items[3]	**-**	**1,426,966**	**(944,424)**	**482,542**	**(422,037)**	**(60,505)**	**-**	**-**
Interest rate sensitive gap	**$ 6,444,150**	**$(5,681,278)**	**$ (557,196)**	**$ 205,676**	**$ 1,211,907**	**$ 232,514**	**$ (1,650,097)**	**$ -**
Cumulative gap	**$ 6,444,150**	**$ 762,872**	**$ 205,676**	**$ 205,676**	**$ 1,417,583**	**$ 1,650,097**	**$ -**	**$ -**
Cumulative gap as a percentage of total assets	**21.51%**	**2.55%**	**0.69%**	**0.69%**	**4.73%**	**5.51%**	**-%**	**-%**

								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	$ 5,914,549	$(6,195,750)	$ 762,397	$ 481,196	$ 721,625	$ 227,710	$	$ -
Cumulative gap as a percentage of total assets	20.83%	(21.82%)	2.69%	1.69%	2.54%	0.80%	-%	-%

								June 30, 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	$ 5,786,122	$ (594,549)	$ 167,339	$ 167,339	$ 999,980	$ 1,316,825	$ -	$ -
Cumulative gap as a percentage of total assets	21.95%	(2.26%)	0.63%	0.63%	3.79%	5.00%	-%	-%

[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, Canada

Quarterly Conference Call and Webcast
Wednesday, July 29, 2020, 8:30 a.m. EST
Live: 647.427.7450
Replay: 416.849.0833 (code 7891509)
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