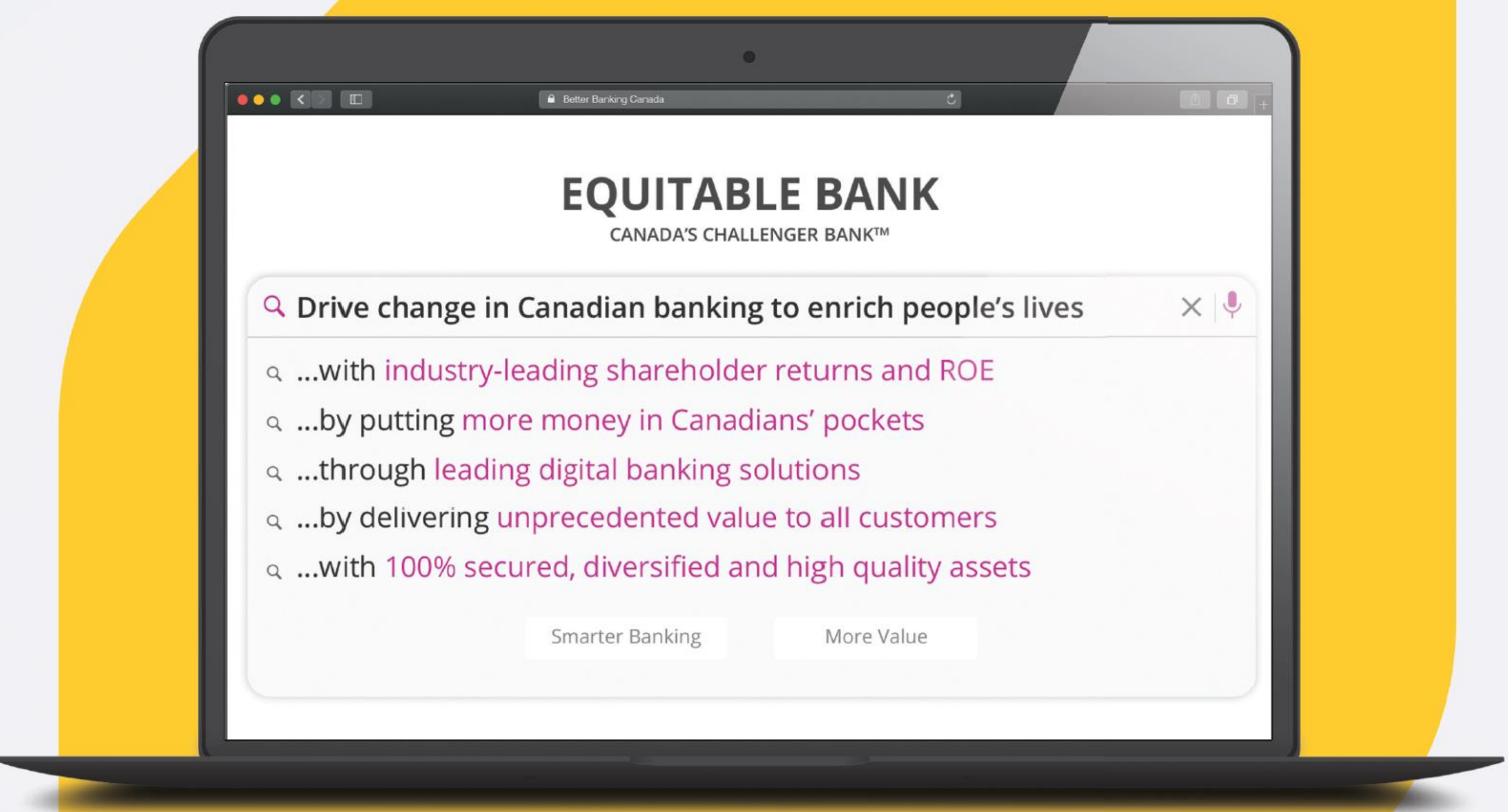
EQUITABLE
CANADA'S CHALLENGER BANK™

Third Quarter Report
For the three and nine months ended September 30, 2021

TSX.EQB | EQB.PR.C



Equitable Bank | EQ Bank

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Management's discussion and analysis of financial condition and results of operations

For the three and nine months ended September 30, 2021

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 Bank) for the three months (quarter) and nine months ended September 30, 2021. This MD&A should be read in conjunction with the Bank's unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2021, 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 Bank's audited consolidated financial statements for the year ended December 31, 2020, together with accompanying notes. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at November 2, 2021. The Bank'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 Bank's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

Cautionary note regarding forward-looking statements

Statements made by the Bank in the sections of this report including those entitled “Business overview”, “Economic and business outlook”, “Financial results summary”, “Provision for credit losses”, “Credit quality and allowance for credit losses”, “Liquidity investments and equity securities”, “Deposits”, “Capital management – Equitable Bank”, “Risk Management”, and in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws (forward-looking statements). These statements include, but are not limited to, statements about the Bank’s objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to the Bank’s businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “planned”, “estimates”, “forecasts”, “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 Bank to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions 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 Bank’s documents filed on SEDAR at www.sedar.com.

All material assumptions used in making forward-looking statements are based on management’s knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate, and liquidity conditions affecting the Bank and the Canadian economy.

Although the Bank believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by the Bank in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its 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.

Select financial and other highlights	As at or for the three months ended					For the nine months ended		
	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change	**30-Sep-21**	30-Sep-20	Change
Operating results ($ thousands)								
Net interest income	**150,852**	141,839	6%	127,431	18%	**426,657**	366,289	16%
Non-interest income	**11,248**	16,935	(34%)	21,277	(47%)	**44,387**	38,594	15%
Revenue	**162,100**	158,774	2%	148,708	9%	**471,044**	404,883	16%
Non-interest expenses	**67,442**	64,990	4%	53,065	27%	**189,749**	158,712	20%
Pre-provision pre-tax income(1)	**94,658**	93,784	1%	95,643	(1%)	**281,295**	246,171	14%
Provision for credit losses	**(3,500)**	(1,982)	77%	(2,357)	48%	**(6,254)**	42,177	(115%)
Income tax expense	**25,685**	24,965	3%	24,072	7%	**75,081**	51,614	45%
Net income	**72,473**	70,801	2%	73,928	(2%)	**212,468**	152,380	39%
Operating performance								
Earnings per share – basic ($)	**4.20**	4.11	2%	4.33	(3%)	**12.33**	8.87	39%
Earnings per share – diluted ($)	**4.14**	4.05	2%	4.30	(4%)	**12.15**	8.81	38%
Return on equity (%)(1)	**16.0**	16.5	(0.5%)	19.8	(3.8%)	**16.6**	13.7	2.9%
Efficiency ratio (%)(1)(2)	**41.6**	40.9	0.7%	35.7	5.9%	**40.3**	39.2	1.1%
YTD Operating leverage (%)(1)	**(3.3)**	4.8	(8.1%)	2.2	(5.5%)	**(3.3)**	2.2	(5.5%)
Net interest margin (%)(1)	**1.83**	1.81	0.02%	1.69	0.14%	**1.81**	1.68	0.13%
Select balance sheet and other information ($ millions)								
Total assets	**34,425**	32,342	6%	30,447	13%			
Assets under management(1)	**40,172**	37,928	6%	35,511	13%			
Loans receivable	**31,475**	29,893	5%	27,592	14%			
Loans under management(1)	**37,121**	35,373	5%	32,551	14%			
Total deposits	**19,758**	18,413	7%	16,373	21%			
Total EQ Bank deposits	**6,914**	6,531	6%	4,319	60%			
Total other deposits	**12,844**	11,882	8%	12,054	7%			
Total risk-weighted assets(1)	**12,427**	11,461	8%	10,180	22%			
Common shareholders' equity	**1,800**	1,730	4%	1,501	20%			
Credit quality (%)								
Provision for credit losses – rate(1)	**(0.05)**	(0.03)	(0.02%)	(0.03)	(0.02%)	**(0.03)**	0.21	(0.24%)
Net impaired loans as a % of total loan Assets	**0.23**	0.41	(0.18%)	0.33	(0.10%)			
Allowance for credit losses as a % of total loan assets	**0.17**	0.19	(0.02%)	0.25	(0.08%)			
Common share information								
Common share price – close ($)	**142.90**	133.03	7%	75.09	90%			
Book value per common share ($)(1)	**105.80**	101.94	4%	89.25	19%			
Common shares outstanding	**17,014,633**	16,966,407	0%	16,822,244	1%			
Common share market capitalization ($ millions)	**2,431**	2,257	8%	1,263	92%			
Dividends declared per:								
Common share ($)	**0.37**	0.37	-%	0.37	-%	**1.11**	1.11	-%
Preferred share ($)	**0.37**	0.37	-%	0.37	-%	**1.12**	1.12	-%
Dividend yield – common shares (%)(1)	**1.0**	1.1	(0.1%)	1.9	(0.9%)	**1.1**	1.9	(0.8%)
Capital ratios and leverage ratio (%)(1)								
Common equity tier 1 ratio	**13.7**	14.4	(0.7%)	14.3	(0.6%)			
Tier 1 capital ratio	**14.3**	15.0	(0.7%)	15.0	(0.7%)			
Total capital ratio	**14.6**	15.4	(0.8%)	15.5	(0.9%)			
Leverage ratio	**5.0**	5.2	(0.2%)	4.9	0.1%			
Business information								
Employees – full time equivalent	**1,087**	1,047	4%	898	21%			
Revenue per full time equivalent ($ thousands)(1)	**149**	152	(2%)	166	(10%)	**433**	451	(4%)
EQ Bank customers	**237,358**	221,945	7%	148,806	60%			

(1) See Non-GAAP financial measures section of this MD&A. (2) Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies.

Select financial highlights

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating results ($ thousands)								
Net interest income	**150,852**	141,839	133,966	131,117	127,431	118,707	120,151	124,827
Non-interest income	**11,248**	16,935	16,204	20,833	21,277	12,623	4,694	9,353
Revenue	**162,100**	158,774	150,170	151,950	148,708	131,330	124,845	134,180
Non-interest expenses	**67,442**	64,990	57,317	55,348	53,065	51,467	54,180	54,477
Pre-provision pre-tax income	**94,658**	93,784	92,853	96,602	95,643	79,863	70,665	79,703
Provision for credit losses	**(3,500)**	(1,982)	(772)	103	(2,357)	8,847	35,687	3,917
Income taxes	**25,685**	24,965	24,431	25,075	24,072	18,534	9,008	19,932
Net income	**72,473**	70,801	69,194	71,424	73,928	52,482	25,970	55,854
Operating performance								
Earnings per share – basic ($)	**4.20**	4.11	4.02	4.17	4.33	3.06	1.48	3.27
Earnings per share – diluted ($)	**4.14**	4.05	3.97	4.13	4.30	3.05	1.46	3.21
Return on equity (%)	**16.0**	16.5	17.1	18.2	19.8	14.7	7.2	15.9
Efficiency ratio (%)	**41.6**	40.9	38.2	36.4	35.7	39.2	43.4	40.6
YTD Operating leverage (%)	**(3.3)**	4.8	14.5	4.7	2.2	(2.7)	(6.3)	(1.4)
Net interest margin (%)	**1.83**	1.81	1.77	1.74	1.69	1.64	1.71	1.78
Select balance sheet and other information ($ millions)								
Total assets	**34,425**	32,342	31,355	30,746	30,447	29,957	29,154	28,392
Assets under management	**40,172**	37,928	36,742	35,936	35,511	34,662	33,936	33,005
Loans receivable	**31,475**	29,893	28,892	28,272	27,592	27,709	26,781	26,608
Loans under management	**37,121**	35,373	34,174	33,347	32,551	32,331	31,496	31,123
Total deposits	**19,758**	18,413	17,427	16,376	16,373	15,636	15,475	15,232
Total EQ Bank deposits	**6,914**	6,531	5,798	4,556	4,319	3,288	2,707	2,667
Total other deposits	**12,844**	11,882	11,629	11,820	12,054	12,349	12,768	12,565
Total risk-weighted assets	**12,427**	11,461	10,911	10,426	10,180	9,936	9,916	9,761
Common shareholders' equity	**1,800**	1,730	1,660	1,575	1,501	1,427	1,378	1,395
Credit quality (%)								
Provision for credit losses – rate	**(0.05)**	(0.03)	(0.01)	0.001	(0.03)	0.13	0.54	0.06
Net impaired loans as a % of total loan assets	**0.23**	0.41	0.36	0.42	0.33	0.54	0.47	0.44
Allowance for credit losses as a % of total loan assets	**0.17**	0.19	0.22	0.23	0.25	0.27	0.26	0.14
Common share information								
Common share price – close ($)	**142.90**	133.03	126.20	101.00	75.09	71.39	58.07	109.35
Book value per common share ($)	**105.80**	101.94	97.86	93.35	89.25	84.89	82.00	83.06
Common shares outstanding	**17,014,633**	16,966,407	16,958,586	16,874,074	16,822,244	16,807,317	16,807,317	16,797,593
Common share market capitalization ($ millions)	**2,431**	2,257	2,140	1,704	1,263	1,200	976	1,837
Dividends declared per:								
Common share ($)	**0.37**	0.37	0.37	0.37	0.37	0.37	0.37	0.35
Preferred share ($)	**0.37**	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Dividend yield – common shares (%)	**1.0**	1.1	1.2	1.6	1.9	2.3	1.6	1.3
Capital ratios and leverage ratio (%)								
Common Equity Tier 1 ratio	**13.7**	14.4	14.5	14.6	14.3	14.0	13.5	13.6
Tier 1 capital ratio	**14.3**	15.0	15.2	15.3	15.0	14.7	14.3	14.4
Total capital ratio	**14.6**	15.4	15.6	15.8	15.5	15.2	14.7	14.7
Leverage ratio	**5.0**	5.2	5.1	5.1	4.9	4.8	4.7	4.9

Business overview

Equitable Group Inc. (TSX: EQB and EQB.PR.C) operates through its wholly owned subsidiary, Equitable Bank.

Equitable Bank, Canada's Challenger Bank™, has grown to become the country's eighth largest independent Schedule I bank measured by market capitalization by continuing to challenge itself to building better banking systems for Canadians in ways that enrich people's lives. Equitable is regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI) and serves over 313,000 Canadians with assets under management of over $40.0 billion. Equitable is one of nine publicly traded banks included in the S&P/TSX Composite Index. It is a member of the S&P/TSX Dividend Aristocrats, S&P/TSX Small Cap, S&P Canada BMI, and MSCI Small Cap (Canada) Indices.

The Bank serves Canadians through two business lines: Personal Banking and Commercial Banking. For more details on our business lines and products, please refer to the Overview and Outlook section in our 2020 annual MD&A.

Our strategy is to provide exceptional service and clear value to select segments of Canadian consumers and businesses, particularly ones where we can improve the banking experience or achieve a sustainable competitive advantage. As a challenger bank, we rethink conventional approaches to banking, going above and beyond traditional banks to serve our customers and stay nimble to be able to act on new opportunities. By maintaining a focused, efficient level of service delivery, we are able to differentiate ourselves in the market.

That differentiation is garnering attention, with EQ Bank named the #1 Bank in Canada on the Forbes World's Best Banks 2021 list.

With the physical realities brought about by COVID-19 accelerating a consumer shift towards digital banking, we have capitalized on our position as one of the few medium-size banks in Canada with enough scale to continue to make meaningful strategic investments in digital capabilities. Investment in our leading-edge technology platforms have allowed us to grow our deposit base and afforded us opportunities to introduce other new products and services, such as US Dollar accounts, Mortgage Marketplace, joint accounts, TFSAs and RSPs, all of which were launched in 2020 and 2021.

These investments in our core systems allow us to collaborate with fintechs and other partners to deliver a broader range of services to Canadian consumers. We adopted a fintech mindset several years ago and our relationships with market leaders like Wise, Borrowell, Ratehub, Nesto, Flinks, and others have become cornerstones for reaching new customers.

Another differentiating factor in the Bank's business model when compared to other challenger banks around the world is our ability to consistently and profitably deploy the deposits we gather. By operating with an integrated balance sheet and lending across a growing range of personal and commercial asset categories, our strategy involves continuing to diversify our assets in order to extend our growth and achieve our corporate objectives. Diversification provides the added benefit of reducing the risk profile of our business.

The foundation of the Bank's successes rests with the teams and individuals who contribute their own challenger mindsets to their everyday work. With nearly 1,100 employees across Canada, Equitable's inclusive, welcoming, and pride-inducing workplace has earned it the honour of being recognized as one of the top 50 organizations on this year's Best Workplaces™ in Canada List; a remarkable achievement in a year when companies have been challenged to maintain connection and engagement because of remote work.

Economic and business outlook

Economic outlook

On October 27, 2021, the Bank of Canada (BoC) announced that the outlook for the Canadian economy continues to improve. It projects that Canada's real GDP will grow by 5.0% in 2021, moderate to 4.25% in 2022 and to 3.75% in 2023. By comparison, Moody's Analytics projects real GDP growth of 4.1% in 2021, 3.3% in 2022 and 2.9% in 2023. A key factor has been supply constraints and increasing costs, despite strong demand and progress made on managing COVID-19.

The unemployment rate declined for the fourth consecutive month to 6.9% in September, down 0.9% from the 7.8% rate reported for June 2021. This current unemployment level represents the lowest level since the onset of the COVID-19 pandemic. The unemployment rate is expected to remain stable through to the end of 2021.

The BoC increased its inflation projections to 4.8% for the remainder of 2021 as a result of supply chain disruptions and increasing oil prices. This has led to the BoC ending its quantitative easing program and accelerating its timelines for potential interest rate increases in 2022. Contingent on certain conditions, these rate increases are now expected in the middle quarters of 2022 as compared to the second half of 2022.

Immigration levels in the first eight months of 2021 have been reported at 222,000, up 73% from 128,000 for the same period in 2020. Government support for immigration remains strong and we expect this to continue to have a positive impact on our business over the medium term.

These trends will generally contribute to higher demand in the residential housing market. Our outlook of the real estate market for the remainder of 2021 remains positive. Moody's Analytics forecasts the House Price Index to rise by 6.6% in the next 12 months up from 5.9% published last quarter.

Further, Moody's Analytics projects that the Commercial Property Index growth rate to be 6.7% over the next 12 months, up 0.9% from expectations in June 2021.

Business outlook

The strong results in the third quarter reflected a continued trend towards the high growth ambition outlined for the Bank in 2021. We expect this momentum will continue in the fourth quarter, and we have conviction in our ability to finish 2021 in line with our growth targets.

Our outlook continues to anchor in our focus on growing EQ Bank, growth in Conventional loans (see Non-GAAP financial measures section of this MD&A), and continued diversification in our sources and deployment of funding.

For digital banking, EQ Bank customers increased by 60% year over year in Q3 to more than 237,000. On a year-to-date basis in 2021 compared to the same period in 2020, transactions have now increased by 99% and average products per customer has improved by 28%, reflecting strong customer engagement. This digital scale has been further reflected in EQ Bank deposits ending the quarter at more than $6.9 billion without implementing any short-term campaigns to attract more deposits like competitors in the quarter. As of November 2nd, EQ Bank deposits exceeded $7 billion, reflecting growth of 54% YTD, and ahead of our 2021 outlook of 30-50% growth. In advance of new product launches, including payments in 2022.

For our higher margin Conventional loans, we expect continued momentum coming off the record loans generated in Q3 of $1.7 billion reflecting growth of 9% quarter over quarter and 22% year over year. Continued growth is anticipated here particularly in our leadership in Single Family Alternative Lending business, which is expected to generate strong deal flow for the last quarter of the year supported by deep and committed broker relationships founded on service excellence. Within our Commercial Bank, we generated particularly strong performance in Specialized Finance which increased by 86% year over year and Equipment Leasing now at 25% growth over Q3 2020, exceeding our 2021 target of 5% to 8%. These businesses generate very profitable margins and have strong growth potential for the Bank with building commitment pipelines.

Also significant under Conventional loans, and a reflection of our diversified deployment of funding, is our ongoing positive outlook for the reverse mortgage market in Canada. Awareness of this solution for Canadians was further amplified in Q3 by Ontario Teachers Pension Plan's announcement of their intent to acquire our competitor Home Equity Bank. We believe this further illustrates the confidence and premium associated with this important growing asset class for Canadians. We estimate that Equitable's market share has increased from approximately 5% in 2020 to 15-20% in Q3 2021, and we believe we will end 2021 within this guidance. We have ambitions of continuing this momentum in 2022 as the business achieves greater scale and our direct originations channel matures.

Lastly, we believe there continues to be a growing constructive outlook for further diversification for our sources of funding, and corresponding ability to optimize our cost of funds to offer the best competitive pricing to our borrowers, depositors, and margins for our business. Our successful first issuance of covered bonds in Q3 reflected our deep securitization expertise, growing franchise value, and strength in our ability to generate more low-cost funding to support our asset growth objectives. The covered bond program represents an important milestone, providing the Bank with funding that is significantly lower cost than other available wholesale sources. In addition to helping to diversify our sources of funding, we expect this program to continue to create tailwinds as it matures.

Personal Banking

For a summary of key portfolio metrics at September 30, 2021 and 2021 guidance please refer to the table below.

($ billions)		**30-Sep-21**	30-Jun-21	Change	30-Sep-20	Change	**2021 Guidance(1)**
EQ Bank	Deposits	**6.91**	6.53	6%	4.32	60%	**30-50%**
Single Family Residential Lending	Prime mortgages	**7.81**	7.88	(1%)	7.72	1%	**5-10%**
	Alternative mortgages	**13.26**	12.06	10%	11.0	20%	**12-15%**
Wealth Decumulation	Reverse mortgages	**0.17**	0.13	38%	0.05	259%	**200%+**
	Cash surrender value loans	**0.04**	0.04	11%	0.02	127%	**150%+**

(1) Guidance represents expected growth rate from December 31, 2020 to December 31, 2021.

Commercial Banking

For a summary of key portfolio metrics at September 30, 2021 and 2021 guidance please refer to the table below.

($ billions)		**30-Sep-21**	30-Jun-21	Change	30-Sep-20	Change	**2021 Guidance(1)**
Business Enterprise Solutions	Loans to entrepreneurs and SMEs(2)	**1.04**	1.01	3%	0.91	14%	**7-10%**
Commercial Finance Group	Loans to institutional & corporate investors	**3.74**	3.54	6%	3.08	21%	**20-25%**
Multi-Unit Insured(3)	CMHC insured real estate mortgages	**4.12**	4.14	(0%)	3.85	7%	**Slight Decline**
Specialized Finance	Total loans	**0.51**	0.36	42%	0.27	86%	**20-25%**
Equipment Leasing	Total loans	**0.68**	0.64	6%	0.54	25%	**5-8%**

(1) Guidance represents expected growth rate from December 31, 2020 to December 31, 2021. (2) Small or medium-sized enterprises. (3) Insured Multi-unit residential include only on-balance sheet.

Equitable has established the following medium-term objectives:

Medium-term objective	**YTD Y/Y 30-Sep-21**	**3-year objective**
ROE	**16.6%**	15%-17%
Earnings per share growth	**38%**	12%-15%
Dividend growth	**Nil**	20%-25%
CET1 ratio	**13.7%**	13%-14%

Additional key metrics outlook

- **Net Interest Margin (NIM):** NIM for the remainder of 2021 is expected to be relatively consistent with Q3 levels as we continue to shift our mix of business to uninsured assets while prepayment income declines from the seasonally high summer months.
- **Non-interest income:** We expect fee and other income to increase in line with our portfolio, while gains on securitization activities should remain consistent with Q3 2021 levels. Volumes and margins in the Insured multi-unit residential market have returned to historical norms and are highly competitive. We do not forecast gains or losses on derivative transactions or investments.
- **Provision for credit losses (PCL):** PCLs should remain low or reverse in coming quarters, assuming economic forecasts continue to stabilize or improve with the reopening of the Canadian economy and borrower 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 withdrawal of government support programs and the impact of COVID-19 variants of concern will be some of the key determinants of the loan losses that we ultimately realize.
- **Efficiency ratio:** We anticipate efficiency to continue in the range of 39-41% overall in 2021, with Q4 at the top end of this range. Compared to 2020 when we curtailed spending at the onset of the pandemic, 2021 is a transition year with higher relative investments in the business. We expect expense growth in Q4 to be in the low single digits relative to Q3 2021.

2022 Guidance

Equitable does not traditionally provide next year guidance until the release of fourth quarter results in February of the following year. However, we have established momentum and pipeline that create an opportunity to provide an early directional outlook for 2022 that will be shared in more detail in February 2022.

Early outlook for 2022 includes:

- ROE: reaffirming guidance of 15% or greater
- BVPS growth: >12%
- CET1: remaining above a 13% target floor as we aim to continue to optimize deployment to organic asset growth within target risk weighted asset growth levels.

This guidance may be impacted by further changes from current economic forecasts related to unemployment, GDP growth, interest rates, the residential and commercial housing market. Our economic outlook can be referenced in the Economic and Business Outlook section of this MD&A.

In addition, we are providing initial directional guidance for EQ Bank and Conventional lending for 2022:

		2022 Guidance[1]
EQ Bank	Deposits	20-30%
Single Family Residential Lending	Alternative mortgages	12-15%
Wealth Decumulation	Reverse mortgages	150%+
	Cash surrender value loans	100%+
Business Enterprise Solutions	Loans to entrepreneurs and SMEs	10-15%
Commercial Finance Group	Loans to institutional & corporate investors	10-15%
Specialized Finance	Total loans	20-30%
Equipment Leasing	Total loans	10-15%

(1) Guidance represents expected growth rate from December 31, 2021 to December 31, 2022.

As we continue to execute on our strategic plan and follow our vision as Canada's Challenger Bank™, we remain focused on capital management and maintaining a strong control environment to prudently manage risk. Our decisions are guided not just by short-term financial returns but by a longer-term view that protects our depositors and builds value for our shareholders.

Capital

We expect our capital levels to remain within the range of 13-14% CET1, including following the eventual lift of restrictions by OSFI on common share buybacks and dividend increases. As we grow, we regularly evaluate the appropriate mix of CET1, Tier1, and Total Capital to optimize shareholder return.

We continue to advance our AIRB initiative with the objective of transitioning to AIRB in 2023. We note that setting objectives for obtaining regulatory approval to operate on an AIRB basis includes assumptions outside of the Bank's control, and that unforeseen delays may occur. The benefits of AIRB include improving the sophistication of our risk management, allocating appropriate levels of capital to our risks, and introducing capital methodologies that allows us to compete more effectively across a broader range of assets. AIRB has the potential to have a meaningful impact on our total risk-weighted assets, a further increase in capital ratios from our current levels and related potential economic benefit to the Bank.

Funding

We believe that our current sources of funding – most notably our EQ Bank deposits, access to the broker term market, and recently launched covered bond program – will be adequate to support our asset growth aspirations. Our total bank deposit balances have grown by 21% over the past 12 months and 7% during the quarter.

Diversification of funding remains a strategic priority. On September 16, 2021, we successfully issued our first legislative covered bonds in Europe for €350,000,000, which attracted interest from more than 40 investors across 15 countries. The bonds were priced at a spread of 15 bps over EUR mid swaps. Inclusive of all costs, this transaction introduces a source of wholesale funding that is the lowest available to the Bank by greater than 55 basis points.

Risk management

Equitable maintains a constructive view of the Canadian residential and commercial real estate market. We expect credit loss provisions on our loan book to remain low or reverse further next quarter and into 2022, assuming the Canadian economy continues on its path to recovery. Mortgage arrears rates in our Personal Bank and Commercial Bank are expected to remain low.

We expect mid-term annualized loss rates for the Bank to be in the range of 1 to 2 basis points for our mortgage portfolio and 150 to 200 basis points for our equipment lease portfolio.

Financial results summary

PERFORMANCE AGAINST STRATEGIC PRIORITIES

In Q3, Equitable continued to deliver on its ambitious growth agenda for 2021. Starting the quarter with strong momentum, the Bank reported its highest quarterly earnings of the year and second highest ever, driven by asset growth meeting and in some cases exceeding our high growth targets, and also the largest ever growth for Conventional loans in a quarter in Q3, combined with an ability to maintain our best-in-class efficiency ratio at 40.3% YTD, within the 2021 target of 39-41%.

Net interest income increased by $23.4 million or 18% from a year ago, driven by growth across all our lending segments, widened spreads arising from lower funding costs, and higher net prepayment income. We recorded a PCL reversal during the quarter as previously expected credit losses did not materialize and macro-economic forecasts continued to improve. Non-interest revenue was lower year over year due to a return to normalized gains on securitization activity reflected in gains on sale revenue of $3.1 million during the quarter, down $8.2 million from Q3 2020 when volumes were higher and margins wider due to the funding market disruption, but more similar to $2.9 million in Q3 2019 pre-COVID market disruption.

Overall, however, our net earnings were slightly lower than a year ago as the increase in revenue was offset by increasing costs and investments related to our people, processes, digitization initiatives, and technology investments.

- Net income was up $1.7 million or 2% from the preceding quarter, but down $1.5 million or 2% year over year, due to the higher gains on sale in Q3 2020.
- Diluted EPS increased $0.09 to $4.14 for the quarter compared to $4.05 in Q2 2021, but was down year over year relative to the $4.30 recorded in Q3 2020 due to high gains on sale revenue recognized during the COVID-19 related market disruption and expense control measures. EPS was also suppressed by $0.08 per share due to the increase in the number of diluted shares outstanding over the past 12 months.
- ROE was 16.0%, within our target range, and despite being suppressed by 1.2% as a result of the additional capital held above our CET1 ratio target floor of 13.0% due to OSFI restrictions on dividend increases.
- Book value per share grew by $16.55 or 19% from a year ago and 4% from June 30, 2021 to $105.80.
- CET1 ratio was 13.7%, down from 14.4% in Q2 2021 but above our target floor of 13.0%, as we deployed capital organically to grow priority Conventional loans.
- Realized losses remained low at 1 bp of total loan assets or $1.2 million for the quarter compared to $4.1 million in the preceding quarter, and $2.0 million in Q3 2020.

COVERED BONDS

On September 16, 2021, the Bank successfully launched its covered bond program with an inaugural issuance of 3-year legislative covered bonds of €350 million due September 16, 2024. The offering is the first from our $2.0 billion covered bond program approved by Canada Mortgage and Housing Corporation (CMHC) on July 27, 2021.

TWO-FOR-ONE STOCK SPLIT

On October 5, 2021, 99.99% of the Bank's shareholders approved management's proposal to amend its articles to effect a two-for-one stock split (Share Split) of the issued and outstanding common shares of Equitable to make stock ownership more accessible for investors. After consideration of that approval and management's recommendation, the Board of Directors (the Board) decided to proceed with the Share Split.

The Share Split was implemented by way of a subdivision whereby common shareholders of record as of the close of business on October 15, 2021 received one additional share for each share held on October 25, 2021. This Share Split will not impact a shareholder's proportionate interest in Equitable and all future dividends declared, including those declared on November 2, 2021 (see "Dividends" section), will reflect the Share Split. For more details, please refer to our news release dated October 5, 2021 on the Bank's website (http://eqbank.investorroom.com/news-releases).

Reporting on a post-split basis will take effect with reporting of Q4 2021 results.

DIVIDENDS

Common share dividends

On November 2, 2021, the Board declared a quarterly dividend of $0.185 per common share, payable on December 31, 2021, to common shareholders of record at the close of business on December 15, 2021.

Preferred share dividends

On November 2, 2021, the Board declared a quarterly dividend of $0.373063 per preferred share, payable on December 31, 2021, to preferred shareholders of record at the close of business on December 15, 2021.

Strategic Objectives for 2021	Q3 Accomplishments
Grow market share in core assets through superior customer experience	• Increased our Personal loan business year-over-year by 13%, led by growth in the Alternative single family portfolio of 20% • Grew our Commercial loan business by 17% over a year ago, led by an increase of 24% within Conventional commercial • Delivered record Conventional loan growth in the quarter of $1.7 billion or 9% • Increased our pipeline due to higher market demand, service excellence, and system improvements to better serve our customers and partners
Grow adjacent asset volumes through expanded distribution	• Decumulation assets increased three-fold to $216 million, led by reverse mortgages +259% as we built brand awareness and increased our market penetration • Extended our CSV lines of credit offering to qualifying insurance policy holders through our new partnership with Foresters Financial • Expanded our specialized financing business to a record level of $506 million, with $149 million or 42% added in the quarter alone • Grew our equipment leasing portfolio by $138 million or 25% year-over-year, 73% of which were prime leases
Build stronger direct customer relationships via enhanced digitization to drive excellent customer experience	• Grew our EQ Bank deposits to $6.9 billion, up 60% from last year • Expanded EQ Bank depositor base year-over-year by 60% to over 237,000 customers with more than 15,000 customers added in Q3 2021 • Continued to maintain high level of customer engagement measured by use of services each month and the number of products held by each customer
Issue covered bonds	• Successfully issued 3-year covered bonds of €350 million with broad investor participation
Complete AIRB model recalibration and validation	• Made significant progress and achieved positive results with respect to our calibration and back-testing of our suite of AIRB models

Financial review – earnings

Table 1: Income statement highlights

($000s, except per share amount)	For the three months ended					For the nine months ended		
	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change	**30-Sep-21**	30-Sep-20	Change
Net income	**72,473**	70,801	2%	73,928	(2%)	**212,468**	152,380	39%
EPS – diluted ($)	**4.14**	4.05	2%	4.30	(4%)	**12.15**	8.81	38%
Revenue	**162,100**	158,774	2%	148,708	9%	**471,044**	404,883	16%
Provision for credit losses	**(3,500)**	(1,982)	77%	(2,357)	48%	**(6,254)**	42,177	(115%)
Non-interest expenses	**67,442**	64,990	4%	53,065	27%	**189,749**	158,712	20%

Net interest income

Net interest income (NII) is the main driver of the Bank's profitability. Table 2 details the Bank's NII by product and portfolio.

Table 2: Net interest income

($000s, except percentages)	For the three months ended						For the nine months ended			
	30-Sep-21		30-Jun-21		30-Sep-20		**30-Sep-21**		30-Sep-20	
	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	**4,392**	**0.97%**	4,563	0.95%	5,292	1.00%	**13,143**	**0.95%**	17,490	1.28%
Equity securities	**2,040**	**4.90%**	1,867	5.15%	2,149	7.63%	**5,238**	**4.77%**	4,921	5.84%
Alternative single family mortgages	**126,293**	**3.97%**	124,831	4.32%	130,257	4.63%	**371,474**	**4.22%**	406,561	4.76%
Prime single family mortgages	**36,932**	**1.85%**	38,187	1.91%	38,567	1.99%	**114,864**	**1.91%**	115,035	2.13%
Decumulation loans	**1,946**	**3.97%**	1,345	3.90%	623	4.39%	**4,253**	**3.95%**	1,427	4.76%
Total Personal loans	**165,171**	**3.16%**	164,363	3.34%	169,447	3.56%	**490,591**	**3.29%**	523,023	3.75%
Conventional commercial loans	**65,559**	**5.09%**	62,632	5.32%	61,185	5.72%	**190,793**	**5.26%**	178,313	5.74%
Equipment leases	**15,926**	**9.80%**	15,183	10.18%	14,052	11.02%	**44,917**	**10.05%**	41,045	11.09%
Insured multi-unit residential mortgages	**25,718**	**2.43%**	25,354	2.41%	26,622	2.65%	**75,920**	**2.45%**	81,681	2.83%
Total Commercial loans	**107,203**	**4.27%**	103,169	4.33%	101,859	4.62%	**311,630**	**4.34%**	301,039	4.73%
Average interest earning assets	**278,806**	**3.39%**	273,962	3.50%	278,747	3.70%	**820,602**	**3.48%**	846,473	3.89%
Expenses related to:										
Deposits	**74,787**	**1.56%**	76,603	1.72%	89,088	2.22%	**228,989**	**1.71%**	281,613	2.41%
Secured backstop funding facility(2)	**-**	**N/A**	-	N/A	623	N/A	**-**	**N/A**	1,857	N/A
Securitization liabilities	**52,269**	**1.77%**	55,278	1.92%	59,932	2.08%	**163,439**	**1.87%**	190,255	2.30%
Others	**898**	**0.50%**	242	0.93%	1,673	0.83%	**1,517**	**0.61%**	6,459	1.22%
Average interest bearing liabilities	**127,954**	**1.62%**	132,123	1.79%	151,316	2.14%	**393,945**	**1.76%**	480,184	2.35%
Net interest income and margin	**150,852**	**1.83%**	141,839	1.81%	127,431	1.69%	**426,657**	**1.81%**	366,289	1.68%

(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. The facility was effectively terminated on December 11, 2020.

Q3 2021 v Q3 2020

NII was up 18% year-over-year due to growth in our average asset balances of 9% and a 14 bps increase in our NIM.

Table 3(a): Factors affecting Q3 2021 v Q3 2020 NIM

	Impact (in bps)	Drivers of change
Business mix	13	• Asset mix shift towards our higher yielding Conventional loans • Decline in relative size of our low yielding cash and equivalents *offset in part by:* • Funding mix shift towards our higher rate EQ Bank deposits and deposit notes
Rates/spread(1)	(11)	• Lower spreads within Commercial business as higher yielding loans rolled-off the portfolios • Lower yield earned on equity securities compared to prior year
Other	12	• Higher levels of early discharge within our Personal loan portfolio driving prepayment income • Net cost savings associated with $687 million of Alternative single family mortgages insured in Q2 2020 • Cost savings from the termination of our secured backstop funding facility in Q4 2020 • FV adjustments and other
Change in Total NIM	14	

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

Q3 2021 v Q2 2021

NII increased by 6% from last quarter as a result of 4% growth in average asset balances and a 2 bps increase in NIM.

Table 3(b): Factors affecting Q3 2021 v Q2 2021 NIM

	Impact (in bps)	Drivers of change
Business mix	8	• Asset mix shift towards our higher yielding Conventional loans • Decline in relative size of our low yielding cash and equivalents *offset in part by*: • Growth in relatively higher rate EQ Bank deposits
Rates/spread(1)	1	• Mortgage spreads have remained relatively unchanged during the quarter
Other	(7)	• Reduced levels of early discharge within our Personal loan portfolio • FV adjustments and other
Change in Total NIM	2	

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

YTD 2021 v YTD 2020

NII increased by 16% from last year as a result of 8% growth in average assets and a 13 bps increase in NIM.

Table 3(c): Factors affecting YTD 2021 v YTD 2020 NIM

	Impact (in bps)	Drivers of change
Business mix	3	• Growth in our higher spread Conventional commercial mortgages • Decrease in relative size of our low yielding cash and equivalents *offset in part by*: • Funding mix shift towards our relatively higher rate EQ bank deposits and deposit notes
Rates/spreads[1]	(3)	• Lower yield earned on cash and equivalents, and equity securities
Other	13	• Higher levels of early discharge within our Personal loan portfolio • Net cost savings associated with $687 million of Alternative single family mortgages insured in Q2 2020 • Cost savings from the termination of our secured backstop funding facility in Q4 2020 • FV adjustments and other
Change in Total NIM	13	

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

Non-interest income

Table 4: Non-interest income

($000s)	For the three months ended					For the nine months ended		
	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change	**30-Sep-21**	30-Sep-20	Change
Fees and other income	**5,629**	5,598	1%	5,025	12%	**16,802**	16,878	(0%)
Net gain on loans and investments	**1,391**	2,880	(52%)	4,213	(67%)	**204**	4,171	(95%)
Net gain on strategic investments	**3,178**	2,027	57%	154	1,964%	**7,811**	318	2,356%
Securitization activities:								
Gains on securitization and income from retained interests	**3,282**	8,568	(62%)	12,224	(73%)	**16,442**	18,543	(11%)
Fair value (losses) gains on derivative financial instruments	**(2,232)**	(2,138)	(4%)	(339)	(558%)	**3,128**	(1,316)	338%
Total	**11,248**	16,935	(34%)	21,277	(47%)	**44,387**	38,594	15%

Q3 2021 v Q3 2020

Non-interest income declined compared with Q3 2020, primarily as a result of:

- Lower gains on securitization and income from retained interests, driven by lower derecognition volumes and a lower gain on sale margin. The abnormally high gain on sale margin in Q3 2020 was driven by wider-spread multi-unit residential mortgages originated during the pandemic related funding market disruption;
- A decrease in net gains on certain loans and security investments compared to the prior year; and
- Higher unrealized fair value losses on derivative positions associated with securitization activities;

Offset by:

- Higher mark-to-market gains on our strategic investments.

Q3 2021 v Q2 2021

Non-interest income was down from the preceding quarter mainly due to:

- A decrease in gains on securitization and income from retained interests, driven by lower derecognition volumes and gain on sale margin; and
- Lower net gains on certain loans and security investments compared to the prior quarter;

Offset by:

- Higher mark-to-market gains on our strategic investments.

YTD 2021 v YTD 2020

Non-interest income increased on a year-to-date driven by:

- An increase in mark-to-market gains on our strategic investments; and
- Net unrealized fair value gains on derivative positions associated with securitization activities compared to losses in the same period of 2020;

Offset by:

- Lower net gains on certain loans and security investments compared to the prior year; and
- A decrease in securitization gains due to lower derecognition volumes and gain on sale margin.

Non-interest expenses

Table 5: Non-interest expenses and efficiency ratio

($000s, except percentages and FTE)	For the three months ended					For the nine months ended		
	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change	**30-Sep-21**	30-Sep-20	Change
Compensation and benefits	**33,430**	32,396	3%	26,589	26%	**94,799**	79,737	19%
Technology and system costs	**11,544**	10,292	12%	9,244	25%	**31,753**	27,525	15%
Product costs	**7,032**	6,785	4%	5,540	27%	**19,995**	15,392	30%
Marketing and corporate expenses	**5,792**	5,954	(3%)	4,076	42%	**15,679**	13,334	18%
Regulatory, legal and professional fees	**5,646**	5,599	1%	4,788	18%	**15,776**	14,569	8%
Premises	**3,998**	3,964	1%	2,828	41%	**11,747**	8,155	44%
Total	**67,442**	64,990	4%	53,065	27%	**189,749**	158,712	20%
Efficiency ratio	**41.6%**	40.9%	0.7%	35.7%	5.9%	**40.3%**	39.2%	1.1%
Full-time employee (FTE) – period average	**1,068**	1,005	6%	887	20%	**1,007**	882	14%

We continue to operate efficiently on both an absolute basis and relative to other financial institutions, particularly after taking into account the scale of our operations and branchless operating model.

Q3 2021 v Q3 2020

Total non-interest expenses increased over the prior year mainly because of:

- An increase in compensation and benefits costs attributable to FTE growth of 20%, annual salary adjustments and higher incentive accruals;
- Higher technology and system costs for the support, maintenance, and enhancement of our core banking systems;
- An increase in product costs primarily driven by amortization of investments for projects completed over the past 12 months;
- Higher marketing costs incurred to promote our reverse mortgage business and EQ Bank products;

- Increased premises costs due to accelerated amortization of leasehold improvements associated with certain office leases that were terminated early given the work-from-home environment and plan for the Toronto office move in 2023; and
- An increase in regulatory, legal and professional fees related to business consulting and higher CDIC premiums on growing insurable deposits.

Q3 2021 v Q2 2021

Expenses increased compared with the preceding quarter primarily due to:

- An Increase in technology costs for support, maintenance and enhancement of our core banking systems;
- Higher compensation and benefits costs as a result of headcount growth of 6%; and
- Higher marketing expenses associated with the reverse mortgages campaign launched in June;

Offset by:

- Lower corporate expenses due to the timing of Deferred Share Units (DSU) granted in Q2 and a sales tax recovery that was recorded in the quarter.

YTD 2021 v YTD 2020

Total year-to-date non-interest expenses increased largely due to the same reasons cited above when comparing Q3 2021 with the prior-year quarter. Excluding amortization and depreciation costs for our premises and increasing technology programs, expenses would have increased 15% year over year, down from 20% reported.

Table 6: Provisions for credit losses

($000s, except percentages)	For the three months ended					For the nine months ended		
	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change	**30-Sep-21**	30-Sep-20	Change
Stage 1 and 2 (recovery) provision	**(4,752)**	(5,294)	10%	(2,874)	(65%)	**(13,140)**	33,573	(139%)
Stage 3 provision	**1,252**	3,312	(62%)	517	142%	**6,886**	8,604	(20%)
Total	**(3,500)**	(1,982)	(77%)	(2,357)	(48%)	**(6,254)**	42,177	(115%)
PCL – rate	**(0.05%)**	(0.03%)	(0.02%)	(0.03%)	(0.02%)	**(0.03%)**	0.21%	(0.24%)

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 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 this MD&A.

Q3 2021 vs Q3 2020

As a result of continued improvement in macroeconomic forecasts on balance during the quarter, we released $4.8 million of Stage 1 and 2 allowances through the income statement, as deemed appropriate based on our expected loss modeling. These allowances had been built up during 2020 at the onset of the COVID-19 pandemic.

Stage 3 provisions – those related to impaired loans – increased despite a decline in the impaired loan balance at the end of this quarter. Management concluded that this level of provision and the resulting allowance for credit losses appropriately reflects the estimates of the likely credit losses on our impaired loan balances.

Q3 2021 vs Q2 2021

During the quarter, the reversal of Stage 1 and 2 allowances exceeded provisions for Stage 3 loans, resulting in a net reversal of $3.5 million through the income statement. Stage 3 provisions decreased due to lower reserves required on our impaired loan portfolio.

YTD 2021 vs YTD 2020

On a year-to-date basis, the favourable movement in PCLs of $48.4 million was mainly due to the build-up of Stage 1 and 2 allowances during the onset of the COVID-19 pandemic, offset in part by subsequent reversals as macroeconomic forecasts improved.

Financial review – balance sheet

Table 7: Balance sheet highlights

($000s, except percentages)	**30-Sep-21**	30-Jun-21	Change	31-Dec-20	Change	30-Sep-20	Change
Total assets	**34,425,067**	32,342,253	6%	30,746,318	12%	30,447,086	13%
Loan principal – Personal	**21,289,942**	20,099,933	6%	19,306,186	10%	18,831,618	13%
Loan principal – Commercial	**10,083,804**	9,687,735	4%	8,851,167	14%	8,655,380	17%
Total deposits	**19,758,125**	18,413,271	7%	16,376,011	21%	16,372,790	21%
Total EQ Bank deposits	**6,913,970**	6,530,862	6%	4,555,606	52%	4,318,812	60%
Total liquid assets as a % of total assets[1]	**9.3%**	9.1%	0.2%	9.5%	(0.2%)	9.1%	0.2%

(1) See Non-GAAP financial measures section of this MD&A.

Total assets increased by $4.0 billion or 13% from last year mainly driven by $3.5 billion or 22% growth in our wider margin Conventional loans within our Personal and Commercial loan portfolios. To fund these assets, we grew our deposits by $3.4 billion led by EQ Bank deposits which grew 60% year-over-year or $2.6 billion.

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 8 presents our loan principal by lending business and Table 9 provides continuity schedules for our on-balance sheet loan assets.

Table 8: Loan principal by lending business

($000s)	**30-Sep-21**	30-Jun-21	Change	30-Sep-20	Change
Alternative single family mortgages	**13,262,144**	12,058,136	10%	11,039,734	20%
Prime single family mortgages	**7,811,329**	7,877,093	(1%)	7,724,801	1%
Decumulation loans	**216,469**	164,704	31%	67,083	223%
Total Personal Lending – on balance sheet	**21,289,942**	20,099,933	6%	18,831,618	13%
Conventional commercial loans	**5,286,344**	4,907,215	8%	4,258,566	24%
Equipment leases	**680,642**	643,095	6%	542,603	25%
Insured multi-unit residential mortgages	**4,116,818**	4,137,425	(0%)	3,854,211	7%
Total Commercial Lending – on balance sheet	**10,083,804**	9,687,735	4%	8,655,380	17%
Total Loans – on balance sheet	**31,373,746**	29,787,668	5%	27,486,998	14%
Insured multi-unit residential mortgages – derecognized	**5,746,788**	5,585,644	3%	5,063,740	13%
Total Loans – off balance sheet	**5,746,788**	5,585,644	3%	5,063,740	13%
Total Loans under management	**37,120,534**	35,373,312	5%	32,550,738	14%

Table 9: On-balance sheet loan principal continuity schedule

($000s, except percentages)	As at or for the three months ended September 30, 2021		
	Personal	**Commercial**	**Total**
Q2 2021 closing balance	**20,099,933**	**9,687,735**	**29,787,668**
Originations	**2,492,238**	**1,296,086**	**3,788,324**
Derecognition	**-**	**(218,074)**	**(218,074)**
Net repayments	**(1,302,229)**	**(681,943)**	**(1,984,172)**
Q3 2021 closing balance	**21,289,942**	**10,083,804**	**31,373,746**
% Change from Q2 2021	**6%**	**4%**	**5%**
% Change from Q3 2020	**13%**	**17%**	**14%**
Net repayments percentage(1)	**6.5%**	**7.0%**	**6.7%**
($000s, except percentages)	As at or for the three months ended September 30, 2020		
	Personal	Commercial	Total
Q2 2020 closing balance	19,005,131	8,620,746	27,625,877
Originations	1,178,853	1,140,807	2,319,660
Derecognition	-	(404,090)	(404,090)
Net repayments	(1,352,366)	(702,083)	(2,054,449)
Q3 2020 closing balance	18,831,618	8,655,380	27,486,998
% Change from Q2 2020	(1%)	0%	(1%)
Net repayments percentage(1)	7.1%	8.1%	7.4%

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

Q3 2021 v Q3 2020

Total on-balance sheet loan principal increased by $3.9 billion year-over-year, driven by growth in all products within both our Personal and Commercial lending businesses.

Within our Personal lending businesses, Alternative single family was the driver of Personal loan growth with an increase of $2.2 billion or 20% year-over-year. This strong performance reflects a return to our pre-pandemic risk appetite and the resiliency of the Canadian housing market throughout the pandemic. This success was propelled by record quarterly origination volumes through our broad and deep broker partnerships and our endeavor to support our customers through superior services. Attrition levels remained high but improved from last year as retention rates gradually improved towards pre-pandemic levels during the quarter.

Within our Commercial lending businesses, growth was led by Conventional commercial with an increase of $1.0 billion or 24% due to record quarterly originations in our Commercial Finance Group business, more favourable conditions in the small business sector, and growth in our specialized financing business. Our Insured multi-unit residential portfolio grew $263 million year-over-year due to strong originations and lower derecognition volumes. Equipment leases grew by $138 million or 25% driven by high origination levels in the logistics and transportation sector, traditionally the lowest risk segment of this business.

Q3 2021 v Q2 2021

Total on-balance sheet loan principal increased by $1.6 billion from the preceding quarter, primarily fueled by record quarterly origination levels in both Alternative single family mortgages and Conventional commercial lending.

Credit quality and allowance for credit losses

There are several aspects of our risk management approach and existing loan portfolios that have and will continue to help mitigate the effects of the pandemic on our credit losses. We remain well reserved for credit losses with allowances as a percentage of total loan assets equaling 17 bps at quarter-end compared to 25 bps a year ago and 14 bps at Q4 2019, pre-pandemic.

Our general approach to lending is sound and we have modest exposure to higher risk lending markets:

- We focus our lending in urban and suburban markets that have diversified employment bases and more liquid real estate markets. This approach results in lower risk as it reduces both the probability that our borrowers will default and our loss in the event they do.
- Our Commercial lending businesses, including leasing, are diversified across industries and geographies. Our Commercial business has defined asset-class exposure limits and focuses on assets that we believe will be resilient through an economic cycle such as multi-unit residential and mixed-use properties. These segments make up 54% of our Commercial loan portfolio while categories such as shopping centres and hotels comprise 3.5% and 0.4% of our Commercial loans or 1.1% and 0.1% of the total loan portfolio, respectively.
- The recent escalation of case counts and ICU utilization rates in Alberta have resulted in the re-enactment of public health restrictions. Continued improvements in commodity prices, however, have helped mitigate the impact of this on Alberta's economic outlook. We continue to expect that Alberta will experience a slower economic recovery relative to other provinces. Our uninsured Personal loans in Alberta total $901 million or 3% of our assets. Our uninsured commercial loans in Alberta total $391 million or only 1% of our assets, primarily consisting of multi-unit residential and mixed-use loans. 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.
- We require a cash security deposit on most of our higher risk leases and in some cases require additional real assets to be pledged. For example, we may place a mortgage on real estate owned by our lessees.

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

- 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 707 at September 30, 2021, at par with the preceding quarter and 7 points higher year-over-year. Similarly, the average Beacon score of our small business mortgage borrowers was 739. These higher credit scores are indicative of our borrowers' positive repayment histories and lower propensity to default under normal economic conditions.
- 51% of our loans under management are insured against credit losses, 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.
- 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 59% at September 30, 2021.
- Further to this collateral, almost all our uninsured commercial mortgage borrowers and the majority of our leases are backed by personal and/or corporate covenants. In our mortgage business, our due diligence on borrowers and guarantors involves assessing their financial capacity.

We are encouraged by the recent easing of provincial lockdown and the impact this is having on the hospitality, retail, and personal services segments of our equipment business. At the onset of the pandemic, we believed that these segments could experience higher loss rates and increased our credit allowances to reflect this elevated risk. To date, actual loss rates have been only marginally higher than pre-pandemic periods and in the last quarter were significantly below historical norms. This segment remains a modest portion of our equipment leasing portfolio. In the broader equipment leasing portfolio, mitigating the risk of loss is the fact that 60% of our leasing assets are in transportation related industries which are seeing strong demand in the current business environment.

Allowance for Credit Losses

Our total allowance for credit losses decreased by $17.2 million or 25% year-over-year and $4.7 million or 8% over the prior quarter mainly due to a decline in Stage 1 and 2 allowances.

Stage 1 and 2 allowances decreased primarily because of sequential improvements in forward-looking macroeconomic factors. In the first half of 2020, we had increased allowances to reflect the deterioration in our macroeconomic outlook at the onset of COVID-19. IFRS 9 requires us to estimate future losses taking into account macroeconomic forecasts. 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.

Table 10: Allowance for credit losses

($000s, except percentages)	**30-Sep-21**	30-Jun-21	Change	30-Sep-20	Change
Allowance for credit losses – Stage 1 and 2	**49,493**	54,245	(9%)	65,418	(24%)
Allowance for credit losses – total	**52,142**	56,794	(8%)	69,327	(25%)
Allowance for credit losses – total as a % of total loan assets	**0.17%**	0.19%	(0.02%)	0.25%	(0.08%)
Allowance for credit losses – total as a % of uninsured loan assets	**0.29%**	0.34%	(0.05%)	0.48%	(0.19%)
Allowances for credit losses – total as a % of gross impaired loans	**70%**	46%	24%	73%	(3%)

In Q3 2021, improving macroeconomic variables allowed for a lower level of reserves to be maintained on our loan portfolio, triggering a release of allowances previously provided for. The allowance release was largely due to a decline in expected loss rates on both our Stage 1 and 2 loans. The table below provides allowance metrics that illustrate stage migration and loss rate dynamics:

Table 11: Stage 1 and 2 loan credit metrics

(Percentages)	**30-Sep-21**	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
Stage 1 – proportion of loan assets(1)	**92.3%**	91.6%	87.7%	83.6%	77.3%
Stage 1 – effective allowance rate(2)	**0.11%**	0.13%	0.14%	0.15%	0.16%
Stage 2 – proportion of loan assets	**7.4%**	8.0%	11.9%	15.9%	22.4%
Stage 2 – effective allowance rate	**0.78%**	0.81%	0.67%	0.59%	0.50%

(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.

During Q3 2021, Stage 1 and 2 allowances against our uninsured personal loans, uninsured commercial loans, and equipment leases declined by $2.1 million, $1.5 million, and $1.1 million, respectively.

Table 12: Stage 1 and 2 Allowance for credit losses by lending business

($000s, except percentages and bps)	**30-Sep-21**	30-Jun-21	Change	30-Sep-20	Change
Uninsured personal loans – stage 1 and 2 allowances	**12,250**	14,379	(15%)	19,083	(36%)
as a % of uninsured personal loans (bps)	***10***	*13*	*(3)*	*20*	*(10)*
Uninsured commercial loans – stage 1 and 2 allowances	**21,742**	23,243	(6%)	24,855	(13%)
as a % of uninsured commercial loans (bps)	***43***	*50*	*(7)*	*59*	*(16)*
Equipment leases – stage 1 and 2 allowances	**15,446**	16,563	(7%)	21,471	(28%)
as a % of equipment leases (bps)	***235***	*267*	*(32)*	*419*	*(184)*
Insured personal and commercial loans – stage 1 and 2	**55**	60	(8%)	9	511%
as a % of insured personal and commercial loans (bps)	***0.04***	*0.04*	*-*	*0.01*	*0.03*
Total loans – stage 1 and 2 allowances	**49,493**	54,245	(9%)	65,418	(24%)
as a % of total loans (bps)	***16***	*18*	*(2)*	*24*	*(8)*

We obtain macroeconomic forecasts from Moody's Analytics and use them in our credit loss modelling. Generally, macroeconomic forecasts have improved across all significant factors since Q2 2020 and have caused our Expected Credit Losses (ECL) to decrease since then. We compared these forecasts to those of other Canadian economists, and the estimates that we used appear to reasonably be in line with market consensus. For a summary of key forecast assumptions for each scenario, please refer to Note 7(e) to the Q3 2021 interim consolidated financial statements.

Table 13: Expected credit losses by macroeconomic scenario

($000s, 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%	45,299	37,980	51,956	62,696	89,723
Difference vs. financial statement ECL	(4,194)	(11,513)	2,463	13,203	40,230

Table 13 presents the expected credit losses by macroeconomic scenario. IFRS 9 requires Equitable to weight these scenarios to determine its excepted loss. The scenario weightings remain unchanged from the prior quarter or December 31, 2020.

Stage 3 allowances relate to impaired loans and were up by $0.1 million and down by $1.3 million from Q3 2020 and Q2 2021, respectively. Stage 3 allowances are determined loan-by-loan and we believe that they are adequate at the end of Q3 2021. 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 and our experienced credit judgment, we believe 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 the quarter were $74.6 million, down $20.3 million from a year ago and $50.1 million from the preceding quarter.

The improvement in impaired loan balances over the past 12 months was mainly attributable to a net reduction in single family mortgages of $19.7 million and impaired equipment leases of $7.2 million, offset in part by $6.6 million net addition in Conventional commercial loans, the majority of which have LTVs of up to 79%. As a result, we do not expect to incur a loss on these loans.

The decline in impaired loans compared to the prior quarter was mainly due to the resolution of two commercial loans in the amount of $40.1 million and a $9.4 million net reduction in single family mortgages and equipment leases.

Table 14: Impaired loan metrics

($000s, except percentages)	**30-Sep-21**	30-Jun-21	Change	30-Sep-20	Change
Gross impaired loan assets	**74,611**	124,680	(40%)	94,871	(21%)
Net impaired loan assets	**71,962**	122,131	(41%)	90,962	(21%)
Net impaired loan assets as a % of total loan assets	**0.23%**	0.41%	(0.18%)	0.33%	(0.10%)

Liquidity investments and equity securities

Retail and securitization funding markets continue to be liquid and efficient and have been further supported by significant programs announced by the Bank of Canada and CMHC.

We maintain liquid asset balances at a level that we believe is sufficient for the Bank to meet its upcoming obligations even through periods of disruption in financial markets, including the COVID-19 pandemic. The size and composition of our liquidity portfolio at any point in time are 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 Bank to take further liquidity protection measures. Please refer to the "Risk Management" section of this document for more details on the Bank'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 (82% 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 15: Liquid assets

($000s, except percentages)	**30-Sep-21**	30-Jun-21	Change	30-Sep-20	Change
Eligible deposits with regulated financial institutions[1]	**636,351**	583,518	9%	1,147,475	(45%)
Debt securities	**51,353**	157,760	(67%)	127,485	(60%)
Debt instruments issued or guaranteed by Government of Canada or provincial governments:					
Investments purchased under reverse repurchase Agreements	**600,007**	100,015	500%	200,008	200%
Loans and investments held in the form of debt securities[2], net of obligations under repurchase Agreements	**1,743,027**	1,972,134	(12%)	1,195,321	46%
Liquid assets held for regulatory purposes	**3,030,738**	2,813,427	8%	2,670,289	13%
Other deposits with regulated financial institutions[3]	**10,150**	8,234	23%	529	1,819%
Equity securities[4]	**146,825**	121,733	21%	103,824	41%
Total liquid assets	**3,187,713**	2,943,394	8%	2,774,642	15%
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**8.8%**	8.7%	0.1%	8.8%	-%
Total liquid assets as a % of total assets	**9.3%**	9.1%	0.2%	9.1%	0.2%

(1) Eligible deposits with regulated financial institutions represents deposits of Bank which are held at major Canadian financial institutions and excludes $37.2 million (June 30, 2021 – $25.9 million, September 30, 2020 – $41.9 million) of restricted cash held as collateral with third parties for the Bank's interest rate swap transactions, issuance of letters of credit, loan servicing activity and banking settlements in the normal course of business and $429.4 million (June 30, 2021 – $481.4 million, September 30, 2020 – $526.1 million) of cash held in trust accounts and deposits held with banks as collateral for the Bank's securitization activities. (2) Loans held in the form of debt securities represent loans securitized and retained by the Bank and are reported in our Loans receivable balances. Investments held in the form of debt securities include MBS securities purchased from third parties and provincial bonds. The investments' reported values represent the fair market values associated with these securities. (3) Other deposits with regulated financial institutions are deposits held by Equitable Group Inc. (4) Equity securities are 82% investment grade publicly traded preferred shares and 18% publicly traded common shares.

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 September 30, 2021, our LCR was well in excess of the regulatory minimum of 100%.

Liquid assets were $3.2 billion at Q3 2021, up $244 million and $413 million from Q2 2021 and Q3 2020, respectively. The current level of liquid assets reflects higher levels of required liquidity as a result of growth in demand deposits, and anticipated cash needs for upcoming quarters.

(1) See Non-GAAP financial measures section of this MD&A.

Deposits

Table 16: Deposit principal

($000s)	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change
Brokered deposits:					
Term	**9,941,469**	9,620,916	3%	10,086,228	(1%)
Demand	**902,515**	675,354	34%	735,306	23%
	10,843,984	10,296,270	5%	10,821,534	0%
EQ Bank deposits:					
Term	**880,053**	1,721,093	(49%)	669,951	31%
Demand	**6,033,917**	4,809,769	25%	3,648,861	65%
	6,913,970	6,530,862	6%	4,318,812	60%
Strategic partnerships	**429,024**	532,451	(19%)	677,813	(37%)
Deposit notes	**1,052,951**	1,053,688	(0%)	554,631	90%
Covered bonds	**518,196**	-	N/A	-	N/A
Total	**19,758,125**	18,413,271	7%	16,372,790	21%

Our deposits provide a reliable and diversified base of funding that can be effectively matched against loan maturities.

Total deposit principal increased $3.4 billion or 21% compared to a year ago and $1.3 billion or 7% from the preceding quarter.

To further advance our funding diversification and cost of funds reduction strategies, we successfully completed our first issuance of a 3-year €350 million legislative covered bonds, listed on the Irish Stock Exchange (Euronext Dublin), on September 16, 2021.

Capital management – Equitable Bank

We believe that Equitable 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 the end of Q3 2021 exceeded regulatory minimums and our target levels. Our CET1 ratio decreased by 70 bps from the preceding quarter and 60 bps over the prior year as growth in risk-weighted assets significantly outpaced capital growth as we deployed our capital organically to grow our assets by $2.1 billion over the quarter and $4.0 billion year-over-year.

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 5.0% at the end of Q3 2021 and the Bank was fully compliant with its regulatory requirements. The Leverage ratio was higher than the prior year due to capital growth, while it was down from last quarter mainly due to asset growth.

As part of our capital management process, we stress test the loan portfolio on a regular basis 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 also run 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 Bank has sufficient capital to absorb potential losses without impairing the viability of the institution and that we would remain profitable in each year of the testing horizon.

Table 17: Capital measures of Equitable Bank

($000s, except percentages)	**30-Sep-21**	30-Jun-21	Change	30-Sep-20	Change
Total risk-weighted assets (RWA)	**12,427,049**	11,461,154	8%	10,179,647	22%
Common Equity Tier 1 Capital:					
Common shares	**217,240**	216,652	0%	214,980	1%
Contributed surplus	**9,364**	9,328	0%	9,337	0%
Retained earnings	**1,577,018**	1,511,782	4%	1,321,847	19%
Accumulated other comprehensive loss (AOCI)[(1)]	**(8,998)**	(16,816)	46%	(24,643)	63%
Less: Regulatory adjustments to Common Equity Tier 1 Capital	**(90,402)**	(73,980)	(22%)	(63,276)	(43%)
Common Equity Tier 1 Capital	**1,704,222**	1,646,966	3%	1,458,245	17%
Additional Tier 1 capital:					
Non-cumulative preferred shares	**72,554**	72,554	-%	72,554	-%
Tier 1 Capital	**1,776,776**	1,719,520	3%	1,530,799	16%
Tier 2 Capital:					
Eligible Stage 1 and 2 allowance	**49,493**	54,244	(9%)	65,418	(24%)
Less: Transitional adjustment in response to COVID-19	**(6,525)**	(8,277)	21%	(17,293)	62%
Tier 2 Capital	**42,968**	45,967	(7%)	48,125	(11%)
Total Capital	**1,819,744**	1,765,487	3%	1,578,924	15%
Capital ratios and Leverage ratio:					
CET1 ratio	**13.7%**	14.4%	(0.7%)	14.3%	(0.6%)
Tier 1 capital ratio	**14.3%**	15.0%	(0.7%)	15.0%	(0.7%)
Total capital ratio	**14.6%**	15.4%	(0.8%)	15.5%	(0.9%)
Leverage ratio	**5.0%**	5.2%	(0.2%)	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.

Accounting policy changes

The Bank's significant accounting policies are essential to an understanding of its reported results of operations and financial position. Accounting policies applied by the Bank in the Q3 2021 interim consolidated financial statements are the same as those applied by the Bank as at and for the year ended December 31, 2020, with the exception of policies adopted as a result of the issuance of covered bonds in the current quarter. 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 judgments, estimates and assumptions that affect the reported amounts of assets, 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 Bank'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 made taking into consideration the economic impact of the COVID-19 pandemic and the spread of the Delta and other variants, 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 and the impact of COVID-19

The expected credit loss (ECL) model requires management to make judgments and estimates in a number of areas. Management must exercise significant experienced credit judgement in determining whether there has been a significant change in credit risk since initial recognition and in estimating the amount of ECL. The measurement of ECL considers the incorporation of forward-looking macroeconomic variables and probability weightings of macroeconomic scenarios, which requires significant judgment.

Management also exercises significant experienced credit judgment in determining the amount of ECLs 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 judgments directly impact the measurement of 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.

Recognizing the continued economic uncertainty the Bank is operating in, management has applied the same probability-weights to the macroeconomic scenarios as at December 31, 2020 and has also exercised its significant experienced credit judgment in determining the amount of the ECL by considering reasonable and supportable information that was not already incorporated in the ECL modelling process.

Refer to Notes 2(d) and 7(d) to (f) to the Q3 2021 interim consolidated financial statements for further discussion.

Off-balance sheet activities

The Bank engages in certain financial transactions that, for accounting purposes, are not recorded on its 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 the Bank makes to fund its pipeline of loan originations, and letters of credit issued in the normal course of business (see Note 22 to the Bank's 2020 annual audited consolidated financial statements in the Bank's 2020 MD&A).

Securitization of financial assets

Certain securitization transactions qualify for derecognition when the Bank 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 totaled $5.7 billion at September 30, 2021 (June 30, 2021 – $5.6 billion, September 30, 2020 – $5.1 billion). The securitization liabilities associated with these transferred assets were approximately $5.8 billion at September 30, 2021 (June 30, 2021 – $5.6 billion, September 30, 2020 – $5.0 billion). The securitization retained interests recorded with respect to certain securitization transactions were $204.8 million at September 30, 2021 (June 30, 2021 – $203.5 million, September 30, 2020 – $171.7 million) and the associated servicing liability was $38.7 million at September 30, 2021 (June 30, 2021 – $39.0 million, September 30, 2020 – $32.6 million).

Commitments and letters of credit

The Bank provides commitments to extend credit to our borrowers. The Bank had outstanding commitments to fund $3.6 billion of loans in the ordinary course of business at September 30, 2021 (June 30, 2021 – $3.5 billion, September 30, 2020 – $2.0 billion).

The Bank also issues letters of credit which represent assurances that it will make payments in the event that a borrower cannot meet its obligations to a third party. Letters of credit in the amount of $46.4 million were outstanding at September 30, 2021 (June 30, 2021 – $44.0 million, September 30, 2020 – $26.1 million), none of which were drawn upon.

Related party transactions

Certain of the Bank's key management personnel have transacted with it and/or invested in its deposits, and/or the Series 3 preferred shares in the ordinary course of business, on market terms and conditions. See Note 23 to the audited consolidated financial statements in the Bank's 2020 Annual Report for further details.

Risk management

The Bank 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 Bank. Many of these risk factors are beyond the Bank's direct control. The Board plays an active role in monitoring the Bank'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 Bank, including risk associated with COVID-19, please refer to the section entitled Risk Management in the Bank's 2020 Annual Report which is available on the Bank's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

Credit risk

Credit risk is defined as the possibility that the Bank will not receive the full value of amounts and recovery costs owed to it if counterparties fail to honour their obligations to the Bank. Credit risk arises principally from the Bank's lending activities and our investment in debt and equity securities. The Bank'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 Bank's investment and lending policies.

The Bank's primary lending business is providing first or insured mortgages on real estate located across Canada. The Bank also provides other forms of secured financing which mainly include cash surrender value loans and 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 Bank invests in corporate bonds to diversify its liquidity holdings and to generate higher returns. These investments also expose the Bank 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 Bank 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 Bank's corporate bond portfolio at September 30, 2021 (December 31, 2020 – 100%, September 30, 2020 – 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 35% or $51 million of the total equity securities portfolio at September 30, 2021, compared to 41% or $43 million a year ago. Preferred share securities rated P-3 or higher comprised 82% of the total equity securities portfolio at the end of Q3 2021.

Table 18: 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

We have assessed the credit quality of the Bank's assets as at September 30, 2021 on the basis of the above mapping of internal and external risk ratings to the credit risk exposure categories.

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

Table 19: Credit quality analysis

($000s)				September 30, 2021
	Stage 1	Stage 2	Stage 3	Total
Loans receivable:				
Low risk	14,327,861	213,567	-	14,541,428
Standard risk	14,474,035	2,043,104	-	16,517,139
High risk	308,816	84,940	-	393,756
Impaired	-	-	74,611	74,611
Total	29,110,712	2,341,611	74,611	31,526,934
Less allowance	(30,972)	(18,290)	(2,649)	(51,911)
	29,079,740	2,323,321	71,962	31,475,023
Loan commitments:				
Low risk	834,931	48	-	834,979
Standard risk	1,117,481	177,961	-	1,295,442
High risk	1,958	42	-	2,000
Total	1,954,370	178,051	-	2,132,421
Less allowance	(205)	(26)	-	(231)
	1,954,165	178,025	-	2,132,190

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, the maturity of covered bonds, 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 and bond 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 Bank may need to take further actions to protect its liquidity position, which may even include curtailing lending activity or drawing on its 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 Bank's profitability or financial condition. Interest rate risk may be affected if an unduly large proportion of the Bank's assets or liabilities have unmatched terms, interest rates or other attributes. For the interest sensitivity position of the Bank as at September 30, 2021, see Note 18 to the interim consolidated financial statements.

The Bank 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 Bank'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 September 30, 2021. 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 20: Net interest income shock

($000s, except percentages)	Increase in interest rates	Decrease in interest rates[1]
100 basis point shift		
Impact on net interest income	**21,796**	**234**
Impact on EVE	**(18,180)**	**(4,506)**
EVE impact as a % of common shareholders' equity	**(1.0%)**	**(0.3%)**
200 basis point shift		
Impact on net interest income	**37,496**	**216**
Impact on EVE	**(44,494)**	**(7,040)**
EVE impact as a % of common shareholders' equity	**(2.5%)**	**(0.4%)**

(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 Bank's securities portfolio due to volatility in financial markets. We mitigate this risk by only investing 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 Bank's debt products and covered bonds 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.

Share information

At November 2, 2021, the Bank had 34,035,204 common shares and 2,929,600 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 1,137,608 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $46.3 million.

Normal course issuer bid (NCIB)

During Q3 2021, Equitable purchased and cancelled 33,300 preferred shares at an average price of $26.31. As at September 30, 2021, Equitable has purchased aggregate preferred shares of 56,300 at an average price of $25.84. No common shares have been purchased and cancelled under the NCIB.

Responsibilities of management and the board of directors

We are responsible for the information disclosed in this MD&A and the accompanying interim consolidated financial statements. The Bank has in place appropriate information systems and procedures to ensure that information used internally by us and disclosed externally is materially complete and reliable.

In addition, the Bank's Audit Committee, on behalf of the Board, performs an oversight role with respect to all public financial disclosures made by the Bank 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 Bank's internal control over financial reporting that occurred during the third quarter of 2021 that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

Non-Generally Accepted Accounting Principles (GAAP) financial measures

We use a variety of financial measures to evaluate the Bank's performance. In addition to GAAP prescribed measures, we use certain non-GAAP measures that it believes provide useful information to investors regarding the Bank'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:

- **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 Bank.

($000s)	**30-Sep-2021**	30-Jun-2021	Change	30-Sep-2020	Change
Total assets on the consolidated balance sheet	**34,425,067**	32,342,253	6%	30,447,086	13%
Loan principal derecognized	**5,746,788**	5,585,644	3%	5,063,740	13%
Assets under management	**40,171,855**	37,927,897	6%	35,510,826	13%

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

($000s, except share and per share amounts)	**30-Sep-2021**	30-Jun-2021	Change	30-Sep-2020	Change
Shareholders' equity	**1,871,278**	1,801,537	4%	1,573,901	19%
Preferred shares	**(71,195)**	(72,001)	(1%)	(72,557)	(2%)
Common shareholders' equity	**1,800,083**	1,729,536	4%	1,501,344	20%
Common shares outstanding	**17,014,633**	16,966,407	0%	16,822,244	1%
Book value per common share	**105.80**	101.94	4%	89.25	19%

- **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 17 of this MD&A.

- **Conventional loans:** are the total on-balance sheet loan principal excluding Prime single family and Insured multi-unit residential mortgages.

- **Dividend yield:** is calculated on an annualized basis and is defined as dividend per common share divided by average of daily closing price per common share for the period.

- **Economic value of shareholders' equity (EVE):** is a calculation of the present value of the Bank'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 Bank's cost structure in terms of revenue generation. This ratio is derived by dividing non-interest expenses by revenue. A lower efficiency ratio reflects a more efficient cost structure.

($000s, except percentages)	For the three months ended					For the nine months ended		
	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change	**30-Sep-21**	30-Sep-20	Change
Non-interest expenses	**67,442**	64,990	4%	53,065	27%	**189,749**	158,712	20%
Revenue	**162,100**	158,774	2%	148,708	9%	**471,044**	404,883	16%
Efficiency ratio	**41.6%**	40.9%	0.7%	35.7%	5.9%	**40.3%**	39.2%	1.1%

- **Liquid assets:** is a measure of the Bank's cash or assets that can be readily converted into cash, which are held for the purposes of funding loans, deposit maturities, and the ability to collect other receivables and settle other obligations. A detailed calculation can be found in Table 15 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 Bank. A detailed calculation can be found in Table 8 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 2 of this MD&A.

- **Operating leverage:** is the growth rate in revenue less the growth rate in non-interest expenses.

- **Pre-provision pre-tax income:** is the difference between revenue and non-interest expenses.

- **Provision for credit losses (PCL) – 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.

($000s, except percentages)	For the three months ended					For the nine months ended		
	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change	**30-Sep-21**	30-Sep-20	Change
Provision for credit losses	**(3,500)**	(1,982)	77%	(2,357)	48%	**(6,254)**	42,177	(115%)
Divided by: average loan principal	**30,462,457**	29,168,947	4%	27,556,438	11%	**29,765,549**	26,998,676	10%
Provision for credit losses – rate	**(0.05%)**	(0.03%)	(0.02%)	(0.03%)	(0.02%)	**(0.03%)**	0.21%	(0.24%)

- **Return on 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.

($000s, except percentages)	For the three months ended					For the nine months ended		
	30-Sep-21	30-Jun-21	Change	30-Sep-20	Change	**30-Sep-21**	30-Sep-20	Change
Net income available to common shareholders	**71,374**	69,690	2%	72,809	(2%)	**209,144**	149,023	40%
Weighted average common equity	**1,764,632**	1,694,570	4%	1,463,953	21%	**1,688,350**	1,448,030	17%
Return on equity	**16.0%**	16.5%	(0.5%)	19.8%	(3.8%)	**16.6%**	13.7%	2.9%

- **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.

- **Revenue per full-time equivalent (FTE):** is calculated as revenue for the period divided by the number of fill-time employees as at the end of that period.

Consolidated balance sheets (unaudited)

($000s) As at	Note	**September 30, 2021**	December 31, 2020	September 30, 2020
Assets:				
Cash and cash equivalents		**646,501**	557,743	1,148,004
Restricted cash		**466,641**	504,039	567,994
Securities purchased under reverse repurchase agreements		**600,007**	450,203	200,008
Investments	6	**829,561**	589,876	554,975
Loans – Personal	7,8	**21,413,300**	19,445,386	18,963,470
Loans – Commercial	7,8	**10,061,492**	8,826,182	8,628,451
Securitization retained interests		**204,820**	184,844	171,736
Other assets	9	**202,745**	188,045	212,448
		34,425,067	30,746,318	30,447,086
Liabilities and Shareholders' Equity				
Liabilities:				
Deposits	10	**19,932,120**	16,585,043	16,603,178
Securitization liabilities	8	**11,195,418**	11,991,964	11,691,653
Obligations under repurchase agreements	8	**804,300**	251,877	154,364
Deferred tax liabilities	11	**70,118**	60,880	55,691
Other liabilities	12	**221,354**	208,852	218,038
Funding facilities	13	**330,479**	-	150,261
		32,553,789	29,098,616	28,873,185
Shareholders' equity:				
Preferred shares	14	**71,195**	72,477	72,557
Common shares	14	**228,645**	218,166	214,657
Contributed surplus	15	**8,272**	8,092	8,245
Retained earnings		**1,578,128**	1,387,919	1,323,855
Accumulated other comprehensive loss		**(14,962)**	(38,952)	(45,413)
		1,871,278	1,647,702	1,573,901
		34,425,067	30,746,318	30,447,086

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of income (unaudited)

($000s, except per share amounts)	Note	Three months ended **September 30, 2021**	September 30, 2020	Nine months ended **September 30, 2021**	September 30, 2020
Interest income:					
Loans – Personal		**165,171**	169,447	**490,591**	523,023
Loans – Commercial		**107,203**	101,859	**311,630**	301,039
Investments		**4,223**	3,569	**10,946**	9,372
Other		**2,209**	3,872	**7,435**	13,039
		278,806	278,747	**820,602**	846,473
Interest expense:					
Deposits		**75,358**	89,658	**229,836**	285,500
Securitization liabilities		**52,269**	59,932	**163,439**	190,255
Funding facilities		**327**	1,726	**670**	4,429
		127,954	151,316	**393,945**	480,184
Net interest income		**150,852**	127,431	**426,657**	366,289
Non-interest income:					
Fees and other income		**5,629**	5,025	**16,802**	16,878
Net gain on loans and investments		**4,569**	4,367	**8,015**	4,489
Gains on securitization activities and income from securitization retained interests	8	**1,050**	11,885	**19,570**	17,227
		11,248	21,277	**44,387**	38,594
Revenue		**162,100**	148,708	**471,044**	404,883
Provision for credit losses		**(3,500)**	(2,357)	**(6,254)**	42,177
Revenue after provision for credit losses		**165,600**	151,065	**477,298**	362,706
Non-interest expenses:					
Compensation and benefits		**33,430**	26,589	**94,799**	79,737
Other		**34,012**	26,476	**94,950**	78,975
		67,442	53,065	**189,749**	158,712
Income before income taxes		**98,158**	98,000	**287,549**	203,994
Income taxes:					
Current		**23,102**	18,927	**65,842**	50,613
Deferred		**2,583**	5,145	**9,239**	1,001
		25,685	24,072	**75,081**	51,614
Net income		**72,473**	73,928	**212,468**	152,380
Dividends on preferred shares		**1,099**	1,119	**3,324**	3,357
Net income available to common shareholders		**71,374**	72,809	**209,144**	149,023
Earnings per share:	16				
Basic		**4.20**	4.33	**12.33**	8.87
Diluted		**4.14**	4.30	**12.15**	8.81

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of comprehensive income (unaudited)

($000s)	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Net income	**72,473**	73,928	**212,468**	152,380
Other comprehensive income – items that will be reclassified subsequently to income:				
Debt instruments at Fair Value through Other Comprehensive Income:				
Net unrealized (losses) gains from change in fair value	**(502)**	1,091	**(3,730)**	4,165
Reclassification of net (gains) losses to income	**(1,264)**	(281)	**54**	(1,300)
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	**1,151**	5,901	**17,253**	(10,768)
	(615)	6,711	**13,577**	(7,903)
Income tax recovery (expense)	**163**	(1,773)	**(3,566)**	2,088
	(452)	4,938	**10,011**	(5,815)
Cash flow hedges:				
Net unrealized gains (losses) from change in fair value	**3,189**	1,770	**19,254**	(31,584)
Reclassification of net (gains) losses to income	**(61)**	418	**(295)**	3,028
	3,128	2,188	**18,959**	(28,556)
Income tax (expense) recovery	**(822)**	(578)	**(4,980)**	7,544
	2,306	1,610	**13,979**	(21,012)
Total other comprehensive income (loss)	**1,854**	6,548	**23,990**	(26,827)
Total comprehensive income	**74,327**	80,476	**236,458**	125,553

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of changes in shareholders' equity (unaudited)

($000s) Three month period ended								September 30, 2021
					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	**72,001**	**224,997**	**8,237**	**1,513,118**	**(8,273)**	**(8,543)**	**(16,816)**	**1,801,537**
Net Income	**-**	**-**	**-**	**72,473**	**-**	**-**	**-**	**72,473**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**2,306**	**(452)**	**1,854**	**1,854**
Exercise of stock options	**-**	**3,060**	**-**	**-**	**-**	**-**	**-**	**3,060**
Purchase of treasury preferred shares	**(806)**	**-**	**-**	**-**	**-**	**-**	**-**	**(806)**
Net loss on cancellation of treasury preferred shares	**-**	**-**	**-**	**(71)**	**-**	**-**	**-**	**(71)**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(1,099)**	**-**	**-**	**-**	**(1,099)**
Common shares	**-**	**-**	**-**	**(6,293)**	**-**	**-**	**-**	**(6,293)**
Stock-based compensation	**-**	**-**	**623**	**-**	**-**	**-**	**-**	**623**
Transfer relating to the exercise of stock options	**-**	**588**	**(588)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**71,195**	**228,645**	**8,272**	**1,578,128**	**(5,967)**	**(8,995)**	**(14,962)**	**1,871,278**
($000s) Three month period ended								September 30, 2020
Balance, beginning of period	72,557	213,701	7,818	1,257,268	(22,381)	(29,580)	(51,961)	1,499,383
Net Income	-	-	-	73,928	-	-	-	73,928
Other comprehensive income, net of tax	-	-	-	-	1,610	4,938	6,548	6,548
Exercise of stock options	-	812	-	-	-	-	-	812
Dividends:								
Preferred shares	-	-	-	(1,119)	-	-	-	(1,119)
Common shares	-	-	-	(6,222)	-	-	-	(6,222)
Stock-based compensation	-	-	571	-	-	-	-	571
Transfer relating to the exercise of stock options	-	144	(144)	-	-	-	-	-
Balance, end of period	72,557	214,657	8,245	1,323,855	(20,771)	(24,642)	(45,413)	1,573,901

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of changes in shareholders' equity (unaudited)

($000s) Nine month period ended								September 30, 2021
					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	**72,477**	**218,166**	**8,092**	**1,387,919**	**(19,943)**	**(19,009)**	**(38,952)**	**1,647,702**
Net Income	**-**	**-**	**-**	**212,468**	**-**	**-**	**-**	**212,468**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**13,979**	**10,011**	**23,990**	**23,990**
Exercise of stock options	**-**	**8,775**	**-**	**-**	**-**	**-**	**-**	**8,775**
Purchase of treasury preferred shares	**(1,282)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,282)**
Net loss on cancellation of treasury preferred shares	**-**	**-**	**-**	**(91)**	**-**	**-**	**-**	**(91)**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(3,324)**	**-**	**-**	**-**	**(3,324)**
Common shares	**-**	**-**	**-**	**(18,844)**	**-**	**-**	**-**	**(18,844)**
Stock-based compensation	**-**	**-**	**1,884**	**-**	**-**	**-**	**-**	**1,884**
Transfer relating to the exercise of stock options	**-**	**1,704**	**(1,704)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**71,195**	**228,645**	**8,272**	**1,578,128**	**(5,964)**	**(8,998)**	**(14,962)**	**1,871,278**
($000s) Nine month period ended								September 30, 2020
Balance, beginning of period	72,557	213,277	6,973	1,193,493	241	(18,827)	(18,586)	1,467,714
Net Income	-	-	-	152,380	-	-	-	152,380
Other comprehensive loss, net of tax	-	-	-	-	(21,012)	(5,815)	(26,827)	(26,827)
Exercise of stock options	-	1,169	-	-	-	-	-	1,169
Dividends:								
Preferred shares	-	-	-	(3,357)	-	-	-	(3,357)
Common shares	-	-	-	(18,661)	-	-	-	(18,661)
Stock-based compensation	-	-	1,483	-	-	-	-	1,483
Transfer relating to the exercise of stock options	-	211	(211)	-	-	-	-	-
Balance, end of period	72,557	214,657	8,245	1,323,855	(20,771)	(24,642)	(45,413)	1,573,901

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of cash flows (unaudited)

($000s)	Three months ended		Nine months ended	
Three and nine month periods ended	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	**72,473**	73,928	**212,468**	152,380
Adjustments for non-cash items in net income:				
Financial instruments at fair value through income	**(5,240)**	(6,191)	**(10,852)**	8,153
Amortization of premiums/discount on investments	**22**	301	**68**	1,758
Amortization of capital assets and intangible costs	**8,555**	5,806	**23,789**	16,541
Provision for credit losses	**(3,500)**	(2,357)	**(6,254)**	42,177
Securitization gains	**(3,084)**	(11,693)	**(15,439)**	(16,976)
Stock-based compensation	**623**	571	**1,884**	1,483
Income taxes	**25,685**	24,072	**75,081**	51,614
Securitization retained interests	**11,395**	18,011	**33,295**	27,009
Changes in operating assets and liabilities:				
Restricted cash	**40,654**	21,052	**37,398**	(105,002)
Securities purchased under reverse repurchase agreements	**(499,992)**	364	**(149,804)**	(49,939)
Loans receivable, net of securitizations	**(1,588,722)**	91,169	**(3,260,888)**	(1,054,112)
Other assets	**(8,276)**	(22,910)	**(3,078)**	(26,900)
Deposits	**1,350,465**	744,324	**3,359,352**	1,148,638
Securitization liabilities	**(284,294)**	500,952	**(792,361)**	979,191
Obligations under repurchase agreements	**603,029**	(444,592)	**552,423**	(352,680)
Funding facilities	**330,479**	(350,113)	**330,479**	150,261
Other liabilities	**3,544**	(31,400)	**15,191**	(17,597)
Income taxes paid	**(10,485)**	(38,991)	**(43,016)**	(76,910)
Cash flows from operating activities	**43,331**	572,303	**359,736**	879,089
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares	**3,060**	812	**8,775**	1,169
Dividends paid on preferred shares	**(1,099)**	(1,119)	**(3,324)**	(3,357)
Dividends paid on common shares	**(6,293)**	(6,222)	**(18,844)**	(18,661)
Cash flows used in financing activities	**(4,332)**	(6,529)	**(13,393)**	(20,849)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	**(189,056)**	(27,563)	**(673,906)**	(297,340)
Proceeds on sale or redemption of investments	**244,963**	36,372	**474,429**	148,598
Net change in Canada Housing Trust re-investment accounts	**(29,530)**	10,796	**(29,619)**	(49,871)
Purchase of capital assets and system development costs	**(10,627)**	(7,063)	**(28,489)**	(20,476)
Cash flows from (used in) investing activities	**15,750**	12,542	**(257,585)**	(219,089)
Net increase in cash and cash equivalents	**54,749**	578,316	**88,758**	639,151
Cash and cash equivalents, beginning of period	**591,752**	569,688	**557,743**	508,853
Cash and cash equivalents, end of period	**646,501**	1,148,004	**646,501**	1,148,004
Cash flows from operating activities include:				
Interest received	**256,184**	278,199	**764,336**	833,558
Interest paid	**(112,378)**	(125,440)	**(386,564)**	(419,163)
Dividends received	**1,198**	4,867	**4,114**	7,943

See accompanying notes to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

($000s, except per share amounts)

Note 1 – Reporting Entity

Equitable Group Inc. (the Bank) was formed on January 1, 2004 as the parent company of its wholly owned subsidiary, Equitable Bank. The Bank 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 personal and commercial customers across Canada.

Note 2 – Basis of Preparation

(a) Statement of compliance

These interim Consolidated Financial Statements of the Bank 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 Bank's 2020 annual audited Consolidated Financial Statements.

These interim Consolidated Financial Statements were approved for issuance by the Bank's Board of Directors (the Board) on November 2, 2021.

(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 Bank and its subsidiaries is Canadian dollars, which is also the presentation currency of the Consolidated Financial Statements.

(d) Use of estimates and accounting judgements 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 judgements utilized in preparing the Bank'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 judgements, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been made taking into consideration the economic impact of the COVID-19 pandemic and the spread of the Delta and other variants, 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 (ECL) model requires management to make judgements and estimates in a number of areas. Management must exercise significant experienced credit judgement in determining whether there has been a significant increase in credit risk since initial recognition and in estimating the amount of ECL. The measurement of ECL considers the incorporation of forward-looking macroeconomic variables and probability weightings of macroeconomic scenarios, which requires significant judgement.

Management also exercises significant experienced credit judgement in determining the amount of 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 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 ECL. Management has used the latest forward-looking macroeconomic variables provided by Moody's Analytics economic forecasting services for calculating ECL.

Please refer to note 7(d).

(e) Consolidation

The interim Consolidated Financial Statements as at and for the nine months ended September 30, 2021 and September 30, 2020 include the assets, liabilities, and results of operations of the Bank and its subsidiaries, after the elimination of intercompany transactions and balances. The Bank 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 Bank in these interim Consolidated Financial Statements are the same as those applied by the Bank as at and for the year ended December 31, 2020 as described in Note 3 of the audited Consolidated Financial Statements in the Bank's 2020 Annual Report. In Q3 2021, the Bank has also adopted the following new accounting policies as a result of a covered bond issuance:

(a) Covered bond

In the normal course of business, the Bank sells uninsured residential loans to a separate guarantor entity i.e. EQB Covered Bond (Legislative) Guarantor Limited Partnership ("Guarantor LP"), established by the Bank exclusively for the Covered Bond Program (the "Program"). The sale of uninsured residential loans under the Program do not qualify for derecognition and are classified as Loans receivable on the Consolidated Balance Sheets and are measured at amortized cost, plus accrued interest, and are reported net of unamortized origination fees, commitment income, premiums or discounts.

These sale transactions are considered secured funding and are recognized under Deposits on the Consolidated Balance Sheets. These deposits are measured at amortized cost, plus accrued interest, and are reported net of any unamortized premiums or discounts and transaction costs incurred in obtaining the secured funding. Interest expense is allocated over the expected term of borrowing by applying the effective interest rate to the carrying amount of the liability.

(b) Derivative financial instruments

Fair value hedges

In Q3 2021, the Bank entered into cross currency interest rate swap agreements to manage interest rate and foreign exchange exposures on fixed rate foreign currency covered bond liabilities. The fair value of these cross currency interest rate swap agreements is included in Other assets and/or Other liabilities with changes in fair value recorded in Interest expense – Deposits. Changes in fair value of the foreign currency covered bond liabilities attributable to the hedged risk, is also included in Interest expense – Deposits. The Bank applies hedge accounting to these derivatives.

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 Bank's 2020 Annual Report.

Note 4 – Risk Management

The Bank, 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 Bank. Many of these risk factors are beyond the Bank's direct control. The use of financial instruments exposes the Bank to credit risk, liquidity risk and market risk. A discussion of the Bank's risk exposures and how it manages those risks can be found in the Risk Management section of the Management's Discussion & Analysis of the Bank's 2020 Annual Report and the 2021 third quarter report.

Note 5 – Financial Instruments

The Bank's business activities result in a Consolidated Balance Sheets that consist primarily of financial instruments. The majority of the Bank'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, funding 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 Fair Value through Other Comprehensive Income (FVOCI) and Fair value through Profit and Loss (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 receivable

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.

Deposit liabilities also include covered bond liabilities and the estimated fair value of these liabilities is determined by discounting expected future contractual cash flows using market interest rates offered for similar terms.

(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 September 30, 2021 and December 31, 2020. The tables do not include assets and liabilities that are not financial instruments.

($000s)						September 30, 2021
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	646,501	646,501	646,501
Restricted cash	-	-	-	466,641	466,641	466,641
Securities purchased under reverse repurchase agreements	-	-	-	600,007	600,007	600,007
Investments	194,268	361,186	95,652	178,455	829,561	829,481
Loans – Personal	-	-	-	21,413,300	21,413,300	21,394,993
Loans – Commercial(1)	104,878	-	-	9,292,428	9,397,306	9,451,427
Securitization retained interests	-	-	-	204,820	204,820	205,227
Other assets:						
Derivative financial instruments(2):						
Interest rate swaps	30,883	-	-	-	30,883	30,883
Total return swaps	9,487	-	-	-	9,487	9,487
Bond forwards	891	-	-	-	891	891
Foreign exchange forwards	2,293	-	-	-	2,293	2,293
Other	-	-	-	8,979	8,979	8,979
Total financial assets	342,700	361,186	95,652	32,811,131	33,610,669	33,646,810
Financial liabilities:						
Deposits	-	-	-	19,932,120	19,932,120	19,959,474
Securitization liabilities	-	-	-	11,195,418	11,195,418	11,314,070
Funding facilities	-	-	-	330,479	330,479	330,479
Obligations under repurchase agreements	-	-	-	804,300	804,300	804,300
Other liabilities:						
Derivative financial instruments(2):						
Interest rate swaps	10,497	-	-	-	10,497	10,497
Total return swaps	7,674	-	-	-	7,674	7,674
Cross-currency interest swaps	5,891	-	-	-	5,891	5,891
Foreign exchange forwards	82	-	-	-	82	82
Loan commitments	95	-	-	-	95	95
Other	-	-	-	174,525	174,525	174,525
Total financial liabilities	24,239	-	-	32,436,842	32,461,081	32,607,087

(1) Loans – Commercial does not include $664,186 (December 31, 2020 - $538,156) 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.

($000s)						December 31, 2020
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	557,743	557,743	557,743
Restricted cash	-	-	-	504,039	504,039	504,039
Securities purchased under reverse repurchase agreements	-	-	-	450,203	450,203	450,203
Investments	152,482	174,646	87,339	175,409	589,876	591,908
Loans – Personal	-	-	-	19,445,386	19,445,386	19,610,189
Loans – Commercial(1)	125,205	-	-	8,162,821	8,288,026	8,438,945
Securitization retained interests	-	-	-	184,844	184,844	189,380
Other assets:						
Derivative financial instruments(2):						
Interest rate swaps	22,081	-	-	-	22,081	22,081
Total return swaps	4,889	-	-	-	4,889	4,889
Other	-	-	-	13,242	13,242	13,242
Total financial assets	304,657	174,646	87,339	29,493,687	30,060,329	30,382,619
Financial liabilities:						
Deposits	-	-	-	16,585,043	16,585,043	16,712,440
Securitization liabilities	-	-	-	11,991,964	11,991,964	12,294,592
Obligations under repurchase agreements	-	-	-	251,877	251,877	251,877
Other liabilities:						
Derivative financial instruments(2):						
Interest rate swaps	30,098	-	-	-	30,098	30,098
Total return swaps	17,192	-	-	-	17,192	17,192
Bond forwards	1,253	-	-	-	1,253	1,253
Foreign exchange forwards	709	-	-	-	709	709
Loan commitments	25	-	-	-	25	25
Other	-	-	-	159,158	159,158	159,158
Total financial liabilities	49,277	-	-	28,988,042	29,037,319	29,467,344

(1) Loans – Commercial does not include $664,186 (December 31, 2020 - $538,156) 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 otherthan 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 theprice 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 hierarchyof all financial instruments, whether or not measured at fair value in the Consolidated Balance Sheets, except for certain financial instruments whose carrying amount always approximates their fair values due to their short-term nature:

($000s) **September 30, 2021**	**Level 1**	**Level 2**	**Level 3**	**Total financial assets/financial liabilities at fair value**
Financial assets:				
Investments	**791,498**	**-**	**37,983**	**829,481**
Loans – Personal	**-**	**-**	**21,394,993**	**21,394,993**
Loans – Commercial	**-**	**104,878**	**9,346,550**	**9,451,427**
Securitization retained interests	**-**	**205,227**	**-**	**205,227**
Other assets:				
Derivative financial instruments(1):				
Interest rate swaps	**-**	**30,883**	**-**	**30,883**
Total return swaps	**-**	**5,669**	**3,817**	**9,487**
Bond forwards	**-**	**891**	**-**	**891**
Foreign exchange forwards	**-**	**2,293**	**-**	**2,293**
Other	**-**	**8,979**	**-**	**8,979**
Total financial assets	**791,498**	**358,820**	**30,783,343**	**31,933,661**
Financial liabilities:				
Deposits	**-**	**19,959,474**	**-**	**19,959,474**
Securitization liabilities	**-**	**10,368,279**	**945,791**	**11,314,070**
Funding facilities	**-**	**330,479**	**-**	**330,479**
Other liabilities:				
Derivative financial instruments(1):				
Interest rate swaps	**-**	**10,497**	**-**	**10,497**
Total return swaps	**-**	**-**	**7,674**	**7,674**
Cross-currency interest swaps	**-**	**5,891**	**-**	**5,891**
Foreign exchange forwards	**-**	**82**	**-**	**82**
Loan Commitments	**-**	**-**	**95**	**95**
Other	**-**	**174,525**	**-**	**174,525**
Total financial liabilities	**-**	**30,849,227**	**953,560**	**31,802,787**

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

($000s) December 31, 2020	Level 1	Level 2	Level 3	Total financial assets/financial liabilities at fair value
Financial assets:				
Investments	577,636	-	14,272	591,908
Loans – Personal	-	-	19,610,189	19,610,189
Loans – Commercial	-	125,205	8,313,740	8,438,945
Securitization retained interests	-	189,380	-	189,380
Other assets:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	22,081	-	22,081
Total return swaps	-	4,605	284	4,889
Other	-	13,242	-	13,242
Total financial assets	577,636	354,513	27,938,485	28,870,634
Financial liabilities:				
Deposits	-	16,712,440	-	16,712,440
Securitization liabilities	-	11,607,776	686,816	12,294,592
Other liabilities:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	30,098	-	30,098
Total return swaps	-	-	17,192	17,192
Bond forwards	-	1,253	-	1,253
Foreign exchange forwards	-	709	-	709
Loan Commitments	-	-	25	25
Other	-	159,158	-	159,158
Total financial liabilities	-	28,511,434	704,033	29,215,467

(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:

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
Equity securities measured at FVOCI	**95,652**	87,339	81,516
Equity securities measured at FVTPL	**26,940**	1,165	1,119
Debt securities measured at FVOCI	**361,186**	174,646	174,362
Debt securities measured at FVTPL	**167,328**	151,317	148,048
Debt securities measured at AMC	**178,455**	175,409	149,930
	829,561	589,876	554,975

The Bank 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 September 30, 2021, the Bank earned dividends of $3,246 (September 30, 2020 − $3,474) on these Equity securities. During the period, the Bank redeemed Equity securities of $8,855 (September 30, 2020 − $nil) and did not recognize any gains or losses (September 30, 2020 − $nil) in Retained earnings.

As at September 30, 2021 the Bank had a commitment to invest $20,763 (September 30, 2020 − $12,227) in certain investment securities measured at FVTPL.

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

($000s)	**September 30, 2021**	September 30, 2020
Equity securities measured at FVOCI	**17,253**	(10,768)
Equity securities measured at FVTPL	**1,250**	(2,702)
Debt securities measured at FVOCI	**(3,675)**	2,865
Debt securities measured at FVTPL	**6,400**	4,829

Note 7 – Loans Receivable

(a) Loans receivable

($000s)						**September 30, 2021**
	Gross amount	**Allowance for credit losses**				
		Stage 1	**Stage 2**	**Stage 3**	**Total**	**Net amount**
Loans – Personal	**21,426,223**	**8,962**	**3,287**	**674**	**12,923**	**21,413,300**
Loans – Commercial	**10,100,711**	**22,215**	**15,029**	**1,975**	**39,219**	**10,061,492**
	31,526,934	**31,177**	**18,316**	**2,649**	**52,142**	**31,474,792**

($000s)						December 31, 2020
	Gross amount	Allowance for credit losses				
		Stage 1	Stage 2	Stage 3	Total	Net amount
Loans – Personal	19,465,192	13,228	4,893	1,685	19,806	19,445,386
Loans – Commercial	8,872,553	22,632	21,880	1,859	46,371	8,826,182
	28,337,745	35,860	26,773	3,544	66,177	28,271,568

($000s)						September 30, 2020
	Gross amount	Allowance for credit losses				
		Stage 1	Stage 2	Stage 3	Total	Net amount
Loans – Personal	18,984,251	11,375	7,708	1,698	20,781	18,963,470
Loans – Commercial	8,676,997	23,179	23,156	2,211	48,546	8,628,451
	27,661,248	34,554	30,864	3,909	69,327	27,591,921

As at September 30, 2021, 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 September 30, 2021, the carrying value of these loans was $103,827 (December 31, 2020 – $59,415, September 30, 2020 – $57,955) and included fair value adjustment of ($718) (December 31, 2020 – $43, September 30, 2020 – $38).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in Non- interest income in the Consolidated Statements of Income. As at September 30, 2021, the carrying amount of these loans was $1,050 (December 31, 2020 – $65,789, September 30, 2020 – $71,067) and included fair value adjustment of ($12) (December 31, 2020 – $21, September 30, 2020 – $119).

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

($000s)	**September 30, 2021**	September 30, 2020
Net (losses) gains in fair values for loans measured at FVTPL included in gains on securitization activities	**(761)**	764
Net losses in fair values for loans measured at FVTPL and recognized in net loss on loans and investments	**(43)**	(380)

Loans – Commercial include loans of $467,806 (December 31, 2020 – $230,989, September 30, 2020 – $196,424) invested in certain asset-backed structured entities. The Bank holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. The Bank 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 Bank does not control these structured entities and has not consolidated them.

Loans – Commercial also include the Bank's net investment in finance leases of $664,186 (December 31, 2020 – $538,156, September 30, 2020 – $519,136).

At September 30, 2021, the Bank had commitments to fund a total of $3,629,097 (December 31, 2020 − $2,547,278, September 30, 2020 – $2,017,460) loans in the ordinary course of business.

(b) Impaired and past due loans

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

($000s)		**September 30,2021**		December 31, 2020	September 30, 2020
	Gross[(1)]	**Allowance for credit losses**	**Net**	Net	Net
Loans – Personal	**25,803**	**674**	**25,129**	61,018	43,760
Loans – Commercial – Conventional and Insured	**25,900**	**966**	**24,934**	30,208	19,071
Loans – Commercial – Finance Leases	**22,908**	**1009**	**21,899**	26,778	28,131
	74,611	**2,649**	**71,962**	118,004	90,962

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

($000s)				**September 30, 2021**
	30 − 59 days	**60 − 89 days**	**90 days or more**	**Total**
Loans – Personal	**27,143**	**7,123**	**-**	**34,266**
Loans – Commercial – Conventional and Insured	**26,936**	**11,871**	**-**	**38,807**
Loans – Commercial – Finance Leases	**6,844**	**2,350**	**-**	**9,194**
	60,923	**21,344**	**-**	**82,267**

($000s)				December 31, 2020
	30 − 59 days	60 − 89 days	90 days or more	Total
Loans – Personal	97,657	29,776	-	127,433
Loans – Commercial – Conventional and Insured	11,014	1,764	-	12,778
Loans – Commercial – Finance Leases	9,142	4,505	-	13,647
	117,813	36,045	-	153,858

($000s)				September 30, 2020
	30 − 59 days	60 − 89 days	90 days or more	Total
Loans – Personal	83,366	17,982	-	101,348
Loans – Commercial – Conventional and Insured	671	4,145	-	4,816
Loans – Commercial – Finance Leases	10,246	3,301	-	13,547
	94,283	25,428	-	119,711

(1) Gross balances include loans amounting to $6,788 (December 31, 2020 − $8,873, September 30, 2020 – $9,551) that are insured.

(c) Allowance for credit losses

($000s)				September 30, 2021
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	35,860	26,773	3,544	66,177
Provision for credit losses:				
Transfers to (from) Stage 1	8,350	(6,819)	(1,531)	-
Transfers to (from) Stage 2	(2,684)	3,366	(682)	-
Transfers to (from) Stage 3	(47)	(778)	825	-
Re-measurement[(1)]	(14,947)	(3,081)	8,274	(9,754)
Originations	5,421	-	-	5,421
Discharges	(776)	(1,145)	-	(1,921)
Write-off	-	-	(7,182)	(7,182)
Realized losses	-	-	(627)	(627)
Recoveries	-	-	28	28
Balance, end of period	31,177	18,316	2,649	52,142

($000s)				September 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	8,734	(7,898)	(836)	-
Transfers to (from) Stage 2	(8,253)	8,732	(479)	-
Transfers to (from) Stage 3	(54)	(1,614)	1,668	-
Re-measurement[(1)]	6,559	21,376	8,251	36,186
Originations	8,397	-	-	8,397
Discharges	(882)	(1,524)	-	(2,406)
Write-off	-	-	(8,126)	(8,126)
Realized losses	-	-	(1,664)	(1,664)
Recoveries	-	-	33	33
Balance, end of period	34,554	30,864	3,909	69,327

(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 $231 (September 30, 2020 – $133).

(d) Key inputs, assumptions and model techniques

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

- Transfers between stages, due to significant changes in credit risk;
- Changes in forward-looking macroeconomic variables, 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 judgement which could have a significant impact on the level of ACL recognized. The inputs and models used for calculating ECL may not always capture all market characteristics. Qualitative adjustments or overlays may be made by management for certain portfolios as temporary adjustments in circumstances.

In considering the assumptions for calculating ECL, the Bank has also considered the significant uncertainty COVID-19 and the Delta variant has brought to current economic conditions and outlook. The Bank has applied experienced creditjudgement, including consideration of government's assistance programs in the assessment of underling credit deterioration and migration of balances to progressive stages. Utilization of a payment deferral program was not necessarily considered an immediate trigger for a loan to migrate to a progressive stage.

(e) Forward-looking macroeconomic scenarios

The Bank subscribes to Moody's Analytics economic forecasting services and leverages its forward-looking macroeconomic information to model ECL. The Bank considers five macroeconomic scenarios: a base-case scenario, one upside and three downside scenarios. Each macroeconomic scenario is assigned a probability weighting, with the base-case scenario receiving the highest weight. The probability-weighted macroeconomic scenarios are incorporated into both measurement of 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 ECL on performing loans:

										September 30, 2021
	Base-Case Scenario		**Upside Scenario**		**Downside Scenarios**					
					Scenario 1		**Scenario 2**		**Scenario 3**	
	Next 12 months	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**
Unemployment rate (%)	**7.4**	**6.4**	**6.9**	**5.4**	**7.9**	**7.0**	**8.5**	**8.1**	**9.2**	**9.6**
Real GDP growth rate (%)	**5.8**	**2.7**	**8.5**	**3.1**	**3.4**	**2.7**	**0.8**	**2.7**	**(5.3)**	**2.6**
Home Price Index growth rate (%)	**6.6**	**0.7**	**8.1**	**2.2**	**6.0**	**0.0**	**2.4**	**(1.0)**	**(0.9)**	**(3.6)**
Commercial Property Index growth rate (%)	**6.7**	**1.9**	**7.9**	**2.8**	**5.3**	**1.6**	**0.7**	**0.9**	**(3.8)**	**(0.9)**
Household income growth rate (%)	**(0.7)**	**0.3**	**2.2**	**1.2**	**(3.2)**	**(0.0)**	**(4.5)**	**(0.5)**	**(7.0)**	**(1.9)**

December 31, 2020										
	Base-Case Scenario		Upside Scenario		Downside Scenarios					
					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 (%)	8.9	7.2	8.4	6.7	9.2	7.9	10.5	9.2	11.3	10.9
Real GDP growth rate (%)	4.1	3.3	6.9	3.5	2.6	2.9	(1.0)	3.3	(6.9)	3.7
Home Price Index growth rate (%)	2.5	2.8	3.5	4.0	2.0	2.5	(1.6)	1.4	(4.9)	(1.2)
Commercial Property Index growth rate (%)	7.6	4.1	10.1	4.8	6.0	3.9	(0.3)	3.9	(5.0)	1.7
Household income growth rate (%)	(1.2)	0.5	0.4	1.4	(1.6)	(0.5)	(2.5)	(1.0)	(4.3)	(2.3)

September 30, 2020										
	Base-Case Scenario		Upside Scenario		Downside Scenarios					
					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 (%)	9.6	7.3	8.9	6.7	9.9	7.9	12.1	9.3	13.0	11.2
Real GDP growth rate (%)	0.6	3.5	3.6	3.5	(0.3)	3.1	(5.2)	3.9	(11.3)	5.0
Home Price Index growth rate (%)	(3.5)	2.9	(2.6)	3.4	(4.4)	2.6	(7.1)	2.2	(8.9)	1.3
Commercial Property Index growth rate (%)	(3.7)	5.1	(0.3)	5.5	(6.1)	5.2	(14.5)	6.2	(20.5)	4.7
Household income growth rate (%)	(6.7)	1.8	(5.4)	2.5	(7.2)	1.0	(9.5)	0.7	(11.6)	(0.1)

(f) Sensitivity of allowance for credit losses

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

Impact of probability-weighting on ACL

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

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
ACL – Five probability-weighted macroeconomic scenarios (actual)	**49,493**	62,633	65,418
ACL – Base-case scenario only	**45,299**	57,898	58,880
ACL – Downside scenario 3 only	**89,723**	106,351	119,852
Difference – Actual versus base-case scenario only	**4,194**	4,735	6,538
Difference – Actual versus downside scenario 3 only	**(40,230)**	(43,718)	(54,434)

Impact of staging on ACL

The following table illustrates the impact of staging on the Bank's ACL by comparing the allowance if allperforming loans were in Stage 1, with other assumptions held constant, to the actual ACL recorded:

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
ACL – Loans in Stage 1 and Stage 2 (actual)	**49,493**	62,633	65,418
ACL – Assuming all loans in Stage 1	**46,770**	59,395	60,547
Lifetime ACL impact	**2,723**	3,238	4,871

Note 8 – Derecognition of Financial Assets

In the normal course of business, the Bank 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 Bank's continuing involvement. The Bank transfers its financial assets through its securitization activities and sale of assets under repurchase agreements. For further details, refer to Note 10 to the audited Consolidated Financial Statements in the Bank's 2020 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:

($000s)	**September 30, 2021**		December 31, 2020		September 30, 2020	
	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	**11,229,716**	**804,300**	11,991,675	251,877	11,679,535	154,364
Carrying amount of associated liability	**11,195,418**	**804,300**	11,991,964	251,877	11,691,653	154,364
Carrying value, net position	**34,298**	**-**	(289)	-	(12,118)	-
Fair value of assets	**11,277,119**	**804,300**	12,222,074	251,877	11,935,211	154,364
Fair value of associated liability	**11,314,070**	**804,300**	12,294,592	251,877	12,012,777	154,364
Fair value, net position	**(36,951)**	**-**	(72,518)	-	(77,566)	-

The carrying amount of assets includes $5,505 (December 31, 2020 – $39,760, September 30, 2020 – $57,914) of the Bank's net investment in finance leases that were securitized and not derecognized. The carrying value of associated liability includes $4,305 (December 31, 2020 – $32,634, September 30, 2020 – $45,538) of liabilities pertaining to finance leases securitized.

The Bank's outstanding securitization liabilities are as follows:

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
Securitization principal	**11,217,472**	12,013,975	11,705,017
Deferred net discount and issuance costs	**(46,122)**	(42,174)	(43,059)
Accrued interest	**24,068**	20,163	29,695
	11,195,418	11,991,964	11,691,653

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

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

($000s)	**September 30, 2021**	September 30, 2020
Loans securitized and sold	**980,803**	833,266
Carrying value of Securitization retained interests	**53,272**	59,736
Carrying value of Securitized loan servicing liability	**10,528**	10,663
Gains on loans securitized and sold	**15,439**	16,976
Income from securitization activities and retained interests	**4,131**	251

Note 9 – Other Assets

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
Intangible assets	**89,950**	71,198	67,823
Goodwill	**16,944**	16,944	16,944
Prepaid expenses and other	**14,372**	14,162	8,820
Property and equipment	**13,349**	15,324	15,915
Receivable relating to securitization activities	**13,122**	18,108	43,033
Right-of-use assets	**8,314**	10,708	11,984
Accrued interest and dividends on non-loan assets	**3,140**	3,709	4,306
Real estate owned	**-**	863	197
Income taxes receivable	**-**	10,059	13,626
Deferred cost – Contingent liquidity facility	**-**	-	201
Derivative financial instruments:			
Interest rate swaps	**30,883**	22,081	25,808
Total return swaps	**9,487**	4,889	2,491
Foreign exchange forwards	**2,293**	-	309
Bond forwards	**891**	-	991
	202,745	188,045	212,448

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

The Bank 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:

($000s)	**September 30, 2021**	September 30, 2020
Carrying amount of right-of-use assets	**8,314**	11,984
Depreciation charge for right-of-use assets	**2,505**	1,821
Cash outflows for lease liabilities	**2,246**	2,305
Interest expense on lease liabilities	**391**	548

In 2021 the Bank entered into an early termination agreement for some of its leased office premises located in Toronto. These leases were scheduled to expire in December 2025, but will now be early terminated in March 2023. As a result of the early termination, the Bank recognized $110 of right-of-use assets, derecognized $148 of related right-of-use liabilities and recognized a gain of $258 in the Consolidated Statements of Income for the nine months period ended September 30, 2021.

Note 10 – Deposits

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
Term and other deposits	**19,758,125**	16,376,011	16,372,790
Accrued interest	**203,720**	235,260	256,381
Deferred deposit agent commissions	**(29,725)**	(26,228)	(25,993)
	19,932,120	16,585,043	16,603,178

Deposits also include $521,387 (December 31, 2020 – $nil, September 30, 2020 – $nil) of funding from the covered bond program. These funding are secured against $801,225 (December 31, 2020 – $nil, September 30, 2020 – $nil) of Loans – Personal.

Note 11 – Income Taxes

(a) Income tax provision:

($000s)	**September 30, 2021**	September 30, 2020
Current tax expense:	**65,842**	50,613
Deferred tax expense:		
Reversal of temporary differences	**8,814**	2,278
Adjustments for prior years	**446**	(1,235)
Changes in tax rates	**(21)**	(42)
	9,239	1,001
Total income tax expense	**75,081**	51,614

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:

($000s)	**September 30, 2021**	September 30, 2020
Canadian statutory income tax rate	**26.2%**	26.4%
Increase (decrease) resulting from:		
Tax-exempt income	**(0.4%)**	(1.0%)
Non-deductible expenses and other	**0.3%**	(0.1%)
Effective income tax rate	**26.1%**	25.3%

(b) Deferred tax liabilities:

Net deferred income tax liabilities are comprised of:

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
Deferred income tax assets:			
Tax losses	**352**	7,455	17,962
Allowance for credit losses	**9,058**	11,452	11,596
Other	**6,838**	2,606	3,091
Net loan fees	**2,667**	372	-
Share issue expenses	**3**	5	29
	18,918	21,890	32,678
Deferred income tax liabilities:			
Securitization activities	**56,423**	51,249	47,861
Leasing activities	**16,663**	19,257	28,586
Deposit agent commissions	**6,461**	6,143	6,423
Intangible costs	**7,301**	3,300	1,525
Net origination fees	**-**	-	397
Other	**2,188**	2,821	3,577
	89,036	82,770	88,369
Net deferred income tax liabilities	**70,118**	60,880	55,691

Note 12 – Other Liabilities

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
Accounts payable and accrued liabilities	**114,958**	68,605	98,783
Securitized loan servicing liability	**38,673**	35,060	32,631
Income taxes payable	**21,487**	-	-
Loan realty taxes	**12,727**	43,546	18,308
Right-of-use liabilities	**9,236**	12,363	13,964
Loan commitments	**95**	26	-
Unearned revenue	**33**	-	-
Derivative financial instruments:			
Interest rate swaps	**16,389**	30,098	35,026
Total return swaps	**7,674**	17,192	19,194
Foreign exchange forwards	**82**	709	-
Bond forwards	**-**	1,253	132
	221,354	208,852	218,038

Note 13 – Funding Facilities

(a) Operating credit facility:

On March 31, 2021, the Bank terminated its $35,000 credit facility with a major Schedule I Canadian bank. The facility was secured by a portion of the Bank's investments in equity securities. There was no outstanding balance on this facility as at December 31, 2020 and as at September 30, 2020.

(b) Secured funding facilities:

The Bank has two credit facilities totaling $700,000 with major Schedule I Canadian banks to finance insured residential loans prior to securitization. The Bank also has access to several contingent liquidity programs sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility, Emergency Lending Assistance program, and Contingent Term Repo Facility. As at September 30, 2021, the Bank had an outstanding balance of $330,479 (December 31, 2020 – $nil, September 30, 2020 – $150,261) on these facilities.

Note 14 – Shareholder's Equity

Normal course issuer bid (NCIB):

On December 21, 2020, the Bank announced that the Toronto Stock Exchange had approved a NCIB pursuant to which the Bank may repurchase for cancellation up to 1,144,245 of its common shares and 297,250 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. The Bank only intends to purchase a maximum of 630,000 common shares under the terms of the NCIB. The actual number of preferred shares purchased under the NCIB and the timing of any such purchases will be at the Bank's discretion. During the nine months ended September 30, 2021, the Bank repurchased and cancelled 53,000 Series 3 – 5-year rate reset preferred shares (December 31, 2020 – 3,300, September 30, 2020 – nil) at a volume weighted average price of $25.90 (December 31, 2020 – 24.91, September 30, 2020 – nil). No common shares have been purchased and cancelled under the NCIB.

Note 15 – Stock-based Compensation

(a) Stock-based compensation plan:

Under the Bank'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 September 30, 2021, the maximum number of common shares available for issuance under the plan was 2,000,000. The outstanding options expire on various dates to September 2028. A summary of the Bank's stock option activity and related information for the periods ended September 30, 2021 and September 30, 2020 is as follows:

($000s, except share, per share and stock option amounts)		**September 30, 2021**		September 30, 2020
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**616,324**	**67.32**	577,012	60.75
Granted	**111,460**	**138.12**	105,556	90.41
Exercised	**(140,559)**	**62.43**	(24,651)	47.39
Forfeited/cancelled	**(15,452)**	**102.21**	(3,151)	78.10
Outstanding, end of period	**571,773**	**81.38**	654,766	65.95
Exercisable, end of period	**300,079**	**63.28**	387,618	59.89

Under the fair value-based method of accounting for stock options, the Bank has recorded compensation expense in the amount of $1,884 (September 30, 2020 – $1,483) 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 September 30, 2021 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

(Percentages, except per share amount and number of years)	**September 30, 2021**	September 30, 2020
Risk-free rate	**0.5%**	1.4%
Expected option life (years)	**4.8**	4.8
Expected volatility	**35.1%**	27.2%
Expected dividends	**2.0%**	1.8%
Weighted average fair value of each option granted	**34.37**	18.79

(b) Other stock based plans:

The Bank has an Employee share purchase (ESP) plan, a Restricted share unit (RSU and PSU) plan for eligible employees, and a Deferred share unit (DSU) plan for Directors. For details on the plans, refer to Note 19 to the audited Consolidated Financial Statements in the Bank's 2020 Annual Report.

Under the DSU plan, the activity for the periods ended September 30, 2021 and September 30, 2020 is as follows:

	September 30, 2021	September 30, 2020
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	**68,219**	54,237
Granted	**5,951**	11,732
Dividend reinvested	**523**	1,031
Outstanding, end of period	**74,693**	67,000

The liability associated with DSUs outstanding as at September 30, 2021 was $11,025 (September 30, 2020 – $5,067). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the three months ended September 30, 2021 amounted to $920 (September 30, 2020 – $772).

Under the Bank's RSU and PSU plan, the activity for the periods ended September 30, 2021 and September 30, 2020 is as follows:

	September 30, 2021	September 30, 2020
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of period	**84,008**	86,335
Granted	**29,412**	37,068
Dividend reinvested	**897**	2,031
Vested and paid out	**(2,079)**	(4,848)
Forfeited/cancelled	**(7,172)**	(5,339)
Outstanding, end of period	**105,066**	115,247

The liability associated with RSUs and PSUs outstanding as at September 30, 2021 was $9,473 (September 30, 2020 – $4,994). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the nine months ended September 30, 2021 amounted to $846 (September 30, 2020 – $2,684).

Note 16 – 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 dilutioneffect of stock options using the treasury stock method.

($000s, except share, per share and stock option amounts)	**September 30, 2021**	September 30, 2020
Earnings per common share – basic:		
Net income	**212,468**	152,380
Dividends on preferred shares	**3,324**	3,357
Net income available to common shareholders	**209,144**	149,023
Weighted average basic number of common shares outstanding	**16,956,287**	16,806,741
Earnings per common share – basic	**12.33**	8.87
Earnings per common share – diluted:		
Net income available to common shareholders	**209,144**	149,023
Weighted average basic number of common shares outstanding	**16,956,287**	16,806,741
Adjustment to weighted average number of common shares outstanding:		
Stock options	**250,786**	113,438
Weighted average diluted number of common shares outstanding	**17,207,073**	16,920,179
Earnings per common share – diluted	**12.15**	8.81

For the period ended September 30, 2021, the calculation of the diluted earnings per share excluded 83,984 (September 30, 2020 – 155,915) average options outstanding with a weighted average exercise price of $137.84 (September 30, 2020 – $81.54) as the exercise price of these options was greater than the average price of the Bank's common shares.

Note 17 – Capital Management

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

The Bank's CET1 Ratio was 13.7% as at September 30, 2021, while Tier 1 Capital and Total Capital Ratios were 14.3% and 14.6% respectively. The Bank's Capital Ratios at September 30, 2021 exceeded the regulatory minimums.

Equitable Bank maintains a Capital Management Policy and an ICAAP 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:

($000s)	**September 30, 2021**	December 31, 2020	September 30, 2020
Common Equity Tier 1 Capital ("CET1"):			
Common shares	**217,240**	215,536	214,980
Contributed surplus	**9,364**	9,184	9,337
Retained earnings	**1,577,018**	1,386,197	1,321,847
Accumulated other comprehensive loss[1]	**(8,998)**	(19,009)	(24,643)
Less: Regulatory adjustments	**(90,402)**	(66,448)	(63,276)
Common Equity Tier 1 Capital	**1,704,222**	1,525,460	1,458,245
Additional Tier 1 Capital:			
Non-cumulative preferred shares	**72,554**	72,554	72,554
Tier 1 Capital	**1,776,776**	1,598,014	1,530,799
Tier 2 Capital:			
Eligible stage 1 and 2 allowance	**49,493**	62,633	65,418
Less: Regulatory adjustments	**(6,525)**	(15,873)	(17,293)
Tier 2 Capital	**42,968**	46,760	48,125
Total Capital	**1,819,744**	1,644,774	1,578,924

(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 is excluded.

Note 18 – Interest Rate Sensitivity

The following table shows the Bank's position with regard to interest rate sensitivity of assets, liabilities and equity on thedate of the earlier of contractual maturity or re-pricing date, as at September 30, 2021.

($000s, except percentages)								**September 30, 2021**
	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**
Total assets	**6,788,387**	**2,787,590**	**6,757,290**	**16,333,267**	**16,283,237**	**1,174,057**	**634,506**	**34,425,067**
Total liabilities and shareholders' equity	**-**	**(13,660,426)**	**(4,994,913)**	**(18,655,339)**	**(12,420,461)**	**(962,107)**	**(2,387,160)**	**(34,425,067)**
Off-balance sheet items[3]	**-**	**3,250,194**	**(895,210)**	**2,354,984**	**(2,593,435)**	**238,451**	**-**	**-**
Interest rate sensitivity gap	**6,788,387**	**(7,622,642)**	**867,167**	**32,912**	**1,269,341**	**450,401**	**(1,752,654)**	**-**
Cumulative gap[2]	**6,788,387**	**(834,255)**	**32,912**	**32,912**	**1,302,253**	**1,752,654**	**-**	**-**
Cumulative gap as a percentage of total assets	**19.72%**	**(2.42%)**	**0.10%**	**0.10%**	**3.78%**	**5.09%**	**-%**	**-%**

($000s, except percentages)								December 31, 2020
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total
Cumulative gap[2][3]	6,348,204	(5,579,154)	(226,988)	542,062	704,313	372,520	(1,618,895)	-
Cumulative gap as a percentage of total assets	20.65%	(2.50%)	1.76%	1.76%	4.05%	5.27%	-%	-%

($000s, except percentages)								September 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
Cumulative gap[2][3]	6,938,639	445,758	(177,865)	(177,865)	1,121,579	1,583,461	-	-
Cumulative gap as a percentage of total assets	22.79%	1.46%	(0.58%)	(0.58%)	3.68%	5.20%	-%	-%

(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 Bank's interest rate swaps, hedges on funded assets, as well as loan rate commitments that are not specifically hedged. Loan rate commitments that are specifically hedged, along with their respective hedges, are assumed to substantially offset.

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Preferred Shares: EQB.PR.C

Quarterly Conference Call and Webcast
Wednesday, November 3, 2021, 8:30 a.m. EST
Live: 416.764.8609
Replay: 416.764.8677
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More comprehensive investor information including supplemental financial reports, quarterly news releases, and investor presentations is available in the Investor Relations at www.equitablebank.ca

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